



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

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Pàrlamaid na h-Alba

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ECONOMY, JOBS AND FAIR WORK COMMITTEE
13th Meeting 2017, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Jackie Baillie (Dumbarton) (Lab)
*Bill Bowman (North East Scotland) (Con)
*Ash Denham (Edinburgh Eastern) (SNP)
*Richard Leonard (Central Scotland) (Lab)
*Dean Lockhart (Mid Scotland and Fife) (Con)
Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Gillian Martin (Aberdeenshire East) (SNP)
*Gil Paterson (Clydebank and Milngavie) (SNP)
Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor David Bell (University of Stirling)
Charles Cotton (Chartered Institute of Personnel and Development)
Emma Gibbs (McKinsey & Company)
Maggie Morrison (Scottish Chambers of Commerce)
Dr Tanya Wilson (University of Stirling)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 25 April 2017

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome to the 13th meeting in 2017 of the Economy, Jobs and Fair Work Committee. I have received apologies from Gordon MacDonald and Andy Wightman. I ask everyone present to turn their electrical devices to silent, or to turn off any that might interfere with the sound system.

The first agenda item is to ask the committee to decide whether to take item 4 in private. Is that agreed?

Members *indicated agreement.*

Gender Pay Gap

09:31

The Convener: I welcome today's first panel of witnesses for our gender pay gap inquiry. Emma Gibbs is a partner in McKinsey & Company, Dr Tanya Wilson is an early career fellow at the University of Stirling, and Professor David Bell is a professor of economics at the University of Stirling. We will start with a question from Gillian Martin. I remind members to keep their questions succinct and to the point, and I ask the witnesses to try to do likewise with their answers.

Gillian Martin (Aberdeenshire East) (SNP): My question is specifically for Emma Gibbs, about the report that McKinsey published last year, in which you modelled a best-in-UK scenario. You had three different scenarios. Could you take us through how they were modelled, and how you arrived at assumptions relating specifically to Scotland?

Emma Gibbs (McKinsey & Company): The model looks at the contribution that women make to the economy in three dimensions: first, their participation rate in the labour market; secondly, the number of hours that they work; and thirdly, the sectors that they work in. We used, largely, Office for National Statistics data to populate the model, and we used projections from Oxford Economics for our gross domestic product projections. We looked at the regions using the NUTS—nomenclature of territorial units for statistics—classification. There are 12 regions—Scotland is one of them. We also looked at sectors of the economy based on the 19 subsectors that the ONS reports against.

The first scenario that we modelled was the business-as-usual case. We simply took the Oxford Economics projections, looked at historical labour participation rates for women, the hours that they worked and the sector contributions, and asked what women's contribution to the economy would be were the pace of change to continue as it has been for the past decade.

We then looked at the full-parity scenario, in which we assume that in 2025 women will be equal to men in that they will be participating in the economy at the same rate, working the same number of hours, and represented equally in the 19 subsectors. We did not take into account any differences in the sorts of work that women might do in those sectors; we simply considered individuals in those sectors making equal contributions to productivity and, therefore, to the economy.

Somewhere between those two is the best-in-UK scenario, in which we said that we are not sure

whether it is realistic to assume that we will reach full parity in 10 years, so we examined the best rate of improvement in the United Kingdom at regional level. In respect of labour participation, we asked what has been the fastest course of improvement during the past 10 years and assumed that every region could improve at the same rate. We did not say that we should assume that all regions can get to the same level—we thought that that was unrealistic, given the low base for some regions—but we said that we should assume that the pace can be equal. We then did the same for working hours and for movements in women's contribution to the subsectors. That is how we arrived at the best-in-UK scenario, and the figure of £150 billion in 2025.

We have assumed that every region in the UK can improve at the fastest rate at which a region has improved during the past 10 years and that men's and women's economic contributions to individual sectors are the same. We did not assume that men's participation in the economy or contribution to GDP would reduce as women came in. We looked at how women's participation has changed over the past 10 years. Because we were projecting a similar level of increase for women's participation, we thought that it was a safe assumption that men's participation would not be affected by women moving into the economy.

We did not look at the demand side of the economy; we looked only at the supply side. We considered what would happen if more workers could be put into the economy—assuming that the economy could absorb those workers and grow as a result. We think that that was a relatively safe assumption, because the UK has a number of skills shortages, many of which are in sectors in which women are underrepresented.

We did not take into account the economic contribution that women make through unpaid work. That would be an interesting study for somebody else to do, but we looked at GDP and it does not include unpaid work.

We made a number of assumptions, but that was a sound approach to take that came up with what we think is a reasonably realistic figure of £150 billion, if we are able to change at a pace that is similar to what the best regions have managed in the past 10 years.

Gillian Martin: You are, in effect, making a realistic economic case based on what is happening in one particular scenario. I will jump briefly across to the other study—my colleagues want to come in. That study did not yield the same result. I note that it says that there is no clear economic case.

Professor David Bell (University of Stirling): Our study does not say that things could not

change. We focused on what had changed and why we thought that it had changed in relation to pay, in particular. We did not say much about participation; our principal focus was on what has happened to pay.

Gillian Martin: I have one more thing to ask before I hand over to my colleagues. Emma Gibbs said that the best-in-UK model did not account for types of work, so there is no analysis of the impact of automation or of future technological innovations.

Emma Gibbs: Those were included, to the extent that Oxford Economics included such things in its underlying projections. We have not assumed any additional change in sector productivity, nor have we assumed any change in the nature of the work that men and women do. We simply said, for example, that another person being put into the agricultural sector would add X per cent to production. We did not do any additional thinking about the impact of technology, beyond what Oxford Economics might have done in its base projections. However, we note that women are already quite prevalent in a number of sectors that are least susceptible to technological replacement and automation. That might also be an interesting area to think about.

John Mason (Glasgow Shettleston) (SNP): I will follow on from points that Gillian Martin raised. If I understood Emma Gibbs correctly, she said that women moving into sectors that are male dominated at the moment would give addition. My thinking is that it is obvious that if 10 women were to move out of childcare to run a big engineering company, for example, 10 men would move out of the engineering company into childcare, so there would be no effect on the economy. Is that a logical assumption?

Emma Gibbs: We believe that there is room for more people to go into productive sectors because there is such a skills shortage in those sectors. Some engineering institutions project a shortage of 1 million people in engineering over the next 10 years. Women are particularly underrepresented in engineering. In that case, you can see that many more women could be added to a highly productive sector, such as engineering, without that necessarily displacing men.

John Mason: Okay, but that would leave a shortage in childcare.

Emma Gibbs: It would leave a shortage, unless we also assume that women would participate more in the economy, which was part of our assumption. It is about more women joining the economy, working more hours and moving into more productive sectors.

John Mason: Would there be a knock-on effect? You said that there would not be a

difference in productivity, but would there be a positive impact on low pay in the care sector? If there was a shortage of staff in that sector, would it be forced to increase pay?

Emma Gibbs: Under our best-in-UK scenario, we believe that 840,000 jobs could be added for women. We are talking about adding jobs rather than just shifting people around. We are not talking about shifting people out of a sector to the detriment of that sector, but about adding women to more productive sectors, to the extent that that is possible.

It is worth saying that, without doing anything about sectors, two thirds of the £150 million benefit can be achieved simply by increasing women's participation in the workforce and increasing by 30 minutes per day the hours that they work. We are not suggesting that we just move the deckchairs around; we are talking about putting more women into the economy. We believe that there is an opportunity to increase the size of the economy through more women participating, especially in the more productive sectors in which there are skills shortages, and through women moving into managerial positions, in which there are also skills shortages.

We did not look in any fashion at the impact on pay; we looked only at GDP.

John Mason: Okay. Maybe I can switch the question to Dr Wilson and Professor Bell. If the argument is correct and we have all those spare hours that we can put into engineering, the care sector would just be left the same and would still have low pay and be dominated by women. Is there an answer to that?

Professor Bell: I will start, and Tanya Wilson can follow. We tell our students of labour economics about the "lump of labour" fallacy, which is the idea that there is a set number of jobs in the economy. The economy just does not work like that. If we move a group of people from one sector to another, it is not necessarily the case that the result of that will be that the level of demand for jobs in the economy will stay the same: there will be multiplier effects. Because the additional workers will come in at higher levels of productivity, they will spend more, which will create more opportunities for jobs in the future. It is not right to think of it as just swapping different parts of the economy.

Dr Tanya Wilson (University of Stirling): In terms of childcare, we see participation by women falling during the prime childbearing years. As part of the survey, individuals have been asked why they are not working or are not working full time; childcare duties seem to be an important part of the reason why. Encouraging women to participate in labour would push up demand for childcare.

That should command a premium on prices—that is, in the wages that the workers in the childcare sector would receive.

John Mason: That was helpful. Thank you.

09:45

Gil Paterson (Clydebank and Milngavie) (SNP): My question might relate to the issue that has just been discussed. Page 26 of the University of Stirling submission says that people's wages and salaries on labour market entry seem to be fairly similar, but a gap develops over a 10-year period. Section 6.2 of the submission says that that is caused by age, but I wonder whether that is the case. Might that gap be caused by interruptions? In some businesses, people who are time served enjoy a better salary, no matter what their gender is. However, some people have interrupted working lives because of pregnancy and other responsibilities, such as taking care of a family or overseeing children's schooling. Is there any evidence on that issue?

Dr Wilson: There are two aspects to the labour market experience. There is experience in the labour market, regardless of the job that someone does, whereby the expectation is that the longer someone works, the better and more productive they will get, which will command a wage premium. However, as you rightly said, the longer someone is with a specific firm, the more valuable they become to that firm, which means that their wages increase accordingly.

We find in the data that, at the point of labour market entry, the wages of men and women are pretty much equal and the gender pay gap is negligible. We first see the gender pay gap emerging within the first 10 years of labour market experience. However, the big widening occurs during what we would call the child-bearing ages, particularly because, as you said, if someone interrupts their career to look after children, they will have missed out on extra years of labour market experience when they return.

Professor Bell: A typical pattern is absence from the labour market for a couple of years and then a part-time return to work. One of the bits of evidence on that is that part-time females get paid more than part-time males. That is partly because part-time females are better qualified. The question is whether the decision to take part-time work is voluntary or is forced on women by circumstances such as the absence of affordable childcare. That seems to us to be a critical nexus for that decision.

Emma Gibbs: We agree. We examined gender equality indicators in the workforce and in society and found that, as a woman in the UK moves through her life, the indicators get worse. Women

start off relatively equal but things appear to get harder as they move through their careers. By the time they become mothers, if they choose to become mothers, many indicators get much tougher, including the number of unpaid hours that they work compared with their male counterparts.

A piece of research shows that, for every year a skilled mother takes out of the paid workforce to do unpaid childcare, her pay has a lasting reduction of 4 per cent. That suggests that there is a penalty for taking time out. Therefore, one of the big recommendations that we make to businesses and all employers—we talk about it in our report—is that they should help women and men to share childcare responsibilities and leave periods so that, when they return to work and come back into their career tracks, they do not suffer any penalty.

Gil Paterson: Is the pay reduction based on the gap that is created in training, which leads to a failure to keep up with changes that have taken place in a workplace, or is it down to the time-served component, which means that people miss pay rises for a number of years? Do you have any evidence on that?

Emma Gibbs: I would need to get back to you on that. I do not know whether the other guys have looked at that.

Dr Wilson: There is an argument that, while someone is on a career break, their skills depreciate. Because they are interrupting their career, it is possible that they are not keeping up to date with the newest technology. What seems not to be recognised is that, although someone is taking time out of the workplace, they may be acquiring other skills that could enhance their career. There does not seem to be a premium for other skills that can be developed during that period.

The fact that someone may not be keeping up to date with the skills that are required in the workplace feeds into Gil Paterson's argument that the reduction in time served in a firm is important. It suggests that there should be return-to-work training programmes after a career interruption, so that the individual who comes back is not missing any skills. Such training could be quite helpful in addressing the skills deficit.

Gillian Martin: I have a short supplementary question. It is not just when women take career breaks in their 30s in order to have children that the gap widens; women who are aged over 50 also face a widening pay gap. The gap is not just from taking time out to have children. Have you analysed why the gap is widening even further for women who are aged over 50?

Professor Bell: The gap opens and does not close, and it may widen further. It is quite subtle, but there is a distinction between age and cohort

effects. Although the pay gap may be wider for those who are currently aged 50, the gap that we see when people enter the labour market is much smaller. Our analysis shows that the pay gap is much larger for those who are aged 35 to 55. We have some difficulty in figuring out whether that gap will exist in 20 years' time or whether the gap that is relatively small now will move along with the people who are aged 30, say, as they become more mature. In the labour market, the effect of the general pressure to reduce the gender pay gap should mean that, in 20 years' time, the gap for those who are aged 50 will not be as big as it currently is. However, it is almost impossible to figure out from the data whether that will be the case.

Dr Wilson: Approximately 30 years ago, the educational attainment gap reversed. Among cohorts aged 50 and above, men's educational attainment is higher, on average, than women's, whereas for cohorts aged 50 and below, the reverse is the case. That complicates the matter further, because the widening pay gap for those aged 50 and above may be partly due to differences in education that will no longer exist as younger cohorts age through the system. It is difficult to disentangle those two factors.

Gillian Martin: It is not because women have not got the education that the gender pay gap exists; it exists because of other factors—things that happen to women in the workplace. Female graduates drop off at points during their careers.

Professor Bell: Our analysis tries to get specifically at that issue. We take into account differences in education and experience. The bit that is left unexplained by those differences must be due to some form of discrimination or some unexplained component in the difference between men's and women's pay.

You are absolutely right that the educational gap has gone in favour of women; on average, women are better qualified. We mentioned a qualification to that in our submission, which is about subject choice. Tanya Wilson also talked about experience. Our evidence shows that, although men typically used to have more experience with the company that they were working in, that does not seem to be the case so much in Scotland now.

Pretty much all the stuff that we can explain about wage differences now is either in favour of women or neutral, with the big exception of subjects and occupational choice, which is another issue that we should probably come back to. What is left is the component of the pay difference that is difficult to explain, and one might say that that part could be explained by discrimination.

Bill Bowman (North East Scotland) (Con): I have a couple of questions. The first is a standard

one that we put to all our panels. I will just read it out so that I do not get it wrong, although I have asked it often enough. It is:

“Does the panel believe we have a defined set of agreed statistics on female economic activity in Scotland and on the pay gap?”

I do not know whether the fact that Professor Bell has just put his head in his hands is an answer.

My second question is about what correlation, if any, there has been between the narrowing of the gender pay gap in Scotland and economic growth over the past decade.

Professor Bell: On the statistics, we have many ways to calibrate men’s and women’s pay. There are two main sources for that. We used one for the analysis that is in our submission and there is another—the annual survey of hours and earnings—that is an employers’ side view of how much people are paid.

There are arguments about which set of statistics to use. Should it be the hourly pay gap, the weekly pay gap, the annual pay gap or the lifetime difference in earnings? All of those give slightly, or in some cases significantly, different answers. That is partly because, if we take lifetime earnings, the career gap that may have occurred will increase the overall difference between men’s and women’s pay, and things such as pension contributions should be added in to get an idea of the overall difference.

We have not come down in favour of any particular set of statistics, because they suit different purposes. It is interesting that the Organisation for Economic Co-operation and Development uses full-time weekly pay, so that can be used to compare Scotland with other countries. That is the one for which the OECD has done the work on the calculation.

Another thing about the statistics—we made this point in our submission—is that, as Kuznets said, to measure the overall activity in the economy, we should measure the activity of businesses, government and households. We can make a reasonably good go of measuring the activity of businesses and we can make a bit of a go of the public sector and government. We add those two together and call them GDP. However, we make no real effort to value the contribution towards overall economic wellbeing that activity in households makes, which is inherently difficult to do. There is a pretty stark contrast between having a meal in the home and having a meal in a restaurant, in that the latter contributes to GDP and the former does not. That is just how national income accounting works.

10:00

Dr Wilson: I will go into the technicalities of how to compare the statistics that are used to compare the pay of men and women. Ideally, we would like to compare the remuneration for equal amounts of work done. Some might think that that would best be captured by hourly pay, but many people are not paid by the hour, so they do not report their hourly pay. Instead, they give their weekly, monthly or annual pay, which might be an accurate figure or might be an estimate, and they estimate the number of hours that they work in a given week.

Dividing an estimate by an estimate is an incredibly imprecise statistical construct. The measure that we can get from, for example, the Office for National Statistics labour force survey on hourly pay can be shown to be very imprecise compared with, for instance, the ASHE data that uses administrative data. Most people only estimate the hours that they report working in a given week. For example, I would say that I work 40 hours a week, but that fluctuates between 38 and 43 hours in any given week.

Emma Gibbs: I have nothing to add to what the other two witnesses said.

Dr Wilson: There is a debate about which measure is the most appropriate to use. We use weekly wages in our analysis, given that people are more likely to accurately report how many weeks they worked. Alternatively, they can tell us that they worked all year, which means that they worked the full 52 weeks. That somewhat reduces the bias in the statistics that are reported.

Professor Bell: It has been argued that the distinction between part time and full time is fairly arbitrary, which is probably true. We did not say anything in our submission about pay differences that depend on the contracts that people have—for example, zero-hours, temporary or full-time contracts. There might be differences in the gender pay gap according to the type of contract that is on offer. People’s decisions about whether to apply for jobs for which such contracts are on offer influence whether employers pay well or badly so, if zero-hours contracts are not very popular, employers will find that they have to pay more per hour to attract people to jobs with such contracts.

Bill Bowman: Thank you for those comments. What about my question on the narrowing of the gender pay gap in Scotland and the growth in GDP?

Professor Bell: The dominant issue in the past 10 years has been the great recession, as it is called. The gap has narrowed marginally, but it is still quite large. That is mainly because men have done pretty badly.

Scotland is a bit distinctive from other parts of the country in that, in the past 10 years, there has been jobs growth. We have a record high level of employment in Scotland, but much of the growth has been in part-time jobs. It is much more heavily weighted towards part-time jobs than the position south of the border, where many of the jobs that have been created have been full-time jobs. Growth in part-time jobs may have helped women in particular—I do not know the answer to that—but, overall, there has been a marginal narrowing. That is largely because men have done fairly badly; their real pay was lower in 2016 than it was in 2008.

Bill Bowman: Does Emma Gibbs want to say something?

Emma Gibbs: We did not examine whether there was a correlation between the gender pay gap and GDP.

Bill Bowman: I will ask you a separate question, then. Your report has been widely commented on and quoted in the Parliament. Have there been any academic or professional criticisms or critiques of your methodology, processes or results that you believe have any merit?

Emma Gibbs: As part of our McKinsey Global Institute, we have academic advisers who help us with the methodology. I would be happy to share their names afterwards—I do not know them off the top of my head.

Bill Bowman: I was referring more to people outwith your grouping.

Emma Gibbs: Our academic advisers have considered our modelling thoroughly. We have had academic advisers from Harvard business school and economists largely from the US. We have also had a number from the UK who specialise in gender economics and have given us substantial feedback on the methodology that we used. We have not had large amounts of criticism outside that process, but we have engaged with the academic community to ensure that we have a robust model that stands up to academic scrutiny.

Bill Bowman: Are you updating your model or does it stand as it is?

Emma Gibbs: It stands as it is for the moment. Whether we will update it depends on our research programme. We do not have any plans so far.

Dean Lockhart (Mid Scotland and Fife) (Con): Good morning. My question has largely been covered so I will ask about a number of different policy areas.

The evidence that we have heard today suggests that the gender pay gap cuts across a

number of policy areas: education, social issues, the economy and public or private sector childcare. Other countries also experience the gender pay gap, however. What best practice have they adopted in policy or measures to address it? The University of Stirling's evidence considers the Norway approach to quotas and suggests that it has not been massively effective. What best practice have the witnesses seen in other countries?

Dr Wilson: The Norway approach, which has been emulated in a number of other countries, is to mandate that a certain percentage of corporate board members be women. Because that was implemented a good 10 years ago, the policy has been evaluated. It has been shown robustly that, because it was mandatory, the policy was effective in increasing the diversity on corporate boards in terms of not only gender, but age and experience. That is seen to be very positive, but there were no trickle-down effects. That is, there was no increase in female representation in courses or even at different management levels throughout big companies.

Professor Bell: We also looked at what happened in Sweden and compared that with the position in the UK and the United States of America, which are characterised by very free labour markets and fairly low regulation. We have seen the pay gap narrow for both those countries, but, interestingly, in Sweden, where the gap is much less, it does not seem to have changed all that much in recent years. Sweden has a lot of very progressive policies on women's access to the labour market, but there was nonetheless a finding, similar to that we have been describing for Scotland, that having children has an important effect on subsequent levels of pay. That is one of the other exemplars that we have.

Emma Gibbs: We looked at seven different areas to see how gender participation in the economy could be improved: women in leadership; women in science, technology, engineering and mathematics; childcare and unpaid care work; women in entrepreneurship; women in politics; violence against women; and social attitudes. Particularly in women in leadership, we tended to look at individual company practices rather than differences between countries. If it is of interest to the committee, I will pick out a couple of areas in which we looked at where the UK differed from other countries.

Women in STEM is a really interesting area, in that an awful lot of women in the UK study medicine and biological sciences, but a very small number of them study subjects such as computer science and engineering. That is quite unique in Europe. The UK does a lot worse than Europe,

because girls here drop out of STEM subjects much earlier than they do in other countries. In that area, there are potentially things to learn from our European colleagues.

Women in entrepreneurship is an area in which the UK has been doing reasonably well—we are ranked fifth in the world on the Dell global women entrepreneur leaders scale—but there are still things that we could learn. For example, if we were able to match the rate of women in entrepreneurship that exists in the United States, the UK could experience quite a substantial economic uplift. There are things that we could learn from the US too, particularly around that area.

The other panellists have spoken a bit about childcare. What we note on that is that, in the UK, 33 per cent of incomes go on childcare, compared with an OECD average of 13 per cent. In Scotland, it is a little bit less than 33 per cent, but not far behind. There are things in other countries that the UK could perhaps look at, such as encouraging equality of both parental care and parental leave and also on what can be done to make childcare more affordable for parents—not just for women.

John Mason: I want to follow up Dean Lockhart's point, especially as regards Sweden. I have to say that, when I read the University of Stirling's submission, I was quite surprised to see that, for the UK and the US, the pay gap figure is about 17 per cent, while the comparable figure for Sweden is about 14 per cent. The submission says:

"Women are concentrated in fewer occupations than men. This partly stems from gender-biased selection of school subjects."

Again, I am surprised. I thought that in Sweden everybody was equal and choosing the same subjects, but clearly they are not. Have you looked at that?

Dr Wilson: We have not looked at that for Sweden, but we did for Scotland. That follows from Emma Gibbs's point. In Scotland, we see that representation in STEM higher, for instance, is broadly equal until we drill down into individual subject choices. I was very surprised to find that in mathematics, for instance, the balance is approximately 50:50. Young women are, however, heavily overrepresented in biology, whereas boys are much more likely to do physics. Given that those are potentially facilitating subjects for university degree courses, that leads to more young men taking engineering at university. In one way, the subject choices that young people aged 15 make at school can channel them into different career choices.

10:15

Professor Bell: I guess that that raises the question whether we should allow a choice out of STEM entirely at a certain level in school. That could perhaps be looked at.

Emma Gibbs: It is important to say that the issue is not that girls are not good at STEM subjects. This is an English statistic rather than a Scottish one, so I apologise for that, but half of boys with an A* in physics at GCSE will go on to do it at A level, whereas only a fifth of girls will. The reason why girls do not go on to do physics in further education is not because they do not get an A*, but because they choose not to. The girl guides did some interesting research that showed that 80 per cent of girls say that they have no STEM role models and that 30 per cent expect that they will experience sexism in a STEM career, so why should they choose those subjects? There is definitely something to be done much earlier than the workplace to address girls' choices.

Dr Wilson: There is also the question of when those preferences are formed by girls, which is prior to making those choices. One great idea is to make Lego bricks in pink to encourage small children to make things. That might have an impact on children going into engineering. What I mean by that is that we need to make subjects more female friendly. Until relatively recently, many economics textbooks were written with the sort of examples involving Fred going to his local store. That has changed in the past five to 10 years. There are ways for certain subjects to be taught in a manner that is more accessible for young girls and more likely to pique their interest.

The Convener: Would that apply the other way round as well? I visited an organisation called Men in Childcare, and the feedback that we received was basically that the issue is not so much that there is a difficulty with men finding jobs in that area; it is more that there is a lack of men coming forward to do that. There are very few male role models in, for example, early years or nursery education. Does that point apply both ways, rather than just to women?

Professor Bell: Yes, it certainly could. The Royal Society of Edinburgh has tried hard to ensure that there are female scientist role models out there communicating with educational establishments. Men certainly choose not to enter certain occupations, probably for the same reasons, and a lack of role models is possibly one of those. There are also very few men in the care sector.

Gil Paterson: I have a follow-up to that question. I need to declare an interest, in that I have a 16-year-old girl who is studying for her

highers. Who fills the pipeline? Is it the school, the young person or the parents?

Dr Wilson: That is an absolutely great question. I have looked into that and was pleasantly surprised by the number of programmes that are available to help young people to choose the subjects that they will do. However, those programmes seem to be based in the various educational institutions, so in primary and secondary school, and then in the universities, which do a lot of outreach. By the time that young people make their choices about their highers, their preferences have potentially already formed, so that work needs to be done at a younger age. That might be in primary school or it might involve parents.

Professor Bell: Teachers are really important role models, and training them so that they are clear about the opportunities that are available given the choices that pupils might make seems to me to be another policy that could be looked at.

Emma Gibbs: There is also something about broader society and the depiction of women and men in the media. How often do we see women experts—or male experts on childcare—speaking in the media, for example?

Going back to the convener's question, I note that, in an interesting piece of survey research from the Fawcett Society, 76 per cent of girls and 59 per cent of boys said that they would be interested in working in a non-traditional work sector if they were given the opportunity. That suggests that the issue is equally relevant to boys and girls. People cannot be what they cannot see, so the visibility of role models in schools, among parents and more broadly in the media is really important.

Ash Denham (Edinburgh Eastern) (SNP): I was going to ask about the unexplained component and also about STEM, but we have covered those two areas, so I will move on.

When women with high levels of education and experience return to work after a break, they often opt to work part time and probably below their skill and experience level. Can we put a figure on the amount that is lost to the economy due to women persistently working below their skills and experience?

Dr Wilson: I believe that the other written evidence talks about that, but I am not sure whether a figure is assigned to it. That is not something that we specifically looked at. However, the point is made that, when women return after a career break, they often take jobs that do not use their full talents. That implies that there is a brain drain, so to speak, and that there is an untapped resource that could be used.

We have a graph that looks at the reasons why individuals work part time, and the overwhelming reason is that they choose to do that. However, the choice might be determined not at an individual level but at a household level, and it might be socially conditioned. It might just be, for whatever reason, easier for one partner to return to the labour force full time and for the other partner to work part time. Historically, and this continues to be the case, it has generally been the mother who returns part time.

Professor Bell: There are subtle things to do with education and experience that we cannot pick up, but we make a point in our paper about commuting. The evidence suggests that women are probably less willing to do a long commute, which limits the jobs that are available to them, and that will have consequences for pay and so on. The decision about the commute is almost certainly related to caring for children or other social responsibilities that they are taking on, which, as Tanya Wilson said, is a household decision.

Emma Gibbs: I will make a couple of points that might help with the question. The Institute for Public Policy Research has estimated that, if 300,000 more mothers with children under five worked, it could raise an extra £1.5 billion in tax revenue. That was the only estimate that we came across.

The point about women's or families' choices is well made. Twenty nine per cent of women report that returning to work post a baby is financially unviable, and when we have women earning less than men, it becomes a reasonably sensible economic decision for a household to have the woman forgo paid work if the family cannot afford to pay for childcare with both parents going out to work.

Jackie Baillie (Dumbarton) (Lab): Professor Bell touched on this in response to Bill Bowman, but I wonder whether I could tease it out a little bit further. The reduction in the gender pay gap in Scotland is largely down to a decline in male earnings. Is that true for the rest of the UK? If it is true for the rest of the UK, is the gap in Scotland closing by more than that in the rest of the UK as a result of an increased decline in male earnings, or is there something else going on?

Professor Bell: That question requires me to go into the recesses of my memory.

Jackie Baillie: Take your time.

Professor Bell: One thing to say is that the gender pay gap in Scotland is somewhat less than in the UK as a whole. I put that down principally to the fact that, particularly among males, there are far fewer very high earners. The very high earners affect the mean, and a lot of comparisons are

done using the mean. Another factor that we point out in the paper is the difference in the size of the public sector. I do not think that it is massively larger in Scotland, but it is somewhat larger. It is slightly better paid—it used to be quite a lot better paid—and there is a concentration of women in public sector jobs. That is another explanation for the difference in the gender pay gap between Scotland and England. Public sector pay having been held back on both sides of the border is probably fairly neutral in terms of the gender pay gap. Our evidence shows a slight closing.

Dr Wilson: We have seen that the difference between female wages in Scotland and in the rest of the UK is 6 per cent in favour of Scottish women, compared with women in the rest of the UK, whereas men in Scotland, according to the latest figures, are paid around 2 per cent less than men in the rest of the UK. Not only is the gender gap slightly smaller in Scotland, but women in particular seem to be faring better in Scotland compared with the rest of the UK.

Professor Bell: The thing about men's earnings is particularly to do with the lack of very high earners.

Jackie Baillie: Does Emma Gibbs want to add anything?

Emma Gibbs: I do not have anything to add. We did not look at that particular issue.

Jackie Baillie: Can I put two scenarios to you? The latest published quarterly GDP figures showed negative growth, and some commentators have described them as showing that we are on the brink of a recession. Do you see the pay gap closing as a result of that, given that there is likely to be further depression, certainly in male earnings? Conversely, if the economy grows, do you foresee the perverse outcome of the pay gap widening? I am curious as to how you would model those two scenarios.

Professor Bell: A principal cause of the slowing of the Scottish economy relative to that in the rest of the UK over the past three or four years is the decline in the oil industry, which is a massively male-oriented industry. As a result of that, you would probably expect the pay gap to narrow, so in those circumstances the economy slowing would result in a smaller pay gap.

Another sector that is probably doing less well is the financial services sector. I am not quite sure what effect that will have on the gender pay gap, because that sector is much more gender balanced. However, I suspect that, at the higher levels, it is still a male-dominated industry. Does that help?

10:30

Jackie Baillie: Yes, but I suppose that the point that I am driving at is that closing the pay gap in the context of a slowdown in the economy is not necessarily a good thing, as the economy overall is suffering. The trick for us as policymakers is to close the pay gap in the context of a growing economy, which is what we all want to achieve.

Professor Bell: Yes.

Emma Gibbs: In many ways, that is the angle that we are coming from: rather than looking at how the economy grows and how that impacts men and women, we need to look at how we can use women's increased participation in the economy to help the economy to grow by putting more skilled workers into the parts of the economy where there are skills shortages.

Richard Leonard (Central Scotland) (Lab): I will follow-up Jackie Baillie's line of inquiry. In the public sector, we have had pay guidelines for as long as I can remember. I wonder whether, at the bottom end, where the introduction of a living wage has been accommodated, that has played a part in closing the gap among working people. Therefore, my first question is: what more can be done with the design of public sector pay guidelines to improve further on closing the gap?

My second question is a matter that comes up explicitly in Tanya Wilson and David Bell's paper about the Scottish business pledge. Of course, the pledge is a voluntary mechanism, but it contains—I think this is the expression that you use—"moral suasion", which takes me back to my days at the University of Stirling. If there were a tougher regime or conditionality attached to help from Scottish Enterprise, access to regional selective assistance or inclusion in public procurement, would there be scope to use that as a lever to try to put pressure on the private sector to close the gender pay gap?

Professor Bell: Just on that last point, I thought that the Scottish Government was making some assistance conditional on meeting the business pledge.

The point about public procurement is interesting, and that area might well emerge after the first part of the Brexit deal is done and the trade negotiations are in full swing, as public procurement will probably be one of the areas that will be looked at in any trade deals that we do with, for example, the States or Canada. A question might arise about what power to influence the shape of public procurement exists post-Brexit.

Emma Gibbs: On the public procurement point, we looked at the impact that Government preference for small and medium-sized

enterprises had on increasing the number of SMEs that take part in public tenders and whatnot. Is there an opportunity to encourage more women entrepreneurs and women-led SMEs through guidelines related to public procurement? That could be quite an interesting matter to consider.

On encouraging progress in the private sector, in our report we talk a lot about the need for targets—which might be set by the companies themselves—and public reporting against them. There is something powerful about companies saying what they are going to do and being transparent in tracking against that, partly to ensure that they are making progress but partly because it focuses the mind on what is working, measuring that and increasing investment in those areas, rather than just carrying on with lots of little activities that might not be working but which allow companies to say that they are doing a lot. The Davies report had a target for the number of women on boards, which had quite a big impact in shifting the number of women on boards. There is a role for setting such targets and reporting against them.

On Richard Leonard's question about the public sector, our research notes that the public sector is one of the few sectors in the UK economy in which women are well represented throughout the pipeline of seniority. In many respects, we are looking to see what the public sector has done that the rest of the economy could learn from in relation to bringing a lot of women into the pipeline, keeping them in the pipe and progressing them to senior levels.

The public sector has been very good on flexible working schemes, not just introducing them, but ensuring that people take up such opportunities and do not face a penalty for doing so, and that men and women can take them up equally, so that flexible working becomes not another penalty for women but rather something that both sexes can benefit from and enjoy. There is very good progress in helping people with breaks from work, returning to work and so on. There is a lot that the rest of the economy could learn from the public sector.

Dr Wilson: From April 2018, legislation will require large firms with more than 250 employees to report each year on a number of statistics in respect of pay, including the gender pay gap at the mean and the median, bonus payments and the ratio of males and females receiving bonuses.

As Emma Gibbs said, it is great that statistics are available, there is greater transparency and targets are being set, but those are the statistics that firms are required to provide; there is a case for saying that we should look at the gender pay gap not just at the mean and the median but at different career points—at entry level, in mid-

management and in upper management—to ensure that pay equality is achieved throughout career progression.

We also need to make the policies transparent to ensure that promotion from entry level to mid-management level is broadly equal for men and women. Those types of policies—which do not require legislation but can be done through the Scottish business pledge, for instance, or another voluntary scheme—might gain traction in making substantial improvements.

Richard Leonard: That is a very optimistic view, with transparency as the disinfectant that will flush out all the inequalities. We shall wait and see.

Would it be possible for Emma Gibbs to share some examples with us? The evidence that we have heard this morning suggests that there is an issue around women taking time off for maternity reasons and returning part time with lower wages and less access to career opportunities. If you have harvested examples in the public sector, it would be useful for this committee to see them.

Emma Gibbs: We looked at the national health service in detail; I would be happy to share that information with the committee later rather than wading through it all now. We also have good examples of bold steps that private sector organisations have taken, particularly in STEM. A couple of big firms have taken some really good steps to improve, not just by getting women into the bottom of the pipe but by progressing them all the way through the pipe. I would be happy to share those examples with you outside the committee.

Gillian Martin: Has any analysis been done of those examples to look at the effect of such policies on, for example, profit-making companies' bottom line—they might have improved their bottom line? We are finding it difficult to come up with examples of such improvements in order to make a business case, which is important to encourage other businesses to take such measures voluntarily.

Emma Gibbs: Absolutely—the committee will not be surprised to hear that we look at that aspect quite a lot, because our clients are interested in it. Our most recent research was published in our "Diversity Matters" report, which was released in 2015 or at the beginning of 2016. In it, we looked at Europe, the US and the UK. In the UK, we see that, with a 10 per cent increase in gender diversity on an executive board, there is a statistically significant correlation, with an uplift of earnings before interest and taxation of 3.5 per cent.

Previous research that we have done has shown a correlation between increased diversity

on boards and in senior management teams and total return to shareholders. In this research, we were able to demonstrate a statistically significant increase in earnings before interest and tax when the diversity of the executive board was increased.

That is really compelling evidence, and I would be happy to share a copy of the research with the committee. It was not just a global figure; it was specifically for the UK—we can prove it for the UK.

Dr Wilson: Certain research on Norway's approach, about which I spoke earlier, examined the profitability of firms after the quota was introduced. It showed that there was no significant impact on firm profitability or market share—so there was no large improvement, but there was definitely no adverse effect from diversifying the corporate board.

Emma Gibbs: It is also worth making a distinction between the executive committee and the board. We often talk about the board and we have made an awful lot of progress there, particularly through the Davies report. At the moment, 25 per cent of board members in the UK are women. For executive committees, the figure is 17 per cent, so the figure for them is lower. In our research for "Diversity Matters", we saw a stronger correlation between financial performance and women being on the executive committee than between it and women being on the board. There is plenty of other research—not necessarily in Norway but in Europe—that shows a correlation between having more women on the board and better financial performance, but we have seen that in particular in respect of executive committees.

Gillian Martin: The board is only one aspect of a company. Do you consider the profitability of a company in which mechanisms have been put in place to encourage diversity throughout the organisation?

Emma Gibbs: For "Diversity Matters", we considered executive committees and the top leadership. Across the sample, we examined about 5,000 different leaders across organisations—I can share the research with you afterwards. We did not penetrate all the way down through organisations, because we were examining publicly available data and a lot of the data further down is not available.

However, in our "Women Matter" research, which I can share with you, we have survey data of organisations that are implementing lots of different initiatives and we consider how many women they have in their senior executive positions and on their boards. We put them into different quartiles and consider the relative financial performance. In that research, we again see that the organisations that are in the top

quartile in terms of the number, extent and nature of the initiatives that they have put in place and in terms of the number of women that they have in senior management and on their boards perform better financially than the ones in the bottom quartile.

There is a correlation, not a causation. There are a number of reasons, which we can hypothesise about, why that correlation exists. However, it is quite a strong measure of the effect of diversity not only at the top, because you are absolutely right that it is not just about the top; it is about having a pipeline all the way through rather than simply parachuting people in at the top and perhaps not having a good pipeline.

Gillian Martin: It would be really useful to look at that research.

Emma Gibbs: We can share that afterwards.

The Convener: I have a question that goes back to, I think, the University of Stirling research. No doubt Emma Gibbs will want to comment as well. It is about the difficulty of equating a reduction in the gender pay gap with greater economic growth, and it follows on from Gillian Martin's questions. Professor Bell alluded to the point when he said that if a meal is prepared at home, it is not taken into account in the data but, if it is done in a restaurant, then it is. I will add to that slightly.

I am a member of the cross-party group on volunteering. Lots of people in the third sector in Scotland and other countries do voluntary work for which they are not paid in monetary terms. Even on a private level, many individuals undertake caring responsibilities, such as within the home. None of that is necessarily accounted for in economic data, and sometimes the issue is not about simply transferring workers, which we spoke about earlier.

An example from my professional experience is the people who serve tea and coffee in Scottish court houses; historically, they were referred to colloquially as "the tea ladies", because the volunteers were mainly women, although there were also men. I understand that those people are now paid rather than being volunteers. Effectively, the same thing is being done, but the individuals who provide the service are now paid; so, now, they would come within the statistics though historically they did not, even though there is no difference in the work that is being done.

It has always been the case that many women have worked hard, but they did not always receive a salary as waged employment. How do those circumstances fit together when looking at the economy?

10:45

Professor Bell: Your argument is very helpful to those who suggest—and I probably agree—that GDP does not measure everything and that we should not focus on it as an entire measure of our economic and, indeed, social health.

Areas where unpaid and paid tasks interact are very important. One in particular is unpaid care, which you alluded to, and we have done quite a lot of research on that. There are about 500,000 unpaid carers in Scotland, who are mainly, though not entirely, women. Their activity gets no credit in annual GDP and, given that the need for care is likely to increase in future, we are particularly concerned about substitution between paid and unpaid care. In my example, I spoke about substitution of a meal in a restaurant for a meal at home. The fact is that if all the unpaid carers decided to no longer provide care, the NHS and the social care system in Scotland would be in deep crisis. There are various ways to try to value the provision made by unpaid carers, and I am happy to supply details of those.

At the end of the day, a focus on just GDP as the measure of economic health is inadequate, which is why we have seen a lot of attention on alternative ways of looking at national wellbeing—Gus O'Donnell did a lot of work on that when he was in the Cabinet Office. Such measures are somewhat more fuzzy than GDP.

Many books explain how to calculate GDP in particular countries, but it should not be seen as the be-all and end-all in measuring economic and social health.

The Convener: We can obviously quantify what a person is paid in monetary terms, so it is understandable why people try to focus on that, to a certain extent.

This committee is also the fair work committee and, as you say, other factors come into play. I am not criticising economists for focusing on numbers—I understand that you approach things in a certain way—but do you accept that there might be a question about the desirability of focusing solely on numbers, particularly if one goes beyond the question of equal pay for the same work, which is what Dr Wilson talked about, to look at overall, lifetime calculations of pay?

Professor Bell: I would not use the term “numbers”; I would use the term “markets”. The GDP figure is good at aggregating all the activity that we have in markets, where prices are paid and exchange takes place. I do not want to undermine my profession, but economists spend quite a lot of time trying to value things that are not traded in a market, which might be things to do with the environment, caring or whatever. Economists are therefore not unaware of such

things, which form an extremely big issue. There is a lot of debate in economics about the extent of the focus on measurable stuff, but many economists in the city do not think of anything else but measurable stuff. However, a view of activity in a more broadly defined economy has to take account of the kinds of activity that are maybe not traded in a market but are nevertheless valuable.

Emma Gibbs: I agree with that point. One of the things that we note in our report is that we do not put a figure on, for example, the unpaid care work that people choose to do, which is an enormously important aspect. It is difficult to measure though, which is why we do not measure it.

There are a couple of other non-monetary things that are interesting for the debate and which we can measure. Part of our recent research involved a survey of men and women in the workplace across Europe, which showed that women and men have equal ambitions for promotion to the next level or the top of their organisations, but women are half as likely to believe that it is possible for them to get there, which is a really important measure of people's sense of being able to fulfil their aspirations.

Equally, a third of men and women feel that their careers will interfere with their lives as parents, their roles in their families or, indeed, their outside interests. Again, there are important measures there about quality of life and how it pertains to men and women in their working environments, professional lives and personal lives. That relates to the convener's point about this being not just about the GDP numbers, because there are also important issues to debate about personal fulfilment in work and outside work.

The Convener: Dr Wilson, I think, touched on extra hours being worked beyond contracted hours. In a lot of workplaces, people might be on a contract for 40 hours, but they know that working additional hours might affect whether they get promotion. How is that brought into the equation? Many women and men work hours beyond the agreed hours for their workplace—it is probably more the case in the private sector. How do your data or approaches capture that aspect? How do you take account of the interplay with the factors that you have described?

Professor Bell: I can take that for Dr Wilson.

Dr Wilson: Yes, I think that you should. [Laughter.]

Professor Bell: I wrote a paper many years ago with my colleague Bob Hart on unpaid work. The labour force survey asks people what their contractual hours are and how many hours they actually work. As far as I can recall, the survey shows that men work more hours. The convener's

description of their rationale for doing that might be correct—that they want to signal to employers that they are ready to be promoted.

When we went to Germany and presented the paper, people could not understand what we were talking about, because the Germans do not do unpaid work. “Work” and “non-work” are very clearly defined, and that is true of many continental countries. In the UK, we have let work slip into a much larger proportion of the week. We offer all kinds of reasons as justification for that. We just do not take the hard line of saying, “Okay, it’s 5 o’clock—I’m finished. I’m off to play a game of golf.” That is a pretty important distinction, which certainly has implications for the gender pay gap. When it comes to the way in which working hours are regulated, the culture here in the UK is somewhat different from that in other European countries.

Emma Gibbs: When we talk about women and networking and women and sponsorship, we pick up on the fact that quite a bit of the extra work that is done is to do with building the network and sponsorship relationships that help a person to move through an organisation. Women are just not as adept at building those relationships and making those sponsorship connections—which have been shown to be critical to advancement and promotion—on their own as men are. We talk a lot about how we can get more women into managerial and leadership positions, in light of not just caring responsibilities but career breaks and so on. We discuss how organisations can help to ensure that women have those sponsorship and network connections that they might not naturally form and how we can create a culture in organisations whereby the creation—whether by men or women—of the connections that enable them to advance does not always need to take place out of hours and can be done during work time.

The Convener: Perhaps I can come full circle. In other countries, is the emphasis less on money and more on the general work package? Is there a different culture in that regard? Is that part of the issue?

Professor Bell: I recall a recent newspaper article about the work-life balance in Denmark, which could be described as being much more favourable than the work-life balance here. In Denmark, it is clear that there is a time for work and a time for other things to a much greater extent than is the case in the UK, and that was felt to be one of the reasons why Denmark is always close to the top of world wellbeing scores, which relate to how happy people are with the way that they are living.

The Convener: Dr Wilson, would you like to have the final word?

Dr Wilson: No—I am fine; I do not have anything more to add.

The Convener: That is fine. I thank all our witnesses for coming in.

I suspend the meeting to allow us to move on to the second panel.

10:58

Meeting suspended.

11:04

On resuming—

The Convener: Welcome back to the Economy, Jobs and Fair Work Committee. There are two people on our second panel. Charles Cotton is the policy adviser on pay and reward at the Chartered Institute of Personnel and Development, and Maggie Morrison is vice president for public sector at CGI in Scotland and a board member for the Scottish Chambers of Commerce, which she is representing today. I welcome you both and thank you for coming. We start with a question from Gillian Martin.

Gillian Martin: I was afraid that you were going to say that, convener. I am just looking for my question. Just give me a second—I am ready.

We have asked everyone who has come in front of us about statistics. Is there a defined set of agreed statistics on female economic activity in Scotland that we can draw conclusions from?

Charles Cotton (Chartered Institute of Personnel and Development): That depends on the questions that you are asking, so you cannot rely on any one measure. The median figure, as you probably heard in other evidence, can be seen as more representative because it is actually what people get. The mean can also be seen as representative, in that it takes into account people at either extreme of pay distribution—women tend to be at the lower end and men tend to be at the higher end. As an organisation, the CIPD has a gender pay gap of around 14 per cent at the mean and 7 per cent at the median, which shows that we have a skew towards the higher end for men. If our chief executive was a woman, the mean would fall from 14 per cent to around 7 per cent, which shows how those figures can vary.

There are other statistics or data that influence those statistics, such as the way that children are encouraged into certain careers at school. I read the latest survey from the Halifax building society, which showed that boys get 13 per cent more pocket money than girls in the UK. Research carried out in the States has looked at identical products that are marketed to men and women differently. Things such as shampoo for women

can be 48 per cent more expensive to purchase, even though the products have similar ingredients, and shower gel and similar products can cost as much as 56 per cent more. I am not suggesting that women should go to their local supermarket and start buying things from the men's section, but it would be interesting to see why there are variations. It is not just what is going on in the workplace, but what is happening in wider society.

Gillian Martin: I am smiling because I am thinking about the amount of money that my daughter extracts from me. In my head, I am repackaging that as her doing her bit for feminism—she certainly manages to extract an awful lot more from me than her brother does.

Maggie Morrison (Scottish Chambers of Commerce): I do not have any specific statistics with me or any comments that members have not heard already, such as that women take on 76 per cent of care responsibility, that they are more likely to be in low-paid, low-skilled jobs, and that there are fewer women in the information technology and technology sector in which I work in my day job.

Gillian Martin: The CIPD is doing more work on the Equality and Human Rights Commission's maternity discrimination campaign. This is an opportunity for Charles Cotton to discuss how that is going and what you are looking into.

Charles Cotton: We support the campaign. There is a moral case—it is the right thing to do. As a profession, 70 per cent of our members are female, and we are using the campaign as a route to help them to challenge assumptions or misconceptions among male colleagues in their organisations.

Businesses can sometimes be so focused on things such as profitability that they forget that the people in the organisation are the means by which they achieve those ends. Therefore, if a business is inclusive and tries to meet people's needs as much as possible, that can bring benefits to the organisation.

Gillian Martin: There is quite a lot of anecdotal evidence from women. Most women who have had children will have stories about how they feel that they were discriminated against, either when they came back to work or when they divulged that they were expecting a baby and would have to take some time off. How do you gather evidence on that so that you can tackle all those issues? Those experiences might not actually be on record, but they certainly apply to an awful lot of women.

Charles Cotton: We have been working with SMEs in the city of Glasgow to help them to deal with human resources issues. Obviously, as those businesses are small or very small, they do not

have HR capability, so our members are helping them with that. We explain to businesses that, just because a woman falls pregnant, that does not mean that their business will come to an end. We tell businesses that they can start to think flexibly about how they deal with the issue and that, if they show commitment to individuals, those individuals will show commitment back to the organisation. As I said, it is about challenging misconceptions around what the impact will be and encouraging our members to show organisations the importance of treating fairly people who become pregnant. In the past, the assumption was always that it would be women who would take time off, but increasingly men now do that. A gay male couple might think about which one of them will take time off if they adopt a child.

Gillian Martin: Quite a lot of discrimination is actually subconscious.

Charles Cotton: Yes.

Gillian Martin: What are you doing with your members to get them to identify where they have perhaps subconsciously discriminated against women?

Charles Cotton: Again, that is about trying to raise awareness of the issues. The problem with subconscious issues is that people are not always aware of them. It is about trying to raise awareness of why people might have certain feelings and what they can do about them. Obviously, that varies not only by size of organisation but by sector.

Gillian Martin: Can you give me any examples?

Charles Cotton: I will have to get back to you on that.

Jackie Baillie: The panel will be aware of the forthcoming pay gap legislation. I am interested in the panel's view on that and whether you think it will have an effect and close the pay gap.

Maggie Morrison: It is very positive. It is a welcome first step in achieving a degree of transparency in what is going on. We have touched on unconscious bias. A number of organisations carry out unconscious bias training. To go back to the previous question, it is difficult to collect statistics on what is essentially a missed opportunity when someone is discriminated against because they are female. The issue is not just for women who become pregnant. I have seen women being passed over for promotion because they are of child-bearing age and might become pregnant and leave the business. That makes it all very difficult.

Where there is bias in pay, promotion or bonuses, some organisations do not recognise it. The legislation is not the whole answer, but it is a welcome first step. Some organisations might be

surprised when they look at the data that is produced.

11:15

Charles Cotton: The CIPD welcomes the legislation. What organisations do about it will be the important thing. Will they put in place an action plan?

The thing about the gender pay gap is that, although measuring it can identify internal issues within an organisation, it can also throw up external issues, such as why women are not going into certain professions and then joining the organisation, or the availability of affordable childcare. Such issues often fall outside what an organisation thinks that it can deal with. That said, there is nothing to stop organisations clubbing together with similar organisations and going out to schools to try to encourage women to go into what are historically perceived as being male-dominated professions. It is also not just about getting more females into male professions, but about getting more males into female professions. It is about breaking down the stereotypes.

Language is also important. When employees start looking at the gender pay gap, they will want to know the difference between the mean and the median, and they may wonder whether their employer is trying to confuse them or whether there is a hidden agenda. It is important that organisations and the Government explain the different ways of measuring the pay gap.

Jackie Baillie: Some of my colleagues will explore the policy areas with you later. I want to home in on the pay gap legislation. I am conscious that the Scottish economy is typically driven by small and medium-sized enterprises that fall below the threshold of 250 employees. I would welcome an assessment of how prepared you think employers with more than 250 employees are, and whether you would welcome reporting being extended to small and medium-sized enterprises.

Maggie Morrison: I would. I cannot remember the exact percentage, but Scotland's economy is 98 point something per cent SME, or something of that order, so it would be helpful to extend reporting to small and medium-sized businesses. I reinforce Charles Cotton's point about the stuff that affects the pay gap but which organisations do not necessarily see as being within their remit, such as childcare.

Charles Cotton: If the gender pay gap legislation had come in about 10 or 15 years ago, it would have been far more challenging for organisations, because they would not have had the capability to generate the information that will now be required. Many companies should now have the information systems in place. The real-

time pay-as-you-earn reporting meant that a lot of organisations had to clear up their payroll data anyway, so gender pay gap reporting should be relatively straightforward for many of them.

There could be a challenge for some smaller organisations if we make them report, as they may not see the business case or understand why they should be reporting. However, if they see that larger organisations are reporting and that it is not causing those organisations problems or that they are benefiting from doing it, they may see that there are benefits, too. We should be encouraging smaller organisations to adopt gender pay gap reporting. Over time, we should review the situation and see whether legislation is required. However, organisations of a certain size may have issues around data protection and privacy.

Jackie Baillie: But that would be very small organisations.

Charles Cotton: Yes.

Jackie Baillie: Thank you very much.

The Convener: I want to ask about the enterprise gap in Scotland. This comes from Professor Sara Carter at the University of Strathclyde, who suggested in a research paper that, if the rate of female business ownership equalled that of men, it would equate to a 32 per cent increase in Scotland's business base. Can you comment on that? Would increasing the number of businesses in the country generate new business and new work? Have the organisations that you represent thought about how that could be encouraged?

Maggie Morrison: I could not answer that question from the Scottish Chambers of Commerce's perspective. I would need to take it away and come back to you.

Charles Cotton: We have considered the issue of encouraging more female entrepreneurship. Again, outside issues can be what cause the challenge. If you are in a rural area, your ability to set up your own business will be limited by factors such as low broadband speed and other communication issues, but such factors are not necessarily to do with whether you are male or female.

Richard Leonard: I am sure that, like me, you always rush out to buy the January issue of the *Scottish Business Insider* magazine to see its top 500 companies list. If you do that, you will understand that only around 1 per cent of the large companies operating in Scotland are run by women—I think that that statistic comes from Women in Enterprise. Do you have a view on that? Do you have any sense of the reasons that lie behind it?

Maggie Morrison: A lot of it comes back to the fact that industries such as the one that I work in are dominated by men—by a specific corporate stereotype, for want of a better way of putting it. As long as that is the case, the solution will not just be about encouraging women to go into STEM subjects—which is what I did—but will involve working to keep them there and to enable them to flourish in that environment. I am extremely supportive of mentoring and sponsorship because I do not believe that women are not good at these things. I believe that it is more difficult for a woman to flourish in an environment in which the natural networks are male networks. That is part of the problem.

The leadership of big organisations in Scotland being mostly male is a result of the fact that the workforce in those organisations is mostly male. There needs to be a fundamental change with regard to bringing young women into those organisations, encouraging them to stay, supporting them and sponsoring them so that we change the gender balance.

Charles Cotton: The CIPD is supportive of more women being on boards at non-executive and executive level and of organisations thinking about how they recruit and promote people. That involves things such as mentoring and coaching programmes, childcare, flexible working arrangements and so on. Again, as Maggie Morrison said, we need to challenge assumptions. In the 1940s, 1950s and 1960s, information technology was predominantly a female industry but, now, you could say that it is predominantly male.

Richard Leonard: There is a facet of large corporate Scotland that might be a factor. I take the point about the fact that there are quite a lot of men at the top of the dominating industries such as oil and gas and financial services. However, one of the features of the Scottish economy—at the large end, certainly—is the extent to which businesses are overseas owned, which means that decision making is not necessarily carried out here. Do you think that that is a factor?

Maggie Morrison: I do not think so. I work for a French-Canadian company that is based out of Montreal, and such companies still need in-country leaders. Some of those organisations will be more centralised than others. CGI is very matrixed, so CGI UK is run like a satellite operation that has to take care of its own profit and loss. However, even if that were not the case, I do not think that that makes a difference with regard to whether a man or a woman is appointed to lead, unless there is something in the home headquarters that is reinforcing the idea that more men should be appointed as leaders.

Richard Leonard: I understand that you are saying that it should not make a difference, but I suppose that my question was whether you think that it does make a difference.

Maggie Morrison: I genuinely do not think so.

Charles Cotton: It is not something that has been brought to our attention. As Maggie Morrison said, somebody still needs to be in charge of the locality, and why would anybody want a man over a woman?

Richard Leonard: Thank you.

Ash Denham: Following on from Richard Leonard's question, the next question is whether you think that there is enough funding and support through the enterprise network in Scotland for women who own businesses, either starting up or progressing.

Maggie Morrison: I do not know that I can properly answer that question. Scottish Chambers of Commerce does a lot of work, but, as far as I am aware, not specifically on increasing the number of female-owned businesses, which I guess is where the question is coming from.

Scottish Chambers of Commerce does a lot of work in mentoring and support, together with Scottish Enterprise and Women's Enterprise Scotland. I am not sure whether more funding would help or whether part of the answer is in providing the right support to those women through mentoring and sponsorship, so that they can see and become role models showing that it is possible to be a successful female entrepreneur. That is another issue that we have not touched on yet—women will be encouraged by seeing more successful women, and more funding and support could help with that.

Charles Cotton: I agree with what Maggie Morrison said. To a certain extent, it is about giving the encouragement to women to go with their dreams. There may be issues of infrastructure—it may be more challenging in certain areas to set up a business—but, in the first instance it is about giving people confidence.

Ash Denham: Thank you.

Bill Bowman: We have touched on the next issue a little bit in earlier questions, but do you think that companies see gender diversity as a high enough business priority? Depending on your answer to that, do you think that companies see components of it as important but fail to put it all together into gender diversity as a concept?

Maggie Morrison: For gender diversity to be important to an organisation, it has to be important to the leader of that organisation, and I do not think that it always is. Organisations that are successful at increasing female participation and

female representation at the highest levels have leaders for whom that is very important. Those leaders make it clear that it is part of the fabric and the performance management of the organisation and that they will measure it.

I graduated in 1983. If I had been told then that, in 2017, the number of young women entering STEM as a profession would be going backwards, I simply would not have believed it to be possible. Also, if I had been told that not much progress would have been made on gender diversity in organisations, I would not have believed that either because, when I graduated, I thought that things would change. I would not have agreed with quotas and targets at that time, but I do now, because I have watched while not much has changed in the past 34 years. If we continue at the present pace, trying to do what we have always done, I do not think that we will see much change. Leaders need to lead from the front and believe in it; otherwise, it is just a lot of talk.

Charles Cotton: I hope that the requirement for organisations to publish gender pay gap data will act as a catalyst for many leaders to realise the importance of the issue. That might arise from a moral perspective, because it is the right thing to do—I would not want my daughter or my mother to be treated in that way; it might arise from looking at the business benefits, which we have talked about previously when we discussed how more diverse organisations can be more successful; or it might arise from seeing the risk to the reputation of the organisation. A firm that is seen as being unfair will struggle to sell its goods and services and to recruit and retain the talent that it requires.

11:30

Bill Bowman: I know that the tone from the top is important in any organisation. Do you get the impression that no importance is given to this now, even if you do not think that things have changed?

Maggie Morrison: I do not think that things have changed. We can pick out the leaders who are just paying lip serve to diversity. People talk about it a lot, but we should look at the organisations that have leaders leading from the front who are committed to making a difference. It is a cliché, but it is true that organisations become a reflection of their leaders, and we do not have enough leaders championing this who really believe in it.

Charles Cotton: It is important for the tone to be set at the top because it sends a powerful message throughout the organisation. The challenge is that many initiatives at the top do not get fed through properly. Line managers can often be resistant to offering female returners flexible working arrangements so that they can deal with

childcare or elder care. If an organisation is going to put itself forward as a champion of diversity and inclusion, it needs to push diversity and inclusion through the entire organisation and it needs to spend money on communicating to employees what is being done and why. An organisation needs to be prepared to put its money where its mouth is by recognising and rewarding appropriate actions through salary increases and bonuses.

The Convener: I take it that that would apply the other way around. For example, I think Charles Cotton referred to IT as going one way and then the other, if I can put it that way. The legal profession might be an example of things going in the opposite direction because the majority of professional solicitors are now female and the trend is upwards. Perhaps you could comment on the difficulty that appears to arise when professions move in one direction or the other, what causes that and how one approaches dealing with it.

Charles Cotton: About 70 per cent of CIPD members are female and we are actively working to encourage more men into the profession. If we look back 30 or more years, more men would have been in the industry because HR was associated with industrial relations, but that has moved. My area—pay and benefits—has traditionally been more male dominated so, even in certain sectors, such as legal, there might be areas where there are more men and others where there are more women. It is about trying to work out why that is. Is it because certain parts of the profession offer more opportunities for women to balance work and life? If so, why can those elements not be put into the other parts of that profession?

The Convener: I am just curious. You commented that there are more women in certain parts of the legal profession, but the current trend is towards a female solicitors profession, and that is the primary part of the profession. Law students are also overwhelmingly female. However, as has been pointed out, other areas seem to be moving to all-male or predominantly male workforces. If that is happening, can it be addressed or avoided? Is it a problem? What is your view? Whether the balance is one way or the other seems to be a theme that has appeared in a variety of areas and I wondered whether you had any comment to make on that.

Maggie Morrison: It is a very complex issue, partly because of a loss of focus on vocational education. The IT industry is one that moves very quickly. Among parents—and even among career advisers and teachers in schools—there is not good awareness of what careers in that industry might look like, so that is an issue as well. Often, parents will still encourage their children to go into the more traditional professions, because they do

not know what jobs in IT look like and the career opportunities that it can offer.

We seem to have done something that is turning young girls off science and STEM in general. Accenture recently did a study of 4,000 12-year-old girls and their parents. Even at that age, the girls had decided that IT was for boys. It seems that something is happening in primary schools—long before pupils are making subject choices to go on to further, higher or vocational education. That certainly seems to be what has happened with IT, but it has not happened with IT or STEM all over the world. It is not true in the developing world or in places such as Russia, which are very successful at encouraging women into STEM. However, it is true in the UK.

We need to start teaching disciplines such as coding in primary schools. That can be fun. We have just done some work with 12 primary schools in Edinburgh. Part of the issue is that the teachers are not confident in teaching such subjects and, if the teachers are not confident, it is not going to work. We have taken on the primary school teachers, and the primary school children are learning to code by playing snakes and ladders. One of them felt that their teacher's desk was too untidy, so they wrote an algorithm to help the teacher to keep it tidy. People are a bit scared by coding, but young people can learn it just by playing. First, it is a life skill now; it is not just for the IT industry. Secondly, it opens a whole lot of doors. Even if a pupil does not go on to pursue a career in that area, computational thinking is all about problem solving, so it is a useful skill to have anyway.

The Convener: We now come to a question from Gil Paterson.

Gil Paterson: That is very opportune, as I had that conversation with my daughter just last night. Is that not strange?

When it comes to gender diversity on boards, is the 2020 target for a 50:50 split likely to happen, in your view?

Charles Cotton: It is going to be challenging, but we should have challenging targets. Even if we do not hit them, we hope that we will not be too far away from where we are trying to be. We also have to look at the composition. If all the men are at either the top or the bottom, that will not be appropriate. We need to make sure that, as much as we can, we have a split throughout an organisation. At the CIPD, our senior leadership team is 66 per cent female. That is reflective of our overall workforce, which is 70 per cent female. However, it has taken some time to get to that level.

Maggie Morrison: It will be very challenging, but it is still a worthy goal. I would rather go for

something aspirational, and fail, than go for something that is less ambitious.

Gil Paterson: If you are not entirely confident, do we need to do something with legislation, or is that unhelpful in the long term?

Charles Cotton: Again, it depends on how the approach is sold. If you bring in something that is then seen by organisations as an administrative burden, there will be resistance or tokenism, or it could degenerate into a tick-box exercise. What you need to do is to win people's hearts and minds. You can do that by saying, "This is the right thing to do. Would you want your daughter or sister to be treated like this?" or, "Here are the business benefits," or, "This is the risk to your reputation if you do not do something along these lines."

Gil Paterson: If we are optimistic and we get to that goal, or near enough, what benefit do you think there will be? You raised the issue of the gender balance on boards. That is all very well, by the sound of it, but what is the impact further down the food chain? Do you see that as a major driver to assist women through some of the stages in their development? It seems that, by and large, it is women who take time off. They do so for very good reasons, but there are then barriers to progression. If more women understand the effects of those necessary breaks, will that have an influence?

Maggie Morrison: One of the witnesses on the previous panel said that women have the same aspirations but believe that they are half as likely to succeed. If people see more of a gender balance on boards, it will show younger women who are coming through that it is absolutely possible for women to be in those positions, so I believe that it would have a positive effect. It also changes the chemistry of boards.

Charles Cotton: Our members have been doing some work in the Manchester area with carers—of either children or older people—who are looking to return to the workforce, and those people are predominantly women. Our members are helping them with the skills that they will need to go to interviews but are also trying to challenge their assumptions and misconceptions about the types of jobs that they should be going for. Women do not have to go into—unless they want to—the retail and hospitality sectors just because they offer part-time jobs. They can think about other types of career opportunities as well. So far, that work to try to expand and raise their awareness seems to be working.

Gil Paterson: My final question is about the other end of the spectrum. We have talked about the top end, which I would think affects mature women more, but how is the pipeline filled? Is it

filled by young people themselves, or are schools or parents the big influence?

Maggie Morrison: Parents are huge influencers, and that is part of the reason why we have not solved the problem. We need the Government, parents, schools, further and higher education and business to get involved to solve it. I do not think that there is a single answer—if there was, we would have found it.

Charles Cotton: I agree. The Government cannot do it all on its own, and neither can employers or schools. They need to collaborate and there needs to be an overarching strategy with targets and ambitions and, flowing from that, policies and practices.

John Mason: I have a question that follows directly from that. Could we use procurement? Both local and central Government spend a lot of money on contracts with the private sector. Should we think about putting pressure on people who want public sector contracts and requiring them to sign up to more on the issue of gender equality?

Charles Cotton: It is public money, and I am sure that the public want to ensure that their money is spent with employers that have fair employment practices. There are always legal issues about what we can and cannot do when we write contracts, but I do not see why the Government, as a buyer, could not ensure that it does that. Other buyers are influenced by that. Also, the Government can be a good-practice employer and can encourage the right practices among the employees in its organisations.

Maggie Morrison: I agree. I think that it depends. It is important to get the right balance so that it does not become too onerous. I spent a number of years working in North America, where lots of things are written in, not just on gender diversity but on all sorts of diversity. I absolutely think that it would make a difference. However, it is a question of getting the balance right and having a positive kind of carrot-and-stick effect, rather than it becoming onerous for organisations to bid for public sector business.

11:45

John Mason: Mr Cotton, you mentioned the rules around contracts. I am not in favour of Brexit, but is there a possibility that, if we have Brexit, it will loosen things up and give a bit more freedom to the Government?

Charles Cotton: I am not an expert in European contract legislation. One frequent explanation for the reason why there has not been Government intervention in this area is that there are rules around it. It depends on what type of Brexit we have. If we have close working

relationships with Europe, we may still have the legislation. That is speculation, however—it is not an area of my expertise.

John Mason: Are there other things that the Government or the Parliament should be doing to move this agenda forward? The importance of schools keeps coming up, and I am beginning to think that we should have had schools representatives before us at the committee—I do not think that we have had them here. A concern that was expressed at the previous evidence session, which you may have heard, was that we are letting kids opt out of STEM subjects too soon—or that we are letting them opt out at all. Are there any other things that we should be considering?

Charles Cotton: Leaving aside schools, you yourselves have a role as an employer. What are central Government and local government doing? How are employment practices flowing within organisations there?

We spoke earlier about statistics. Are you getting the data that you need to analyse the situation? With the gender pay gap report, there is a requirement for organisations to put their information on to a Government website. What relationship is there between the Scottish Parliament and the UK Government around that database? Will you be able to search for data by postcode? Will there be an option for Scottish employers, when they are entering their data, to present data with an explanation, so that employers are able to head off questions by having an opportunity to explain what is being done and why?

John Mason: Ms Morrison, do you have any thoughts as to what we should be doing?

Maggie Morrison: We absolutely have to do something in schools. I was recently presenting at the launch of the Digital Xtra Fund. Having been given statistics beforehand, I stood up and said that there were only eight computing teachers in Highland. The speaker after me said, “Maggie’s wrong.” I assumed that she was going to say that there were 12 or 16, for instance, but she said that there were only seven, because one of them had retired. If we are not able to put that expertise into schools, it is difficult to see how we will fix the problem. We need multiple interventions, and we need to work to change the way in which young girls think about STEM.

John Mason: Is it partly about language? That has been suggested to us a few times. Some of the terms that we use can give a male, aggressive, macho image.

Maggie Morrison: I think that it is just a lack of understanding about how exciting those jobs can be. One example is Leah Hutcheon of

Appointed—a tech-focused young woman at a great company. I do not think that we are getting enough such role models in front of girls, and there is probably still a perception about it being a geeky activity for guys with long hair and Jesus sandals sitting somewhere with no light, coding. Clearly, that is not going to appeal to young women.

Another thing about the Accenture study is that only 14 per cent of the parents who were interviewed could specify what they thought was a good career for their daughters. That is a shocking statistic.

Charles Cotton: There is also the issue of trying to encourage boys into a wider range of subjects and careers, such as social care and teaching.

John Mason: We could probably develop that point further, but I think that that is enough.

The Convener: Thanks very much to both of you for coming in today. We will now allow you to depart from the questioning stand or whatever we want to call it. We have item 3 to deal with before we move into private session.

Subordinate Legislation

Bankruptcy Fees (Scotland) Revocation Regulations 2017 (SSI 2017/97)

11:50

The Convener: Does any member have any substantive issues to raise? Are we agreed that the instrument simply comes into force?

Members *indicated agreement.*

The Convener: Thank you. We will now move into private session. I will allow the public gallery to clear.

11:50

Meeting continued in private until 12:20.

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