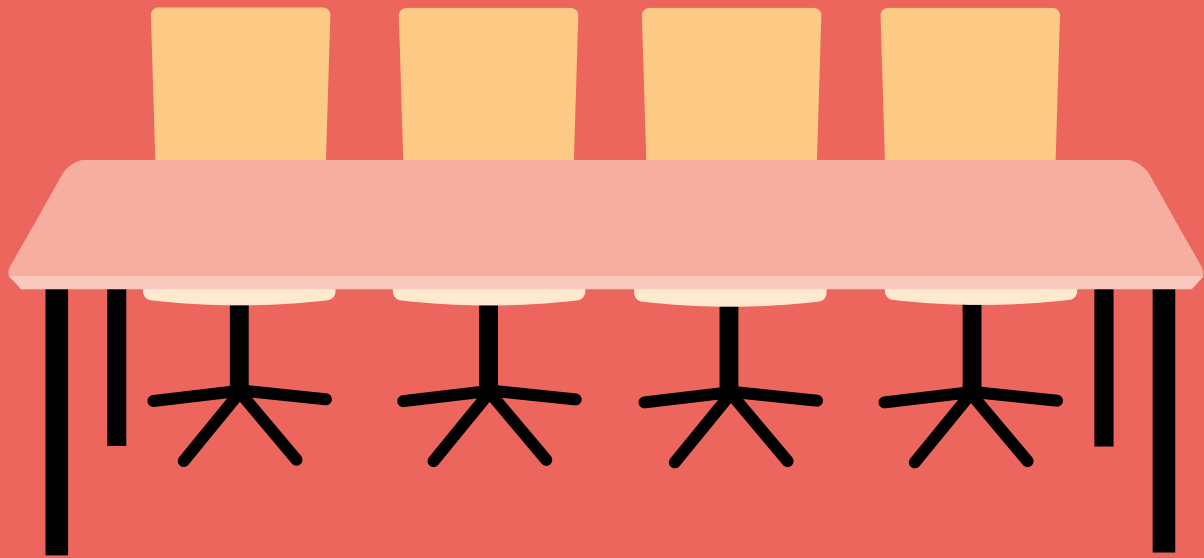


GENDER PAY GAP BRIEFING

For directors and leaders



Scotland
Institiud Stiùirichean na h-Alba

1. INTRODUCTION

Women's unequal participation in the labour market is a drag on growth, both for individual businesses, and in the wider economy, as many women are working below their potential. Businesses that take action to promote gender equality are able to recruit from a wider pool of talent, enjoy a reduction in staff turnover and associated costs, and experience increased productivity through improved employee motivation.

This doesn't just benefit your bottom line – it benefits everyone. As directors, by driving action across your organisation, and supporting key business functions to play their part, you can help create a virtuous cycle and close your pay gap. When HR managers create improved policies it makes it easier for them and others to do their jobs, and benefits all employees. For example, hiring managers are empowered to make better decisions and recruit the best candidates. When team leaders are trained to manage flexible working they are more able to support their people to work flexibly in their teams. When your employees see you following through on your commitments at all levels, this helps create a workplace that feels inclusive to all.



Together with IoD Scotland, Close the Gap has created this briefing to set out what you need to know as a director to play your part in closing your organisation's gender pay gap.

2. THE ROLE OF A DIRECTOR IN TACKLING THE GENDER PAY GAP

Modelling accountability

Strong leadership is critical to closing the gender pay gap, and one of the most important ways a director can demonstrate leadership is by being willing to be accountable. Senior leaders taking a proactive and visible stance on gender equality in the workplace is an essential step. This can be demonstrated by being transparent with your employees and your customers on how you are creating change.

This shouldn't just be a one-off - you should issue regular communications to make it clear that it's an organisational priority. Sharing information on what steps you have taken is a good way to demonstrate transparency and accountability.

When you are willing to show accountability it's easier to ensure that those responsible for driving action in your organisation are accountable too.

Being informed

It's important that directors understand why there is a pay gap in their organisation. This can provide reassurance to shareholders, employees and other stakeholders that your pay gap is not a product of discrimination.

Being clear on how the action you're taking will create change in your organisation will send a strong message that you're facing your pay gap head on. It will also equip you to deal with challenging questions from the media or other commentators.

Targeting resource

If you want to see change it will take time, and commitment, and resource. But taking action to close your pay gap is an investment, not a cost. Understanding the causes of your pay gap will mean that you're better able to allocate adequate resources to targeted activities and initiatives that will ultimately reduce your pay gap.

LARGER ORGANISATIONS

A key first step is ensuring that your HR department has adequate resources to report your pay gap information, and develop and deliver a pay gap action plan. This may include capacity building for staff involved, budget allocation, and workload adjustments.

This will help identify where resources can be best targeted to deliver tangible actions. It will also provide your governance team with the information needed for reports to directors.

SMALLER ORGANISATIONS

If your organisation doesn't have a dedicated HR function, or has limited resources to allocate, it's even more important to ensure the action you take is well targeted. Working with external equality specialists is a great way to bring in the expertise and support you may not have internally.

Identifying where you can make an impact will help create momentum and make those next steps easier. This will enable you to make the best use of the resources you have and deliver change where it most counts.

Boosting internal buy-in

Most leaders are clear on the business benefits of gender equality in the workplace, but this doesn't mean that everyone in your organisation will be. It's important that everyone who could have an influence on your pay gap understands why your organisation is working to close its gender pay gap, and what their role in that is.



You should use your voice to be an advocate for action internally. Your commitment will help secure the commitment of your senior leaders and managers, ensuring they play their part. This will help create a virtuous cycle and drive long-term change.

External voice

Pay gap reporting has created welcome transparency. Anyone can access information on your gender pay gap, and those of other organisations in your sector.

This transparency can naturally lead to increased scrutiny, and many leaders are uneasy about the attention pay gap reporting can attract. If you're equipped with a good understanding of your pay gap, and what you're doing about it, this enables you to take questions confidently, show you're serious and mitigate any reputational risk.

Being across your gender pay gap also enables you to be a strong advocate for change outside of your organisation, letting your stakeholders know you're a leader on this issue and committed to progress.

3. WHAT INFORMATION SHOULD BE INCLUDED IN REPORTS TO DIRECTORS

If your organisation monitors or publishes its gender pay gap, directors should take responsibility for monitoring progress.

Annual update

The team or person responsible for gender pay gap reporting should ensure that the board receives an annual report on your pay gap data. This report should be comprehensive: high level reporting that only focuses on legal reporting requirements is unlikely to be enough for you to make effective and informed decisions.

The report should examine your overall organisational gender pay gap, but should also include an analysis of your full-time and part-time pay gaps, using both mean and median measures, to provide as full a picture as possible. Including gender-disaggregated data by

grade is also key to obtaining an in-depth understanding of your gender pay gap. Larger organisations may also wish to include grade-level gender pay gaps.

This report should provide an analysis of each of the datapoints over time, and use this to explain what the key issues are in your organisation. Ideally organisations should report to the board, or leadership team, on various pay gaps, by level and by division or department area. Top line reporting, or just reporting what you are legally required to report on, is rarely enough for you to make effective and informed decisions.

Monitoring progress

The report should set out the actions that will be taken to address these priority areas. You need to know where progress is being made, which areas are proving tough to create change, and what can be done differently.

Holding key people accountable

Crucially, the report should also tell you who is responsible for delivering each action. This is essential for accountability.

Ensuring that you receive a full report on your gender pay gap will enable you to maintain momentum, and provide you with the information you need to deliver confident external communications where necessary.

4. WHAT DIRECTORS CAN DO TO ADVANCE WOMEN'S EQUALITY AT ALL LEVELS OF THEIR ORGANISATION

Choose to be challenged

More organisations are now taking action on gender inequality, but in too many cases this action is narrow in scope and unlikely to have an impact. A one-off inclusion statement is not enough to undo the barriers women have faced in their careers for decades and longer. A flexible working policy that sits on a shelf won't change practice.

Saying "equality is at the heart of everything we do" is different from making it so.

Directors need to be bold and take the bigger, harder steps that lead to real change. This means embedding action at all levels: making meaningful changes to policy and practice, closing the implementation gap on existing policy, and walking the walk in your own role.



Embed effective oversight

Tackling women's inequality in your organisation requires action, and effective action requires a strategy, a plan, and effective oversight. Just as a director is responsible for ensuring the organisational strategy is delivered, they should be responsible for ensuring commitments on gender equality are also delivered.

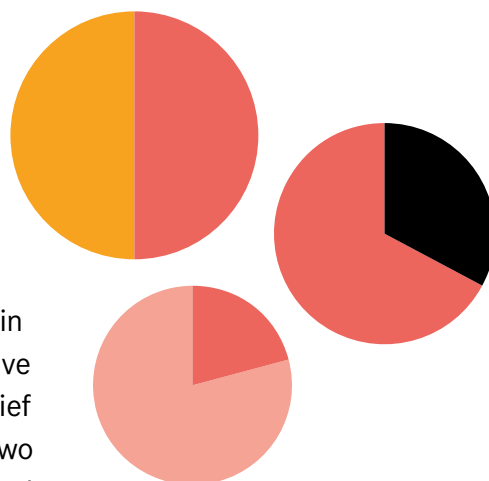
Change doesn't happen overnight, but it can happen with commitment and accountability.

Work with experts on gender equality

Expertise is a critical success factor in many aspects of business and service delivery. Working with external experts brings a new perspective, identifying opportunities and roadblocks you might not be able to see. A critical friend is a valuable tool that can challenge you to take those bigger steps, and support you along the way.

5. HOW TO INCREASE WOMEN ON BOARDS AND IN KEY EXECUTIVE POSITIONS

In Scotland, public sector boards are currently gender balanced, driven by the Gender Representation on Public Boards Act 2018, showing the positive impact that setting targets can have.¹ However, more generally, progress on increasing the number of women working at senior levels has been slow, showing that the glass ceiling is still very much intact. Where there has been progress in increasing the number of women on boards, this has been in non-executive directors, and not chief executives, or executive or financial directors. Women make up only a third of chief executives in the public sector, despite constituting around two thirds of the public sector workforce. In the private sector, only 7% of Scotland's 'top companies' are led by women.²



New research by Women on Boards UK, shows that whilst we've seen strong gains regarding 'women on boards' across the FTSE 350 and FTSE All-Share, those companies outside the 350, yet still only 10% of executive board members are women.³

We know there is a strong link between gender balance at senior levels and profitability and good performance in service and product design. Studies show a clear correlation between gender balance on corporate boards and financial indicators of business performance, such as financial performance and shareholder value.

¹ Ethical Standards Commissioner (2022) *Annual Report*

² Engender (2023) *Sex and Power*

³ Women on Boards UK (2023) *Hidden Talent*

Indeed, increasing women's representation may increase the skill level on your board. This is because a more robust and inclusive recruitment process identifies candidates outside the norm, which have traditionally been identified through male-dominated informal networks that stretch across sectors.

Gender diversity at senior levels, as well as in the wider workforce, helps to develop new ideas and ways of thinking as men and women bring different perspectives to the table. The synergy of these skills and experience drives innovation which can be a key source of competitive advantage.

What works?

Many of the actions that advance gender equality in the workplace will also help increase the number of women on your board, including:

- actively minimising the scope for bias in your recruitment and promotion practice;
- moving away from the same old executive recruitment agencies and seeking out those that centre action on equality and diversity;
- setting out clear progression pathways within your organisation;
- ensuring women are offered equal access to development, including working on high-visibility projects that may help them achieve promotion; and
- setting targets to work towards – evidence has shown this is an effective approach.

These are crucial to enable women to develop the skills and experience needed to reach C-suite roles, and to ensure those women who already have those skills are able to break through.

The same principles apply: these actions must be intentional, tangible, and consistent.

Key to success is ensuring any strategy or action plan sets out the owners of each deliverable, and that those responsible for implementation have the right skills to carry out their roles.

This is a long-term commitment, but with the right people and resources, you can deliver change for women in your organisation.

This briefing accompanies the Close Your Pay Gap tool, developed by Close the Gap, Scotland's expert on the gender pay gap. To use the tool, and find guidance on how to close the pay gap, go to: www.closeyourpaygap.org.uk





Close the Gap

Close the Gap works in Scotland on women's labour market participation. We work with policymakers, employers and unions to influence and enable action that will address the causes of women's inequality at work.

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 Close the Gap

Close the Gap (SCIO) (known as Close the Gap) is a Scottish charity, no SC046842.





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IoD Scotland sits as a region within the member organisation known as the Institute of Directors (IoD). Established in 1903, the IoD has a Royal Charter to support, represent and set standards for business leaders.

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