Written evidence submitted by Business in the Community to the Gender Pay Gap Inquiry

Introduction

Business in the Community is the Prince's Responsible Business Network. Our members work together to tackle a wide range of issues that are essential to creating a fairer society and a more sustainable future. We are a business-led charity with more than 30 years' experience of mobilising business. We engage thousands of businesses through our programmes driven through a core membership of more than 800 organisations from small enterprises to global corporations.

Our Gender Equality and Age at Work Campaigns work together to increase older women’s success at work, because it is good for business and good closely for society. We work to share and inspire best practice and to give employers and their people the tools to drive change.

Executive Summary

Women over 50 and working full-time are paid on average 18% less than their male counterparts. Less educated than men of their generation, they tend to be clustered in low-paid and low-status occupations and industries. Half of them work part-time which limits their opportunities for progression. Finally, they are likely to fall out of the labour market because of family responsibilities and incentives to retire. In order to remove these barriers, the government needs to retain and progress older women by:

- improving the delivery of child- and elder care;
- actively promoting age-friendly policies such as quality flexible working arrangements;
- providing incentives to stay in work, as well as re-skilling and re-training opportunities;
- preventing gender and/or age discrimination.

If the gender pay gap has been slightly decreasing over the years, there is no reason to think that this trend will continue. Over the next years, women who work in the public sector will not get any pay increase because of pay freezes and may even lose their jobs because of the forthcoming budgets cuts. The cost of female workers becoming inactive is massive. If they remain in the labour market and do not become inactive, they are likely to move towards the private sector and self-employment where the gender pay gaps are even higher. Immediate action needs to be taken to ensure that older women can still contribute their skills and experience to this country’s economy.
Questions

I. How adequate are the Government’s proposals for tackling the pay gap faced by women over 40? What additional measures would be most effective in reducing the pay differentials faced by this group?

1. The government’s proposals for tackling the gender pay gap must go further to address the specific challenges faced by women over 40. It is crucial to measure the gap and encourage transparency to ensure that employers are aware of the problem.

2. However additional measures need to be introduced to tackle the key drivers of the gender pay gap, which are occupational segregation – horizontal and vertical, as well as gender and/or age discrimination. Moreover measures need to be taken to tackle the gender pay gap for older women in self-employment by providing more opportunities for entrepreneurs, such as mentoring programmes, accessible training and access to finance\(^1\).

3. Vertical segregation is one of the biggest drivers for the gender pay gap. Women are slowed down in their professional progression because of family responsibilities. Half of women over 50 work part-time, which means that they earn on average 35% less than full-time employees\(^2\). Women over 50 working full-time earn 82% of what men of the same age working full-time earn.

4. Recommendations for government:
\(\rightarrow\) Subsidise apprenticeships for older female workers\(^3\)
\(\rightarrow\) Offer wider availability of IT skills training and adult learning loans\(^4\)
\(\rightarrow\) Legislate for flexible working from day one so that employees have the right to request flexible working from the start of the job application process, rather than waiting 26 weeks.
\(\rightarrow\) Offer better childcare and elder care support

5. Gender and/or age discrimination can also contribute to the gender pay gap and need to be dealt with.

6. Recommendations for government:
\(\rightarrow\) Amend the Equality Act 2010 to enable employees to bring claims on grounds of multiple discrimination

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4 Altmann.
→ Revoke tribunal fees for employment discrimination claims
→ Actively encourage employers to undertake equal pay audits and publish the results. So far only a minority of private sector employers have carried out an equal pay audit.\(^5\)
→ Abolish upfront employment tribunal fees preventing women from pursuing discrimination claims.\(^6\)

**II. What actions would be most effective in improving recruitment and retention for women aged over 40?**

7. While unemployment is relatively low for people aged 50 up to state pension age (SPA), underemployment persists. There has been an increase in the number of women who are ‘economically inactive’ but want a paid job.\(^7\)

8. Overall, the employment rate for women over 40 is rising and for older women has grown by more than any other age group in the labour market.\(^8\) However, the women who do lose their jobs find it harder to get back into the labour market. 43% of unemployed women aged 50 or older have been unemployed for a year or longer and re-employment rates for those made redundant are lower for the over 50s. They are more likely to stay out of work and stop looking for work\(^9\) as their motivation falls over time: 57% of this age group –women and men – feel that their age stops employers wanting to hire them.\(^10\) Older workers represent a valuable untapped resource – BITC’s Missing Million research found that if the employment rate of 50–64 age group matched that of the 35–49 age group, this would boost UK GDP by £88 billion.\(^11\)

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\(^6\) There has been a 80% reduction since the introduction of fees for employment tribunals. Fawcett Society.


\(^10\) Independent YouGov survey of over 2,000 retired and non-retired over 50s cited by Altmann.

9. In order to improve recruitment, retention and re-training for women over 40, one needs to understand why older women fall out of the labour market and what prevents them from re-entering or progressing. These factors are complex and include caring responsibilities, health problems or disability (especially for the lower paid), work-related factors, difficulty in returning to work after redundancy, and financial circumstances/incentives to retire\textsuperscript{12}.

**Family and caring responsibilities**

10. Underemployment or unemployment because of family and caring responsibilities is common among women over 40. Mothers in their 40s look to work extra hours as their children get older. 2.4 million women who are not in work want to work and over 1.3 million women want to increase the number of hours they work\textsuperscript{13}.

11. Moreover, 1 in 4 women (24\%) in the age group 50–SPA have an informal caring responsibility for a sick, disabled or elderly person\textsuperscript{14}. As the peak age of caring is 45-64, this factor may lead women to fall out of the labour market. Research estimates that 315,000 working carers have been forced to leave work and still remain out of employment\textsuperscript{15}. A quarter of carers who do not work say they would like more paid work but think there are inadequate services or flexible working or do not want to lose entitlement to benefits\textsuperscript{16}. The public expenditure costs of carers feeling unable to continue working have been estimated to be £1.3 billion a year\textsuperscript{17}.

12. Structural and organisational policies need to be implemented to relieve their burden and allow them to work if they want to do so.

13. Recommendations for government
   \rightarrow Provide financial incentives and services to help carers remain in work
   \rightarrow Conduct a review of how tax breaks could support families to buy care or other services to help carers remain in work alongside their caring responsibilities
   \rightarrow Improve the quality and affordability of childcare and elder care
   \rightarrow Better integrate health and social care services with employers and employment support services, which alongside enhanced statutory

\textsuperscript{14} Department for Work & Pensions.
\textsuperscript{15} Linda Pickard and others, *Overcoming Barriers: Unpaid Care and Employment in England*.
\textsuperscript{17} Carers UK.
flexible working, will enable people to remain healthy in work for longer and later in life

→ Create public services around the needs of the individual – join up health, social care and employment support services in local areas to drive change

**Health problems and work-related factors**

14. Half of all working people over 50 are living with a chronic health condition\(^\text{18}\). Those who have left work due to ill health are 76% more likely to never work again\(^\text{19}\).

15. Supporting disabled people to remain in work and providing better training and career opportunities to older women – especially those in part-time work – is key to improving retention.

**Financial circumstances/incentives to retire**

16. Recommendations for government:

→ Support national and local programmes to encourage older workers to stay in work, including phased retirement options and flexible hours

→ Provide stronger financial incentives to encourage older workers to remain in, or re-enter, the labour force, such as payroll tax deductions for their employers

→ Remove barriers to continued employment, such as strict enforcement of age discrimination laws, and recruitment processes with no age bias (for old or young)

**… in improving re-training for women aged over 40?**

17. Older women have lower average levels of formal qualifications than any other group\(^\text{20}\). They are less likely to be offered training – because of their age and because half of them work part-time – and to take it up because they are too busy at work and do not see the benefits of it\(^\text{21}\). As a result, fewer older people engage in work-based training, which means that they are less likely to change jobs than younger people\(^\text{22}\) and less likely to be promoted. Employers can respond to this challenge by adapting

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\(^{18}\) International Longevity Centre Business in the Community.


\(^{22}\) Department for Work & Pensions.
training and development to the needs of an age-diverse workforce and by promoting re-training for older women.

18. Recommendations for government:
   → Implement a national skills strategy for older workers
   → Support and facilitate the call to action from Dr Ros Altmann CBE for a cross-government national skills strategy for older workers, to include apprenticeships, IT skills training, adult learning support and the expansion of Mid Life Career Reviews
   → Offer additional education and course-specific grants and bursaries for female adult learners

III. Is there any evidence that women aged over 40 face particular barriers to promotion? If so, what could be done to address this problem?

19. There is evidence that women aged over 40 face particular barriers to promotion. Firstly, they tend to be concentrated in jobs and industries with low levels of progression in pay and seniority\(^3\). Secondly, those in lower-paid jobs are more likely to cycle in and out of work, which means that women are less likely than men to stay in continuous employment\(^4\). Third, women are more likely to take part-time work with lower salaries and fewer promotions.

20. Recent research – based on a sample of 1,000 UK part-timers – shows that around 3% of UK job vacancies for part-time roles offered a pro-rata salary of £20,000 or more and that more than three quarters of part-time workers feel trapped in their jobs and unable to be promoted or find another flexible role that fits their skills\(^5\). Another study found that around one third of employees (32%) believed that people working flexibly were less likely to get promoted\(^6\).

21. Part-time work is the biggest barrier to promotion. In order to address this problem, both the government and employers should ensure that quality flexible working\(^7\) is available to older women.

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\(^3\) Women's Business Council, *Staying On Evidence Paper - Women in the Workplace in Mid to Late Career*.


\(^7\) The term “flexible working” describes a type of working arrangement which gives some degree of flexibility on how long, where and when the employees work. The flexibility
IV. Are there particular difficulties in narrowing the gender pay gap for women working in predominantly female sectors and non-professional roles? Are there any evidence-based measures which could effectively address these issues?

22. One of the largest driving factors of the gender pay gap for older women is horizontal segregation. Women aged over 40 are more heavily concentrated into industries which are associated with low pay, low status and lower progression. In 2012, over half of all older women worked in public administration, health and education, a significantly higher proportion than for other age groups. They were in the following occupations: “administrative and secretarial” (23%), “professional” (20%), and “caring, leisure & other” (15%).

23. The gender pay gap is very likely to increase in the following years unless measures are taken. Indeed, there is a risk that older female workers’ skills may not be in line with the needs of employers and the growing sectors and occupations.

24. In 2012, 39% of older women worked in the public sector – compared with 33% for all women and 178,000 women over 50 worked in public administration. However, this sector is projected to shrink by 2020 because of the public sector jobs cuts. Older women who stay in the public sector will not get any pay increase due to the pay freezes and older women who leave the public sector will end up working in the private sector or in self-employment where the gender pay gaps stand at 19.1% and 40% - compared with 11% in the public sector. Those who are made redundant or who retire early will most likely fall out of the labour market and become inactive.

25. Over the next decades, the largest growth in occupations will be in professional jobs which are predominantly male-dominated and higher paid. Whilst there are many older women in professional jobs, they are mostly health and education professionals where there is little projected growth. Whilst they are female-dominated sectors and occupations which are expected to grow such as employment in retail and wholesale, as well as caring and personal service occupations, these tend to be lower-paid and insecure jobs.

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28 TUC.
29 TUC.
30 TUC.
31 Women’s Business Council, *Staying On Evidence Paper - Women in the Workplace in Mid to Late Career*.
26. Additional measures also need to be taken to counteract the effects of the economic crisis which hit women hardest. Since 2008, 826,000 women have moved into low-paid and insecure work such as zero-hour contracts, part-time or temporary jobs\textsuperscript{34}. Women who are made redundant are unlikely to find work again or to change roles. It is thus important to focus efforts on preventing them from exiting the labour market too early.

27. Recommendations for government:
\begin{itemize}
\item Reduce public funding cuts and prevent job losses in the public sector
\item Prevent pay freezes for the public sector
\item Lift the national minimum wage to the Living wage: new research showed that this measure would reduce the gender pay gap by 0.8\% and lift the pay of nearly 1 million more women than men\textsuperscript{35}
\item Provide apprenticeship opportunities to older women
\end{itemize}

V. Should the regulations on gender pay reporting be extended to organisations with fewer than 250 employees?

28. We strongly believe the threshold should be lowered to 100. If we are genuinely to close the gender pay gap, we need to reach a wider population and take greater action, faster. The majority of the UK workforce is employed in SMEs. We see no valid reason why smaller employers should be exempt from the reporting requirements; other countries have significantly lower thresholds, such as Sweden (24+ employees) and Finland (30+ employees).

29. Moreover the European Commission’s recommendation on strengthening the principle of equal pay between women and men through transparency recommends a threshold of 50 employees for gender pay gap reporting\textsuperscript{36}. If the threshold remains at 250 under the new regulations, there should be a provision to phase in public reporting for smaller employers one year after the initial implementation date.

VI. Would voluntary measures regarding what employers do with gender pay gap information be sufficient to create change within organisations? What could be done to ensure

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\textsuperscript{33} Women’s Business Council, \textit{Staying On Evidence Paper - Women in the Workplace in Mid to Late Career}.

\textsuperscript{34} Fawcett Society.

\textsuperscript{35} Fawcett Society.

that information about an organisation’s pay gap is translated into action?

30. We believe voluntary measures for closing the gender pay gap would be sufficient. However, the business incentives accompanied by public accountability and pressure must continue to strengthen over the long term.

31. Most employers recognise the commercial imperative for gender equality at work (and therefore closing the gender pay gap), such as enhancing employee engagement, boosting productivity and strengthening brand reputation. Unleashing women’s full potential could be worth £23 billion a year to the Exchequer, whilst advancing equality could add $12 trillion to global growth. Moreover, our research into the attitudes of over 1,000 employees (representing all levels of seniority) found that publishing the gender pay gap without a plan to close it is simply not enough. Employees want their employer to take action, not just publish their pay gap. A significant majority of respondents (93%) would look at the data when deciding which employer to work for, with 30% choosing the company more proactive in closing its gap. Employers must act if they hope to remain competitive in the employment market, and attract and retain the best talent.

32. Once employers have identified the causes of their gender pay gap they can design solutions. A holistic approach is essential – simply focusing on pay will not close the gap.

33. Recommendations for government:
→ Fund research on the drivers of the gender pay gap in the UK and publish an annual report on the national gender pay gap, including a detailed narrative and a national governmental action plan, including research and action on why the gender pay gap is wider for older women
→ Educate employees and the public on the gender pay gap in order to sustain pressure and build incentive for employers to close the gap
→ Provide online software enabling employers to carry out in-depth data analysis, including by age, along with detailed non-statutory guidance on the context writing process
→ Encourage employers to measure and monitor the impacts of their wider diversity and inclusion initiatives, since these are inextricably linked to the pay gap data. It is particularly important for

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government to encourage employers to promote initiatives impacting women over 40: creating agile cultures; promoting skills development, qualifications and training to older women; training line managers on managing older, female workers and normalising shared parental leave through generous pay packages
→ Support employers to consider how they can tackle the cumulative discrimination over time that acts as a barrier to older women’s progression
→ Signpost to organisations with resources and expert advice

VII. Which mechanisms would most effectively ensure that policies designed to narrow the gender pay gap are fully complied with? Is there evidence from other countries or policy areas of what might work best?

34. Reputational damage is a significant factor for employers\textsuperscript{38}, therefore an annual government report on the national gender pay gap could include best and worst practice employers (as mentioned in point 38).

35. Comparability is crucial. If the published data is accessible, easy to interpret, and comparable to other employers, it is more likely to have a real impact on employers’ behaviour after publishing. The calculation methodology must be standardised and regulated so that employers are less able to manipulate the data in their narrative.

36. Treating failure to comply as a criminal offence is necessary. A fine could act as a punishment for employers breaking the law, but it must be substantial to be effective - £5,000 is not enough. The fine should be a % of the company’s profit. Non-profit or charitable organisations would need a different penalty since their funding is often public.

37. Employers failing to publish their gender pay gap should be legally required to carry out an equal pay audit, similar to mandatory equal pay audits for employers who have lost an equal pay claim\textsuperscript{39}. This would also act as an incentive for publishing the gender pay gap, since it employers’ would rather not be forced to carry out equal pay audits.


\textsuperscript{39} The Equal Act 2010 (Equal Pay Audits) Regulations, 2014 No. 2559 Regulation
38. Providing software for employers to analyse their data will encourage them to comply with the regulations, since the process will be made easier for them. The European Union has developed “Equal PacE”\(^40\), an interactive software application to help employers analyse salary data and identify the causes of the pay gap. This tool is useful but is unlikely to suit the requirement of the UK regulations once they are finalised.

39. Positive incentives such as equality labels, ‘charters’ and awards would also encourage employers to publish and tackle their gender pay gap for the purpose of improving brand reputation. The Spanish government grants a business equality label\(^41\) every year to distinguish outstanding employers. A network was created to allow employers with this label to exchange best practice on gender equality at work.

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