



Fawcett Society Response to the Business, Innovation and Skills Committee Inquiry into Women in the Workplace

About the Fawcett Society

1. The Fawcett Society is the UK's leading campaign for women's equality and women's rights. Our vision is of a society where women, and our rights and freedoms, are equally valued and respected and where we have equal power and influence in shaping our own lives and our wider world. We trace our roots to Millicent Fawcett's and the suffragists' successful parliamentary campaign for women's right to vote. Since then we have continued to work with parliamentarians on a cross party and non partisan basis to progress equality between women and men at home, at work and in public life.

The Gender Pay Gap

Questions:

Do the Gender Equality Duty and the Equality Act go far enough in tackling inequalities, such as gender pay gap and job segregation, between men and women in the workplace?

What steps should be taken to provide greater transparency on pay and other issues, such as workforce composition?

How should the gender stereotyping prevalent in particular occupations, for example in engineering, banking, construction, and the beauty industry, be tackled?

What more should be done to promote part-time work at all levels of the workplace and to ensure that both women and men have opportunities to gain senior positions within an organisation while working part time?

Context:

2. In May 2010, along with the TUC, the Equality & Human Rights Commission, and UNISON, Fawcett held a landmark conference to mark the 40th anniversary of the Equal Pay Act: *Equal Pay - Where Next?* The report of this event addresses all the issues outlined above calls for a *strategy to address the multiple causes of the pay gap*. This strategy should include a combination of legislative, policy and campaigning action under the following four key areas:

Making the business case for equal pay

3. There is ample evidence that gender pay gaps contribute to the UK's lower productivity. In 2006 the Women and Work Commission estimated that removing the barriers to women working in occupations traditionally done by men and increasing women's labour market participation, could be worth between £15 and £23 billion to the economy or 1.3 to 2 per cent of gross domestic product.
4. A levelling up of women's earnings has the potential to bring gains to the Exchequer not only in increased revenue from tax and national insurance, but also through a reduction in the payment of benefits and tax credits. It is possible to infer from national statistics that an average woman working full-time until retirement age would lose £361,000 in gross earnings over the course of her working life. Closing the gender pay gap would improve the financial wellbeing not only of women but also of their partners and children, and would reduce the likelihood of women's poverty in retirement.

5. There is a need to change the culture around what is appropriate pay for men and women. In order to change culture, it is important to position the pursuit of equal pay above other political, economic or business objectives and identify equal pay as a core objective for business, as opposed to a mere add-on. Business and trade union leaders should initiate the implementation of pay practices that treat men and women equally, but if this change is to be effective, those leaders need to ensure that their decisions influence the behaviours and decision-making of people lower down within the organisation.

6. Key recommendations

- Encouraging employers and trade unions who have implemented equal pay systems to publicise what they have done and how they have gained from it. Publishing examples of equal pay best practice in the private sector will debunk the myth that equal pay 'is bad for business'.
- Encouraging businesses to extend their budgetary perspective. A longer term view will be more likely to show not only a more accurate financial picture, but also the harder-to-evaluate qualitative gains.
- Connecting the positive effects for the whole economy to arguments for closing the gender pay gap. For example reducing the gender pay gap would increase UK productivity while reducing financial dependency on the state; these gains will benefit business and the economy.

Changing the way work is organised to reflect a changing workforce landscape and to support equal pay measures

7. Flexible working is now in the mainstream of employment practice but has flexible working changed how work is organised? In most organisations it has simply allowed some people to change the way they do their jobs. Fundamentally, flexible working remains an accommodation for workers to deviate from the 'standard' working pattern to suit their individual circumstances.
8. Although generous maternity incentives have increased the number of women returners, their performance on return to the workplace has not been maximised. What has evolved, however, is a workplace where less well paid, less well-trained part-time jobs is the lot of mothers; employers get a great deal out of employing thousands of part-time women who will trade better pay and career prospects for flexibility, even though they are often over-qualified for their attained position.
9. In many organisations, large scale work organisation for better work-life integration is not high on the agenda. This means that work organisation is often delegated to managers, who deal with individual requests for flexible working. The inherent weakness in this localised response is that it often depends on an individual manager's attitude and beliefs. A higher-level approach is required which looks at areas of operation when considering work design. Organisations should be thinking about sustainability and the potential impact of work intensification and long working hours on the long term viability of an organisation. Long hours should not be the solution to badly designed working practices. Good work organisation is ensuring that people have manageable workloads. Partnerships between trade unions and employers can work to increase the choices that workers have by encouraging a different approach to work. Within set parameters, there must be an openness to review what work actually entails, and how it can best be done taking into account both the needs of business and employees. This is goes beyond flexible working at the individual level; it is about organisational flexibility to enable better working.

10. Key recommendations

- Raising awareness amongst employers that a modern workplace should offer more than just flexible working. It should include innovative practice, such as job-shares at senior levels and ensuring that training opportunities for women working part-time/flexibly are made available.
- Highlighting to employers that maintaining unsustainable work organisation structures that are increasingly out of kilter with the way people live today will cause tangible harm to the organisation in terms of lost productivity, lower morale, lower employee loyalty and higher employee turnover.

- and higher employee turnover.
- Involving trade unions to negotiate and bargain for extending members' opportunities for well paid, high quality work and to tackle inequalities within workplaces.

Improving the law to implement a framework that makes unequal pay practices unlawful and holds organisations to account

11. The Equal Pay Act 1970 has not proved successful in achieving the aim of closing the gender pay gap. It adopted a remedial model which allows employers to backdate pay or contractual damages to women who successfully win a claim. However, it does not place punitive measures on employers failing to comply with the law and offers no compensation, beyond the pay adjustment, to women who have successfully won their claim. The Equal Pay Act fails to address structural inequalities such as gender stereotyping in schools, occupational segregation, women's disproportionate share of caring responsibilities and women's patterns of work which are more likely to be interrupted by child care and other responsibilities and are more likely to be punctuated by part-time work.
12. The Equality Act 2010 regrettably enforces measures addressing inequality in pay which are similar to those in the Equal Pay Act 1970. It puts the responsibility on the woman bringing forward a claim to undertake the role of investigator, legal champion and enforcer. The Equal Pay Act also requires a male comparator employed in the same employment against whose pay the women's pay can be measured. The Equality Act does not enforce mandatory pay audits to ensure that employers are reporting on their gender pay gap and does not allow for representative action claims, which would allow individuals collectively affected by systematic pay discrimination to make a claim as a group.

13. Key recommendations

- A root and branch review of equal pay law to ensure that it operates in the interests of women and employers. The current legal framework is ineffective, does not deliver equal pay and is wasteful of public resources.
- A new equal pay framework that makes clear the obligations on public and private employers to tackle unequal pay; allows for women claiming equal pay cases to take representative action; includes robust equal pay auditing obligations and increase the powers and sanctions available to employment tribunals and regulatory bodies.
- Implementing, in full, existing legislation such as the Equality Act 2010 that encourages workplaces to undertake and publish gender pay audits, change attitudes, challenge stereotypes and cultures that sustain unequal pay practices. This would help dispel the myth that women deserve to be both paid less and valued less than men.

Changing attitudes, beliefs and stereotypes that perpetuate the gender pay gap

14. There are converging causes of the gender pay gap all of which are affected in some way by attitudes and cultural beliefs about the respective roles and value of men and women. They include life time working patterns of women, such as time out for caring and the reality of more women being in part-time work; occupational segregation between women and men; unequal access to opportunities in education; and direct and indirect discrimination against women in the workplace.
15. Challenging negative attitudes and stereotypes that prevent women from achieving equal pay is perhaps more complex than legislative change but it is clear that without it, women will not achieve economic equality. Employers have a role to shape workplace cultures and in-so-doing have a significant influence on progressing change action in both the wider public sphere and in workplaces. Efforts to effect change should be focused around three key areas. They include addressing and preventing misconceptions and stereotypes formed in children and young people from an early age; raising public awareness of gender inequality and tackling stereotyping; and indirect interventions by employers to tackle negative attitudes and beliefs and support positive ones.

16. Key recommendations

- Working with schools to incorporate gender equality education in the relevant aspects of the National Curriculum, including explicit discussions about the gender pay gap and its causes.
- Undertaking more public education work in order to challenge stereotypical and limited ideas of women and men's respective roles and abilities.
- Raising young people's awareness of the gender pay gap and its consequences.

For more information and background think pieces on each of these key areas please visit:

<http://www.fawcettsociety.org.uk/index.asp?PageID=1155>

Women on Boards

Context:

17. Across the UK today, women are dramatically underrepresented in positions of power and influence. The under-representation of women in boardrooms is not only detrimental to gender equality, but also negatively impacts business performance. In the current economic climate the benefits of greater boardroom diversity for business performance must not be forgotten. There are compelling arguments for ensuring that women are equally represented in decision making; in particular, there is a growing body of evidence, largely drawn from business, that women make a positive difference to the quality of decision-making, increase corporate competitiveness and reduce the potential for 'groupthink'. The case for the economy is equally robust, given that the UK stands to gain £23bn by better harnessing women's skills. Bold moves by other countries in recent years has overturned claims of any absence of female leadership potential, demonstrated that a significant step-change in women's representation is achievable.

Question: *To what extent have the recommendations in Lord Mervyn Davies' Report "Women on Board" (published in February 2011) been acted upon? How successful is the voluntary code of conduct (a recommendation of the Davies Report) which addresses gender diversity and best practice, covering relevant search criteria and processes relating to FTSE board level appointments?*

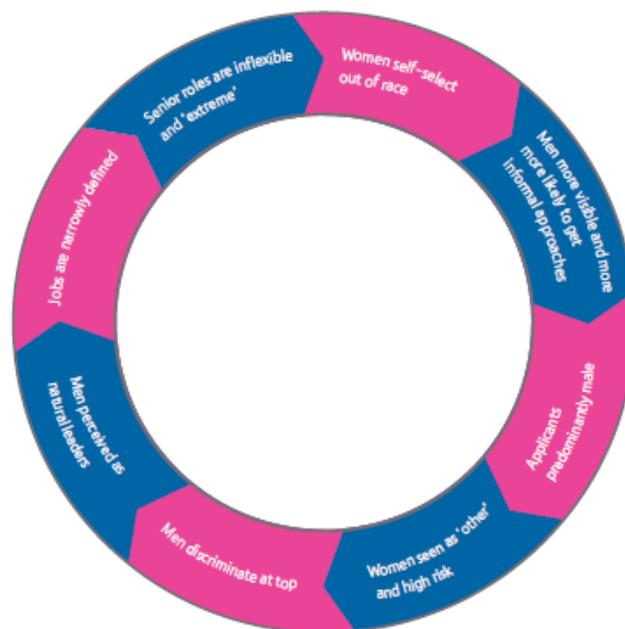
18. In March 2011 Lord Davies published his *Women on Boards* report which found that women comprised a mere 12.5% of members of FTSE 100 boards. Although this figure has improved slightly in the year following publication with the percentage of women on FTSE 100 boards rising to 16.7%, there's still a long way to go. Although there is evidence that women's representation in the top levels of companies has improved since the publication of Lord Davies' *Women on Boards* in March 2011, the overall rate of change has been slow. A year on from the Davies Report, the overall percentage of women on boards stands at just 15%. The percentage of women being appointed to boards was 24.7% from Jan 2011-12- falling short of the 33% recommended in the Davies report.

19. The EHRC estimates that at the current rate of change it will take more than 70 years to

achieve gender-balanced boardrooms in the UK's largest 100 companies. Evidence to date would suggest that the purely voluntary measures set out in the Davies report will not be sufficient to tackling the current levels of under-representation of women in boardrooms and certainly not the scale of change the Davies report sets out to achieve by 2015. The Fawcett Society fully recommends the introduction of legislation to enable the use of quotas as an additional mechanism in not only increasing the number of women in leadership roles and driving-through a step-change in women's representation, but in improving overall business performance of UK business and the economy.

Question: Why are there still so few women in senior positions on boards, and what are the benefits of having a greater number?

20. The low proportion of women to men in leadership positions in UK business is testament to the fact that women in the UK face significant barriers to progressing to the very top of decision making structures. Formal selection processes for directors can teeter between casual to non-existent where "shoulder-tapping" and peer referrals are endemic, in stark contrast to the rigorous processes laid down for the appointment of CEOs. The vicious circle shows how barriers to supply and demand combine to create low levels of representation in the UK today.



21. The case for increasing female leadership in UK boardrooms is simple and powerful, and can no longer be dismissed. Diversity at the top is a key to corporate competitiveness. In 2007, McKinsey and Catalyst's respective analyses made a significant contribution to the business case for women leaders. Both reports demonstrated a correlation between women's representation at board level and the financial performance of companies worldwide, pin-pointing a 30% turning point at which women's representation has a significant impact across a set of corporate performance indicators.
22. A 2012 study by the Credit Suisse Research Institute also demonstrates the substantial benefits of boardroom diversity for business. According to this study, companies with more female board members had a greater return on equity and higher average growth than companies with no female board members. The business of attracting, retaining and promoting the best talent is of primary concern to all UK businesses, particularly in the current financial climate of uncertainty.

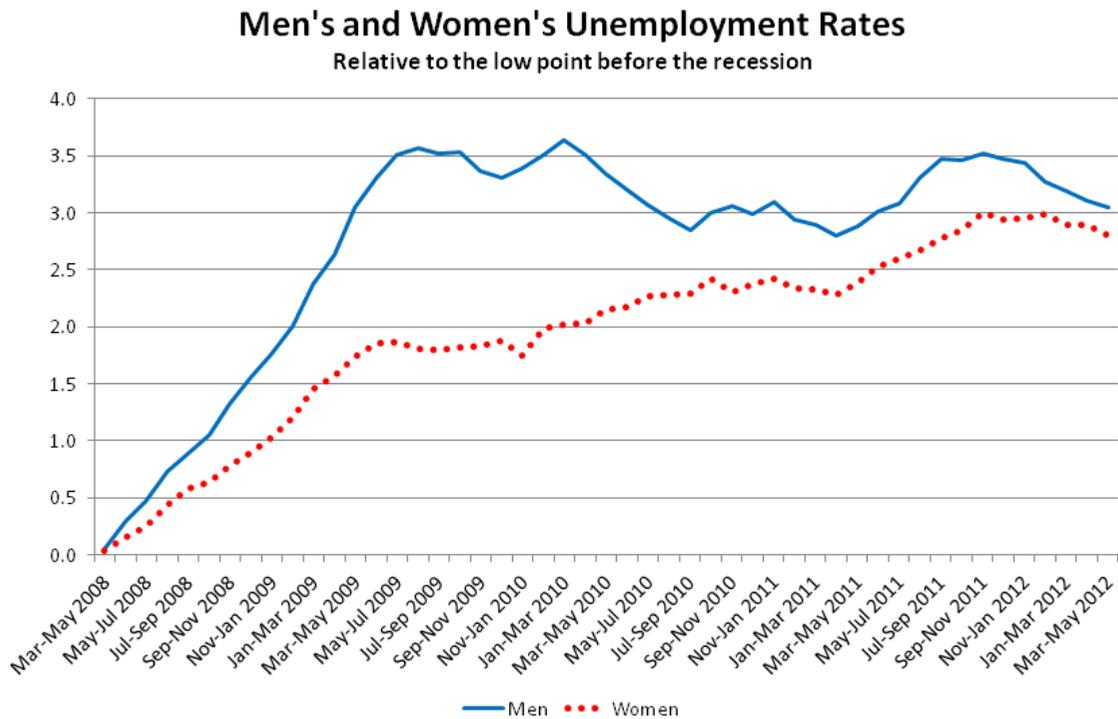
The impact of the current economic situation on female employment and wage levels

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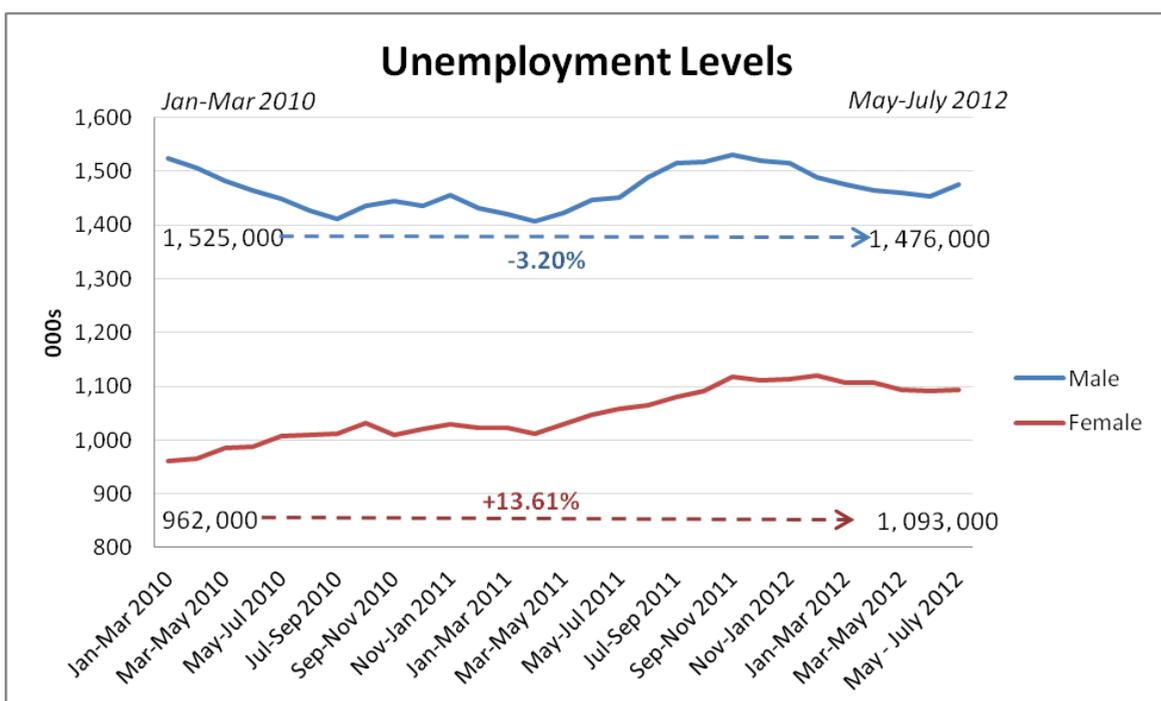
Question: What has been the impact of the current economic crisis on female employment and wage levels?

Unemployment

23. As noted by the TUC, both women and men were hit hard by the 2008-9 recession with employment falling and unemployment rising for both groups. However the effects were felt worse by men. However, whilst men's unemployment largely levelled off in 2010, women's has continued to rise and now stands at 1.10 million - a 25-year high.



24. Since the first quarter of 2010, men's unemployment has fallen by -0.5 % and women's risen by +0.8%. In real numbers (levels), women's unemployment has increased by 131,000 to 1,093,000 in this period, an increase of 13.6%, whereas conversely men's unemployment has fallen by 49,000 to 1,476,000, a decrease of 3.2%. Thus women account for over 100% of the increase in unemployment over the last two years.



25. Losing a job is devastating for anyone, woman or man. Yet it is important to recognise that women may face particular difficulties when they become unemployed. They are more likely to have been in low-paid work and to have dependents living with them. They are less likely than men to have savings. Women therefore face a greater risk of immediate poverty as they become unemployed. It is within this context that we must

understand the impact of rising female job losses.

26. Evidence indicates there are two key reasons for the declining status of women in the labour market: cuts to the public sector workforce and the increasing numbers of women being classified as unemployed due to changes in benefit conditions for lone parents.

Public sector job cuts

27. The latest figures from the independent Office for Budget Responsibility (OBR) estimate that 730,000 jobs will be lost in the public sector by 2017 as a result of public sector spending cuts. These job losses impact heavily on women as around 40% of women in work in the UK are employed in public sector jobs, with women accounting for 64% of the public sector workforce overall.
28. ONS figures for April – June 2012 reveal that, since the same period in 2010 (the point at which public sector employment peaked before starting to fall) 467,000 public sector jobs have been lost with 55% of job losses coming from women, 45% from men. By OBR projections, 64% of job losses have occurred with 36% yet to come. Jobs lost include local government workers, nurses, teachers, council workers, school meal assistants, Sure Start workers, domestic violence support workers and care workers, amongst many others.
29. In particular, certain sections of the public sector are being hit hard. ONS statistics reveal that the three largest industries: Public Administration, Education and the NHS – all sectors that employ many more women than men - have all seen a dramatic decrease in employment levels since the first quarter of 2010 with NHS employment down by 45,000, Education employment down by 75,000 and Public Administration employment down by 133,000.

Lone parent conditionality

30. Reforms to increase ‘lone parent conditionality’ were initiated by the previous government and have been stepped up by the current government. The first tranche of reforms required that, as of October 2010, lone parents (92% of whom are women) are moved from Income Support (IS) onto Jobseeker’s Allowance (JSA) once their youngest child reaches 7 years of age. The second tranche of reforms was announced in the 2010 Budget and, from October 2011, extended this conditionality to lone parents once their youngest child reaches 5 years of age.
31. The migration of those on IS to JSA means that they are represented differently in labour market statistics, because those on IS would count as inactive, whereas those receiving JSA are counted amongst the unemployed. Thus the female unemployment figures have grown not just as a result of job losses in the public sector but also because of those newly classed as unemployed who would otherwise have been counted elsewhere. In the past few years the number of female lone parents being classified as unemployed has increased by around 65,000 whereas it had only increased by a few thousand for men.
32. While this may seem on the face of it to be a simple statistical issue, the reality for many women is a significant change of circumstances, and for the job market the fact remains that there are increasing numbers of women actively looking for work. Conditionality attached to JSA means that after migration, single parents will be required actively to search for work and take up a job if one is offered, or face a cut in the amount of benefit they receive.
33. Lone parents face particular barriers to securing and undertaking paid work and so will be unduly penalised by moves to push them into work if they fail to:
 - Find adequate flexible/part-time paid work that is compatible with their child care responsibilities. This is likely to be increasingly difficult as opportunities in the labour market diminish, especially in the public sector which provides more part-time and flexible working opportunities. The government has simultaneously cut support for lone parents entering work, for example by axing a grant to support lone parents with the costs of training and by announcing in the Autumn Financial Statement that the couple and lone parent elements of the Working Tax Credit will be frozen in 2012-13.

- Access affordable childcare at a time where costs are soaring.
- Meet childcare costs at a time where the government is slashing support for costs for low-income families that are particularly affecting lone parent families.

Long-term unemployment

34. Both women and men are affected by long-term unemployment - that is those who have been unemployed for 12 months or more. Men are affected to a greater extent: ONS figures for May-July 2012 show that 38% of unemployed men are long-term unemployed, compared with 30% for women.
35. However, the gap between women and men's long term unemployment has been closing particularly over the past two years where, from May – July 2010 to May – July 2012 the number of men long-term unemployed increased by around 20,000 (4%) whereas the number of women long-term unemployed increased by around 80,000 (32%).

Underemployment

36. There are also increasing numbers of men and women experiencing 'underemployment', that is those who are working in part-time or temporary positions because they are not able to find full-time or permanent positions. ONS figures reveal that over the past year the number of those in temporary work who would rather be in permanent work has increased by 50,000 (19%) for women and 30,000 (10%) for men.
37. The number of both men and women who are employed in part-time work but couldn't find full time-work has increased by 11% in the past year; this equates to 77,000 more women and 65,000 more men.
38. In particular, there has also been a recent surge in under-employment in professional occupations such as teaching, nursing, legal and skilled business jobs. The number of under-employed women in these jobs has more than doubled since 2008, increasing by 127% (compared to 67% for men).
39. Overall, women are affected by underemployment to a greater extent and there are currently around 1.73 million under-employed women compared to around 1.57 million underemployed men. Around one in eight women are under-employed.

Is private sector growth delivering for women?

40. The past two years have seen growth in private sector employment for both women and men, however it is important to note that this will in part be due to increasing numbers in part-time and temporary work (underemployed) as well as increasing numbers of self-employed – all modes of employment which are typically pay substantially less and are less secure than permanent full-time employment. This may in part go some way to explain the current conundrum of rising employment and declining GDP.
41. Overall, private sector growth in past two years has been greater for men than for women where from Apr – Jun 2010 to Apr – Jun 2012 men's employment in the private sector grew by 127,000 more than women's. This can be attributed in part to a range of factors:
42. The private sector is an inherently less accessible employer for women than the public sector. In general, the private sector has been less progressive to adapt to the realities of women's lives (i.e. the fact that women have maternity needs and are far more likely to have caring responsibilities) through the provision of good quality flexible and part-time work opportunities, contractual maternity schemes and other measures.
43. Thus far, measures that have been introduced to promote jobs and growth through

(private and public) investment in the UK's infrastructure - many of which were announced in the March 2011 *'Budget for Growth'* and the 2012 Budget - do little to help women in the labour market. For example, the £5 billion capital investment proposed as part of the National Infrastructure Plan will be largely spent on physical infrastructure and plans for growth laid out in the 2012 Budget included investment in national road infrastructure, the expansion of ultrafast broadband services, £60 million of investment in a UK centre for aerodynamics, and tax reliefs for video games, animation and high-end television industries.

44. Women are unlikely to benefit from any new opportunities created, unless specific measures are taken to address under-representation of women in the male dominated Science, Engineering and Technology (SET) sectors. 5.3% of working women are employed in the SET sectors, compared with 31.3% of working men. Whilst the 2011 Budget announced funding for the sciences and technical training, this investment came just as the government withdrew funding from initiatives to combat entrenched gender occupational segregation in the SET sectors.
45. The 2011 Budget also introduced new tax breaks and other incentives to support investment in small and medium size businesses. Men are set to disproportionately benefit from these measures, as they make up the majority of those who own and invest in business. Indeed, the government itself recognises the skewed impact of such measures. In its assessment of one tax break for business investment, it states that the investment benefits investors that tend to be *'male, located in the South of England and have higher overall income levels.'* Conversely, this investment comes as schemes to support women to start up in business are being cut.
46. However, we are pleased to welcome two key measures announced in November 2011 by the then Minister for Women and Equalities Theresa May to support women's enterprise: funding for 5,000 volunteer mentors to support new and existing female entrepreneurs, and the establishment of a Women's Business Council to provide advice to government on what it can do to maximise women's contribution to future economic growth. We welcome the introduction of these measures and look forward to seeing more detail on their implementation and progress.

Implications for pay

47. Whilst it is still too early to fully understand and identify the impact of these and other recent changes to pay on women's pay and the pay gap between women and men (which currently stands at 14.9%) we are concerned that women's pay is indeed suffering and that the pay gap may widen in the coming years for a range of reasons:

Changes to public sector pay

48. The 2010 Budget introduced a two-year pay freeze for all public sector workers earning over £21,000. Despite the concentration of women at the lower-paid end of the public sector workforce, they still account for the majority of those that are paid above the threshold: analysis by the Women's Budget Group found that 58% of those affected by the freeze are women.
49. Further, the Chancellor's pledge to protect the pay of those earning less than the threshold, 72% of whom are women, though an £250 annual pay 'increase', has not been kept for the 1.7 million-strong local government workforce. This is because local authorities have jurisdiction over the pay of local government workers and, with a few exceptions; the vast majority have not opted to pay the £250 increase. As UNISON report, due to the pay freeze and the impact of inflation, typical full-time hourly earnings in local government have now sunk back to the levels of the early 1990s and pay for those on low salaries is "poverty pay".

50. Moreover, as part-time workers' salaries are likely to be considered on a pro-rata basis, many women working part-time in the public sector taking home less than £21,000 will still be hit by the freeze.

51. The 2011 Autumn Financial Statement announced that, following the end of the pay freeze in April 2013 pay will be capped at 1% for a further two years. This pay restraint will apply to all public sector workers including those on the lowest incomes, the vast majority of whom are women.

Underemployment

52. As outlined above, there are also increasing numbers of women experiencing 'underemployment'. One of the key causes of the current pay gap is the high number of women in part-time work where such positions are typically lower-skilled with lower prospects for pay and promotion. Thus increasing levels of women in part-time work (as well as in temporary work which also had lower prospects) threatens to push women's pay down and may contribute to an increase in the pay gap.

Long-term unemployment

53. Long breaks away from the labour market diminish future prospects and pay, as experienced by many women who take time off to raise their children for example. Thus the increasing numbers of women in long-term unemployment will necessarily impact upon women's pay in the longer term.

The movement of jobs from the public to private sector

54. The government has projected that as jobs in the public sector are lost, private sector growth will create new employment opportunities for those out of work. However women face particular penalties in private sector employment. As outlined above, the private sector tends to provide less good-quality working opportunities for women. This is clearly demonstrated by the comparable (full-time) pay gap figures which stand at 13.2% in the public sector, versus 20.4% in private sector. Thus as women move to work in the private sector, women's pay will decrease and the pay gap may widen.
55. In particular, it is concerning that there is some evidence that the recent growth in the private sector employment is in part due to growth in the lower paid echelons of the sector - part-time work, temporary work and self-employment.

Plans to regionalise public sector pay

56. We are also concerned about current proposals to introduce 'regional pay' in the public sector, to reduce the gap between earnings in the public sector and the private sector where the Treasury reports that currently public sector workers earn on average 8% more across the board than private sector workers across the UK.
57. Research by the Institute for Fiscal Studies (IFS) reveals a gender dimension: women working in the public sector enjoy an average boost of 11.3% in their salaries compared with a 5.5% boost for men. This is part of the reason why there is a smaller pay gap in the public sector than in the private sector.
58. Thus women will be affected more adversely by moves to regionalise pay - not only because they make up the majority of public sector workers (particularly in areas like the North East where almost half of all working women are employed by the public sector) but also because the public sector offers them better wages. In particular it is those women on lower incomes - such as the admin assistants, home helps and dinner ladies that benefit the most where the lowest 10% of workers experience a 16% boost to their earnings, whereas the highest earners gain only around 3% to their earnings. Fawcett is concerned therefore that driving down public sector pay to reflect private rates will cancel out many of the gains made for women's pay in recent years and risks widening the pay gap.

The Fawcett Society is currently in the process of drafting a substantive report to consider in greater depth the issues and evidence outlined here on the current status of women's employment and pay. This report will also contain recommendations for government and is

due to be published in the late autumn. We would welcome an opportunity to meet with the Committee over the autumn period to discuss this work in greater depth and to inform these recommendations.

Given that the evidence on the current status of women's employment contained in this submission still being worked up, we kindly request that it be treated as provisional and confidential as it is not yet ready to be circulated in the public domain.

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