



Women and Equalities Committee
House of Commons
London
SW1A 0AA

20th November 2015

The IoD welcomes the opportunity to contribute to the Women and Equalities Select Committee's inquiry into the gender pay gap, with particular reference to women over the age of 40.

The IoD has long campaigned for greater gender diversity at all levels of business and complete parity of opportunity for men and women in the workplace.

About the IoD

Founded in 1903, and granted a Royal Charter in 1906, the IoD is an independent, non-party political organisation of around 35,000 individual members. Its aim is to serve, support, represent and set standards for directors to enable them to fulfil their leadership responsibilities in creating wealth for the benefit of business and society as a whole. The membership is drawn from right across the business spectrum. Approximately 92% of FTSE 100 companies have IoD members in management roles, but the majority of members, some 70%, comprise directors of small and medium-sized enterprises, ranging from long-established businesses to start-up companies.

IoD Position

The UK has made tremendous progress in tackling the gender pay gap in recent decades. ONS figures show there are now a record 14.5 million women in work, and the female employment rate is at a record high of 68.7% while female economic inactivity has also fallen to a record low. The result is that the gender pay gap is now at its lowest level, 9.4%, since records began. For full-time workers under the age of 40 the pay gap is only 2.3%, while the pay gaps for 22-29 and 30-39 year olds are both negative – meaning the median female wage in these age groups is actually higher than the median male wage. This news also comes at the same time as the government celebrates the fact that it has achieved its original target, inspired by Lord Davies' report, to see 25% of FTSE 100 board positions held by women. These achievements are to be commended as great successes.

There remains, though, some work to do to achieve total gender pay parity. The World Economic Forum has recently suggested that it will take up to 118 years at the current rate to close the gender gap, although the UK is amongst those countries leading the way. As the Prime Minister himself has also rightly noted, the problem of paying men and women different amounts "isn't entirely solved, but it is nearly solved... (However,) the difference between pay for men and women doing different jobs is much more difficult to tackle."

The ONS notes, that problem is most apparent for women above the age of 40 and greatest for women in their 50s.

The reasons for that are numerous. Some are acknowledged in the Committee's terms of reference, some not so much. We will address a number of reasons for the existence of the gender pay gap, and propose remedies towards the latter part of our response.

The first is what we might describe as a 'generational lag.' Historically, women were less likely to receive a university education. This is no longer the case. Nevertheless, for these historical reasons, older women still in the workforce are less likely to have the same level of university education as men of the same age, which consequently means they are more likely to have lower earnings relative to men of the same age. It is likely that by the time individuals reach 50, for example, the impact of university education or otherwise may not be a significant impact on pay decisions – however, it is likely that non-university educated individuals (of which there are more women than men) would have started in lower-paid jobs than those with university educations at the beginning of their career. One study from earlier this year suggested that graduates earn £500,000 more over an average working life than a non-graduate due to their entry into the job market 'higher up' the job ladder, meaning even parallel progression with a non-graduate would still see pay higher later in life for a graduate than an equivalent non-graduate.¹ Women over-40 are over-represented in the latter group, men in the former, and this will inevitably affect statistics on the pay gap between the two.

Reassuringly, young and middle-aged women today are just as likely to be equally if not more educated as their male counterparts. Indeed, the latest figures from the university admissions service, UCAS, show the number of women gaining places at university is now rising twice as quickly as for men and 15% more women than men were accepted to university this year. This turnaround will mean the generational lag effect should disappear (and may even reverse) over time as more university educated women progress through their working lives; we may already be seeing something of this, given that women under 39 are now commonly being paid more, on average, than men.

A second factor explaining the phenomenon is what has become known as the 'motherhood penalty.' Due to childcare responsibilities, women are far more likely to work in part-time rather than full-time jobs; indeed, the Committee acknowledges this in the terms of reference, noting that the gender pay gap "is partly due to the fact that half of women over 50 work part-time, and hourly wages for part-time workers are significantly lower than those for full-time employees." Part-time work is typically lower skill and lower paid than full-time work. The result is that women comprise a disproportionate amount of lower paid members of the labour force, a fact which the Prime Minister has also acknowledged. Given this phenomenon, differences in average gender pay levels do not necessarily reflect any pay discrimination, all things being equal, but are rather a reflection of the greater tendency of women to seek shorter working hours which, by their nature, imply less overall pay.

The third, related, factor is unsurprising, but worth noting. The remaining gender pay gap for those from the age of 40 onwards upwards is due in part to the effect of women making the choice to reduce their hours or take time out of the labour market in order to have and raise children. Motherhood and childcare priorities may mean women take up less senior and consequently lower-paid roles if and when they return to the workplace. This 'motherhood penalty' will not be addressed by any of the key policies being put in place by the Government, but by cultural change which we will discuss further later in this consultation response.

The fourth factor is occupation segregation; that is, the higher concentration of female employees in low wage sectors. 78% of those working in health and social care, a low-pay sector, are women. By contrast, 88% of those working in STEM (Science, Technology, Engineering and Mathematics)

¹ <http://www.telegraph.co.uk/finance/jobs/11744118/Graduates-earn-500000-more-than-non-graduates.html>

industries, a high-pay sector, are men. The reasons for this split are myriad, but are in part a result of cultural norms whereby more women than men seek work in certain sectors and vice versa.²

Remedies

Despite our support for the goals of this initiative, the IoD does not necessarily believe that many of the key policies announced by Government to this point will make a significant impact on reducing the gender pay gap for individuals over the age of 40.

Taking the publication of the difference in male and female pay at large companies in particular, these measures may go some way towards incentivising employers to investigate any gender pay gap in their firm. However, issues around relatively lower female participation in some sectors, differences in attainment between age groups, and lifestyle choices cannot be tackled solely by employers. Some of these issues will only be addressed by wider social and cultural change. We have responded to the Consultation issued by the Government Equalities Office on this issue.

Similarly, new steps to compel larger employers to publish bonus information by gender will similarly encourage those employers to investigate whether they have a gap, but are unlikely to reduce that gap. There are, again, significant issues with regards to seniority, occupational segregation, and age issues.

As such, the IoD proposes a number of remedies which would, we believe, have a more positive effect without such a heavy-handed approach.

Addressing each in turn, the gap in educational attainment between men and women over the age of 40 cannot be easily dealt with by a contemporary government – which is to say that it is challenging for the Department for Education to affect the career guidance given to individuals more than two decades ago. So, in a sense, one remedy will simply be time as the welcome changes to girls' educational achievement and university attendance rate filter through to the workplace. The beginnings of this correction are already starting to be seen. However, that does not mean the Government cannot attempt to lift all boats on a rising tide. Many women (and men) over the age of 40 will have been trained for jobs which no longer exist today due to information technology advances, and that will increase over time. It is imperative that the UK adopt a more open approach to lifelong learning, in which training continues throughout a working life rather than stopping at the age of 16, 18 or 21. The proliferation of so-called MOOCs – massive open online courses – is one such indicator of the demand for lifelong learning. Such a cultural change and an increased emphasis on continuing professional development may have a positive impact on reducing the 'education gap' between men and women over the age of 40, but it is nonetheless likely that time will be the key driver of change on this particular issue.

We can to a degree link the third and fourth factors together – the 'motherhood penalty' that includes time taken out of the workforce to have and raise children, and the disproportionate number of women in part-time work as a result. It is sensible that both the previous Coalition Government and this Government have focussed on improving the rules on parental leave to encourage men to take up more childcare opportunities. To that end, we are already seeing an encouraging trend. A 2013 survey by the Institute for Public Policy Research found almost one in

² The IoD has led debate around this issue with Lady Barbara Judge, the Institute's first female Chair, making the point that 'to get an anywhere close to full boardroom parity, and to prepare as many women for executive positions as men, we must push girls and young women to study rigorous and scientific subjects that will prepare them for this reality.'

three working mothers are the primary breadwinner in a couple family. The total has shot up by 80% over the last 15 years and there are a growing number of dual earner couples where the woman's salary now outstrips the man's. Government figures show the number of stay-at-home mothers has fallen to the lowest figure since current records began in 1993. Over the same period, the number of stay-at-home fathers has almost doubled to 209,000. As Dalia Ben-Galim, Associate Director of IPPR, has said, "the balance between breadwinning and caring has changed – it can no longer be assumed that the dad is the primary breadwinner in a couple family."

As we have earlier stated, one of the reasons for the gender pay gap for women over the age of 40 is childcare responsibilities and the legacy effect of taking time out of the workforce to raise children (though fewer women above 40 have children than those below 40, time out of the workforce inevitably delays promotion or pay rises, the effect of which lasts beyond the immediate aftermath of parenthood). It stands to reason therefore that if more men take time out of the workforce to raise children, and women therefore spend less time out of the workplace, the gender pay gap may begin to even up. We would further encourage the Government to do more to make childcare affordable; that means going far beyond plans to simply introduce 30 hours of 'free' childcare. It is high time we looked again at childcare regulations, as reducing the cost of childcare would make more parents – xx and xy-chromosomed alike – likely to return to work, as current childcare costs often do not make even part-time work financially sensible for some families.

Occupational segregation is another factor in the ongoing gender pay gap. Whilst, as previously discussed, an emphasis on retraining and life-long learning will go some way to addressing the paucity of women in some sectors, it is unlikely that significant progress can be achieved on this for women nearing the end of their careers. The answer, therefore, is to ensure that there is a significant shift to ensure that cultural norms around 'men's' sectors and 'women's' sectors are changed. The current form of occupational segregation could prove to be a persistent obstacle to future reductions to the gender pay gap unless concerted efforts are made to challenge these long-held norms and encourage more men and women to enter jobs which are outside conventional gender roles. In some sectors, we are in danger of repeating previous mistakes.

The tech sector, for example, is one of Britain's recent success stories and pay in the sector (in large part due to skill shortages) is higher than average. It is heartening that there are so many women leading the charge in the digital economy and across the tech sector, from Debbie Wosskow (Founder of SharingEconomyUK and LoveHomeSwap.com) to Alex Depledge (Founder of Hassle.com and the Chair of the Coalition for the Digital Economy) to Baroness Lane Fox and Dale Murray CBE. However, there are significant concerns that the industry as a whole remains male-dominated. Some estimates suggest just 14% of the UK tech industry is female, a concern considering the fact that the tech industry will become ever more important to the UK's economic well-being. Ensuring that it doesn't become a men-only zone – which will require cultural shifts and education changes, both of which imply a lag between policy and impact – is one example of a way in which the gender pay gap can be addressed over the long-term.

Linked to the rise of tech and the pace of digital innovation is a growing focus on future Labour market changes and how this will impact trends in gender pay and work practices. The point has already been made about the need to encourage lifelong learning in the face of the increasing number of obsolete job roles. Oxford Martin School has projected that up to 35% of jobs in the UK are at high-risk of automation over the next 20 years. This trend will place the onus on politicians and employers to provide high quality training for employees who will inevitably need to adapt to this once-in-a-generation upheaval in work practices. On a cautionary note, this may also have unintended consequences for current trends in gender pay.

The growth in employer run education schemes and online/part-time further education courses will inevitably challenge universities to alter their traditional models. While we can therefore welcome the current uptick in women entering higher education – alongside the commensurate narrowing of the gender pay gap, we should keep one eye on the future and how this trend will be affected by rapid changes to the nature of work and education provision.

Conclusion:

There are no doubt issues to address around differing pay for men and women. We welcome the Government's push, and of the Committee, to ensure that true parity of opportunity exists between men and women in the workplace. There remains ample work to do to ensure that the executive pipeline for women is as well-oiled as it is for men. But we are concerned that current measures are unlikely to do much to address the gender pay gap, and particularly not for those over 40. As we have outlined, the reasons for a gender pay gap for older women in the workplace are myriad and not easily solved via government intervention. It is cultural change that will close the gender pay gap, and deliver the workplace meritocracy we all hope to see.

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