

National Economic Forum - 19 November
Innovation and Inclusion

Discussion Paper – *Fair Work and Gender Pay Gap Action Plans*

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Overview

BACKGROUND

There is increasing evidence that countries with more equal societies enjoy stronger, more successful and more sustainable economies. The Scottish Government's strong commitment to equality and creating a more inclusive economy is at the core of Scotland's Economic Strategy and Labour Market Strategy. Businesses who promote and practise inclusive, fair, flexible employment practices are more productive and competitive. Diversity within the workforce is crucial in cultivating more creative and innovative products and services for a broader customer base.

Scotland's Economic Strategy sets out an overarching framework for achieving a more productive, cohesive and fairer Scotland. It prioritises boosting investment and innovation, supporting inclusive growth and maintaining focus on increasing internationalisation. Throughout the Strategy, there is a clear focus on mutually reinforcing objectives of increasing competitiveness and tackling inequality. It recognises that maximising economic opportunities for women to participate fully in the economy, and the wider social role they provide, is key to improving economic performance and tackling inequality. It also recognises the need to build a truly inclusive economy where everyone can benefit from economic growth.

The Government's Labour Market Strategy sets out how our labour market and wider social and economic policies interact to drive our ambitions for inclusive growth. It sets out a clear vision for a strong labour market that drives inclusive, sustainable economic growth, characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and families.

FAIR WORK

Fair Work plays a central role in the delivery of economic growth and social justice. As such it is a key driver of Inclusive Economic Growth.

A strong labour market will drive inclusive, sustainable economic growth, it will be characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers. The Scottish Government want Fair Work to be central to improving the lives of individuals and families.

To achieve a culture of Fair Work, the Scottish Government established the independent Fair Work Convention whose vision is for their Framework to be embedded in all workplaces in Scotland by 2025. By working with the Convention there is a drive for change and to promote fair work through engaging in a new type of dialogue with employers, employees and trade unions.

The Fair Work Framework describes Fair Work, as work that balances rights and responsibilities of employers and workers and can generate benefits for individuals, organisations and society; work that offers: Fulfilment, Security, Opportunity, Respect, Effective Voice:

- **Fulfilment** - is about the nature of work, depends on sector, skills, skills use, training and development, progression, job design, autonomy, work demands, intensity, health and safety)
- **Security** - is about employment conditions - underemployment, pay and benefits, pension, job security/stability, hours stability/flexibility/work-life balance, contracts.
- **Opportunity**- is about access to work, fairness, equality and inclusion, internships, pay gaps/groups
- **Respect** - is about treatment and relationships – trust, due process, rights, discrimination
- **Effective Voice** - is about dialogue, influence and decision-making – participation, bargaining / agreement-making

To support employers and workers to maximise the benefits which come with embracing Fair Work, the Scottish Government has undertaken a range of actions. These include:

- setting up a new fund aimed at reducing employment inequalities,
- ensuring women are better represented in senior and decision-making roles,
- investing in Trade Union Fair Work and Modernisation Fund;
- promoting the living wage,
- investing in programmes to help women get back into work after a career break, including for minority ethnic returners and
- challenging pregnancy and maternity discrimination.

In the Scottish Parliament's 'Building Greater Fairness in the Workplace' Debate on 22 March, the Minister for Employability and Training announced that we would develop our strategic approach to delivering the fair work vision through a Fair Work Action Plan by the end of 2018.

The Fair Work Action Plan will allow the Scottish Government to clearly articulate the work required to deliver the 2025 vision. However, the Fair Work Convention has been clear it is not for Scottish Government to deliver alone. Through collaboration we will work with all public sector agencies to develop their own fair work strategies or to embed fair work into strategic planning.

GENDER PAY GAP

Equality for women is at the heart of the Scottish Government's vision for a fairer Scotland. Gender pay gap is a measure of the difference between men's and women's average earnings across an organisation or the labour market. It is expressed as a percentage of men's earnings.

The Scottish Government have a strong commitment to equality and closing the gender pay gap is a priority, both in terms of promoting equality and boosting inclusive economic growth.

As committed to in the 2018 – 19 Programme for Government, we have established the Gender Pay Gap Working Group that includes stakeholders such as Close the Gap, Engender and STUC. The working group, chaired by the Minister for Business, Fair Work and Skills are identifying action to reduce gender pay gaps across Scotland as part of the Scottish Government's inclusive growth vision. The actions will form the Scottish Government's Gender Pay Gap Action Plan which will be published by the end of 2018.

Gender pay gaps are symptomatic of structural gender inequalities in the workplace, education and wider society. The issue damages economic growth and has negative consequences for wellbeing and the cohesiveness of societies.

The causes of the gender pay gap are complex and can be overlapping. Factors include:

- Over representation of women in lower paid jobs while the highest paid sectors are male-dominated;
- the effect of part-time work;
- unconscious stereotyping, with assumptions about women not wanting to accept promotion, or not being in a position to do so, particularly where they have caring responsibilities. Women make up 47% of the workforce, but only 35% of managers, directors and senior officials

There is mounting evidence that gender equality offers competitive advantages to businesses . A report undertaken by McKinsey, The Power of Parity (2016) showed that narrowing the gap could add £150 billion to the UK economy¹. A large number of studies show that workforce diversity, particularly at the board level, is variously correlated with profitability, share price, productivity, revenue, and reduced turnover and recruitment costs – findings which have been replicated in multiple regions, including the U.S. , Europe , and several developing countries . Among other benefits, diversity can motivate staff; provide a wider range of skills,

¹ McKinsey Global Institute – April 2016 – available [here](#)

experience, and perspectives; and more closely represent the views of stakeholders – benefits which are even more attractive in a context of stagnant productivity and skill shortages.

In 2017, the median full-time Gender Pay Gap was 6.6% in Scotland². This means that if the male and female populations of full-time Scottish workers were each ranked by their earnings, the man in the middle of the male population would be earning 6.6% more than the woman in the middle of the female population. The mean full-time pay gap, which is more sensitive to fact that very-high earners are predominantly men, was even higher, lying at 11.1%. The overall pay gaps, which are more sensitive to the fact that part-time workers are predominantly women, were higher still, lying at 16.1% (median) and 15.2% (mean).

While the Gender Pay Gap has decreased steadily in recent years, progress has varied across occupations, industries, sectors, age groups, work patterns, and regions³. The development of the Scottish Government's Gender Pay Gap action plan will take a wide-ranging, in-depth approach to tackling the Gender Pay Gap in these key sectors and life stages.

DISCUSSION

This breakout discussions will provide a platform for authentic voices from different business sectors; for stimulating debate and discussion on how Scotland becomes a truly inclusive economy. The feedback from discussions will be used to influence and shape both the Gender Pay Gap and Fair Work Action Plans.

The breakout discussion will be split into 2 separate discussion. The first of which will be on Fair Work and the second on the Gender Pay Gap. Each facilitator will host a discussion.

² Annual Survey of Hours and Earnings (2017) *Gender Pay Gap Tables*, available [here](#). ASHE is a UK-wide survey based on a 1% sample of HMRC PAYE records.

³ Scottish Government (2016) *New Perspectives on the Gender Pay Gap*, available [here](#); Scottish Government (2017) *The Gender Pay Gap in Scotland*, available [here](#); Scottish Government (2018) *Understanding the Scottish Rural Economy*, available [here](#).

DISCUSSION QUESTIONS

Fair Work

- Are employers and employees/workers well informed about the policy priority of fair work in Scotland?
- What are the challenges and opportunities of “Fair Work” for Scotland’s businesses?
- How can employers become ‘champions’ of Fair Work and share good practice and learning?
- How can policy makers, employers and businesses work together to develop and deliver fair work in Scotland?

Gender Pay Gap

- What are the challenges and opportunities for employers and employees/workers in tackling the gender pay gap?
- How do we ensure that tackling the pay gap is recognised as a priority for all – including workers/employees, employers/businesses and policy makers, particularly in relation to education and skills provision and economic development?
- How can policy makers, employers and businesses work together to reduce the gender pay gap in Scotland?