

## Building on progress: boosting diversity in our workplaces

### CBI position paper

The CBI fully supports a broad Diversity and Inclusion agenda that goes beyond any particular protected characteristic. 'Diversity' can be considered in relation to background, experience, skills, styles and thought – whilst 'Inclusion' is about making sure the diverse mix really works together.

In this report, we will focus primarily on gender diversity and sustaining and developing the talent pipeline for women - from education to entry into work, through management positions and beyond. To deliver this, we call upon schools, businesses and government to work in partnership to boost gender diversity and to reduce the gender pay gap.

Nevertheless, many of the recommendations in this paper will be applicable in the wider diversity sense, and many firms choose to approach diversity from this broad perspective. Gender diversity is an important starting point for this wider conversation.

*There are many good reasons for companies to believe that increasing gender diversity in their workforces will be a business boost, as well as it being the right thing to do. As individual businesses – and as a nation – we succeed when we make the best of all the skills we have available, whatever their background. And feedback from businesses across the country, as well as academic evidence, suggests that diverse groups of staff provide a more rigorous, challenging framework for critical decision making. It also helps firms to understand a diverse customer base.*

Business has come a long way over the past couple of decades. From the right to request flexible working to the Lord Davies Review on women on boards, many firms have shown that they will embrace the challenge of supporting different career paths and structures, and building stronger pipelines for talent, as a way to attract and retain key staff. And while these steps have been aimed at supporting women in work, often they have the beneficial effect of changing workplace culture to the benefit of both women and men, whatever their background.

Both government and business rightly think that progress must continue to be made, but it is for business to drive the diversity agenda. We need a commitment from this government, and whoever forms the next, to continue to support businesses in this area and promote meaningful initiatives. To play their part, firms need to take ownership of continuing momentum and ensure that diversity is a key business issue.

This paper highlights the key steps the CBI believes are needed to deliver further progress. Making progress on gender diversity will also ensure progress is made on closing the gender pay gap, which should be a key priority for businesses and government. A woman may face a number of obstacles at different times throughout her career journey: from choices at school to being hired for the first time, going on maternity leave to returning to work, and then ultimately, how to break into the boardroom.

Developing a talent pipeline without obstacles requires business and government to take targeted actions at each stage. In this paper, we set out recommended actions across this whole lifecycle. We are looking at how to give girls the best chance from day one, followed by the ways in which business can boost gender diversity in the workplace and finally, the policy framework government must provide to support this.

## OVERVIEW

### We need to tackle gender segregation in careers right from the outset

- Schools and businesses need to work together to ensure all young people are receiving the support they need to fulfil their potential
- We need to take active steps to widen the pipeline of young people making it into STEM work to include more girls and women

### Businesses must keep doing more to support women in the workplace

- Lord Davies' review has put gender diversity in the spotlight, but business cannot get complacent
- Businesses need to commit to meaningful diversity policies and aspirational targets that can deliver real progress
- Placing renewed focus on effective recruitment, retention and succession planning is one part of the strategy
- Continued robust support for women at all levels is another
- The equal pay agenda should be highlighted as an important issue within any business diversity strategy
- And businesses need to make sure managers are engaged

### Government has a big role to play in creating an environment that enables women to succeed

- The government needs to do more to push a wider awareness and understanding of the benefits and options for flexible working
- Business urgently needs more guidance around the details of the forthcoming Shared Parental Leave system if they are to be able to make it work in practice for employees
- Delivering flexible, high-quality, affordable childcare needs to be the next challenge government takes on so that parents with caring responsibilities can maintain contact with the labour market

## **We need to tackle gender segregation in careers right from the outset**

As part of our *First steps* campaign, the CBI has long been clear that business needs young people who are well-educated, but also well-prepared for working life.<sup>1</sup> A large part of this is about building understanding about the world outside the school gates. The education system must support this development in all young people so that they are equipped to fulfil their potential. Tackling occupational segregation, where jobs become dominated by one gender, is an important part of this. Too many areas of work – often those with high pay potential – are seen as male-dominated, with feedback suggesting girls are actively or passively steered away from options that would give them better access to higher pay and seniority.

## **Schools and businesses need to work together to ensure all young people are receiving the support they need to fulfil their potential**

We need to build a school system that avoids gender being a factor in what destination students reach. In our latest *Employment Trends Survey*, 69% of firms surveyed reported insufficient numbers of people from diverse backgrounds in their sector or profession as the main obstacle to developing as diverse a workforce that they would wish, indicative of occupational segregation which often starts at an early age.<sup>2</sup> Of university places accepted in 2011, 13% of engineering places, 18% in technology and 22% in mathematics and computer science were taken by women, whilst women made up 89% in nursing and 85% in education.<sup>3</sup> These numbers need to change if businesses are to be able to build the diverse workforces they want.

Careers advice and guidance must ensure that girls are not being pigeon-holed into specific career routes, and giving support to young women to make the right choices early on will help to close the gender pay gap. Statistics show that 30% of young men receive careers advice on starting an apprenticeship. This figure is reduced by a quarter for women, showing how early gender stereotypes can be embedded through careers advice.<sup>4</sup>

Careers guidance in the UK has never been as good as it needs to be – our data shows that only 5% of businesses believe that it is currently good enough and 72% think that advice must be improved.<sup>5</sup> Government has given schools a statutory duty to provide advice, but this does not guarantee high quality provision. A more cohesive support service that can harness local business support is necessary. We need government to fund and put in place a nationally-mandated, locally-run system to support employer engagement in careers services. This network could be in schools or shared between them, but it should give a formal framework within which the aspirations and ambitions of young women could be fostered with help that explains a clear path to their goal.

Businesses need to do their part to support schools with any new careers service – using a revamped approach to share more about working life and the kind of skills students might need so that gender stereotypes are challenged. The Inspiring Women campaign, led by the Education and Employers task force, is a valuable example of a country-wide initiative to encourage women of all different occupations to reach out to female students and share their experiences. We need initiatives like these front and centre in schools.

Progress is being made. In our 2013 education and skills survey, 85% of businesses who responded now have links with schools and colleges, with 81% of these providing work experience placements.<sup>6</sup> These can be an important part of opening young people's eyes to the world of work, and, for girls, challenging any misconceptions they may have had about certain career paths. But to ensure that all young people get an early experience of the workplace, we need to see the requirement for work-related learning restored to its place in the curriculum at Key Stage 4. Inspiring speakers, work experience, better careers guidance: combined, these steps can help to show young women the wide variety of opportunities and pathways they have open to them and inspire them to pursue these.

## We need to take active steps to widen the pipeline of young people making it into STEM work to include more girls and women

Whilst better careers advice in general is crucial, encouraging more girls and women to enter high value, growth sectors is particularly important. Science, technology, engineering and maths (STEM) skills are vital to the UK's ability to sustain and develop high value-added industries – they underpin the UK's future economic growth. Those with STEM skills are in demand at all levels, from apprentice and technician level upwards.<sup>7</sup> Part of responding to this need starts at school – improving STEM participation by girls and women, and that of other underrepresented groups, must be a policy priority.

Women make up 46% of the workforce but only 15.5% of the core STEM workforce, while just 8% of engineering professionals are women.<sup>8</sup> A new survey by the Institution of Mechanical Engineers found that 66% of the public still associate the term 'engineer' more with men than women.<sup>9</sup> These perceptions are a disappointing mirror of reality.

These statistics are shocking. Especially as these highly-skilled roles are amongst the better paid in our economy, with strong development paths and a clear link to the UK's economic strategy. We need to tackle stereotypes that challenge young women's participation. According to the Royal Society of Edinburgh, doing so could be worth at least £2bn to the UK economy.<sup>10</sup> It is positive that within the Government's new statutory guidance on careers advice there is explicit reference to encouraging more young people – especially girls – to consider STEM subjects at school.<sup>11</sup> Similarly, the government's new 'Your Life' campaign is a welcome initiative to raise the number of people, especially girls, studying STEM.

Nevertheless, the CBI wants providers of education and training in STEM subjects to go further. While good progress has been made up to GCSE level, female participation in STEM subjects dwindles at A level with only 21% of physics and 39% of maths entrants female in 2013 – and this flows through to university.<sup>12</sup> Drawing on the experience of business, and the Davies review in particular, every school, sixth form, college and university should be setting and reporting against targets for female participation in key subjects, such as physics. Targets will help bring this issue into the spotlight, and sharpen minds to start making real progress that gives girls the start they need to succeed in areas of skills shortages.

## WHAT WE NEED TO DO

In order to break down occupational segregation:

- Government must address the careers guidance deficit in line with the recommendations of the CBI and a wide range of other groups including the Women's Business Council, by funding a nationally mandated, locally-run system to support employer engagement in careers services
- In turn, business needs to step up its engagement with schools to provide inspiration to all students on what they might achieve
- Government should mandate the requirement for young people to take on work experience at Key Stage 4, and encourage girls to think outside the box when choosing placements
- All sixth forms, colleges and universities should set and report against Davies-style targets for female participation in key STEM subjects where there is underrepresentation, such as physics

### **Businesses must keep doing more to support women in the workplace**

While schools' focus must be on tackling the root of occupational segregation, it is companies themselves who must take the lead on supporting a more diverse workforce once people are ready to enter the workplace. This includes a renewed focus on removing obstacles that get in the way of female talent from entering the workforce and progressing up the career ladder. In 2012, women made up 46% of the workforce, but their representation falls in more senior positions to 33% at manager, director and senior official level.<sup>13</sup> There are a number of explanations for this drop. Whether it is the difficulty of combining caring responsibilities with work, coming up against stereotypes around flexible working when returning to work, a lack of role models, a male-dominated workplace culture or all of these combined, women face a number of challenges – and it is for business to respond, by providing useful support or risk losing key talent which they have invested in.

Action would also help our economy. According to the Women's Business Council, by equalising the labour force participation rates of men and women, the UK could further increase GDP per capita growth by 0.5 percentage points per year, with potential gains of 10% of GDP by 2030.<sup>14</sup>

### **Lord Davies' review has put gender diversity in the spotlight, but business cannot get complacent**

Lord Davies' review has helped to shine a spotlight on gender diversity and recent figures have shown that over a fifth of all FTSE 100 board posts are now held by women, up from 12.5% in 2011.<sup>15</sup> Whilst there is no single measure for defining progress on diversity, the figure is symbolic in demonstrating that companies are getting behind this agenda. However, we need to do more. Another 62 board seats need to be held by women before the UK's voluntary target of 25% by 2015 is met and, perhaps more worryingly, a recent report by PwC suggested that Britain is trailing behind many OECD countries in terms of wider female economic empowerment.<sup>16</sup> With the support of government, businesses must redouble their efforts to ensure key talent is not lost at any level and plug the gaps where the talent pipeline is leaking.

As the CBI identified in our work *Room at the top* in 2011, the real work to change representation at the top of businesses lies in the pipeline of female talent that companies must do more to nurture.<sup>17</sup> Not only will this address the key issue of delivering more high quality female candidates for executive positions at the top of the business, it will also build a culture that supports women's career development at all levels. Again, thinking like this has benefits that go way beyond gender diversity – supporting flexibility, career planning and mentoring can help all workers fulfil their potential.

### Businesses need to commit to meaningful diversity policies and aspirational targets that can deliver real progress

We need real leadership from the top of business if change is to be delivered. Promoting the opportunities and support that lead to strong diversity outcomes needs to be owned by the business as a whole, rather than an isolated programme led by Human Resources. Senior management commitment and ensuring that diversity is an integral part of the values of the organisation are key. Business leaders should champion diversity initiatives and seek to foster wider engagement and awareness of diversity issues within the workforce. This is about changing mind-sets and bringing about real behavioural and cultural change from the top down – with female champions but also, importantly, male champions pushing the agenda too.

Drawing up meaningful diversity strategies and policies which are integrated with the wider business strategy is part of this and requires measurement and accountability. Of course, each business will have its own barriers to tackle and these will depend on a mix of cultural, educational and occupational elements. For example, an engineering firm might find that there are very few women applying for entry level roles while a retail business might struggle to maintain female participation at middle management level. With this variety, it is clear that there is no 'one size fits all' solution.

But it's also clear that, in a business, what is measured is managed. While legislation on a one-size-fits-all basis would be ineffective, company-specific targets can work. This has been clearly shown by the success of the Davies review. So far, however, progress has centred on the quicker fix of new non-executives. Now, our focus needs to be sharpened on the executive side of the business. Making more progress on executive positions will take time. But given that only 6.9% of executive directors in the FTSE 100 are women, it is clear that progress can't come quickly enough.<sup>18</sup>

The answer to this is the pipeline of talent to the boardroom, and that requires action right through the company. More firms should take on the example set by some leading firms of extending diversity targets, on a comply or explain basis, down through their middle and senior management cohorts.

### Placing renewed focus on effective recruitment, retention and succession planning is one part of the strategy...

For some businesses, resourcing inclusively may mean adjusting recruitment, retention and succession planning. Firms must work in collaboration with their own HR team and recruiters to promote transparent practices and challenge gender segregation if it exists.

It is an important principle that the strongest candidate should get the job. But that doesn't mean that businesses have no room to think more flexibly about the skills mix and work organisation needed for roles to ensure there is always a diverse longlist and shortlist. They can also think about better ways to assess candidates. For example, focusing on a candidate's concrete achievements rather than just "time served" can not only help find better hires, but also might encourage more women to put themselves forward for the role. At the moment, many women choose to move away from corporate roles and instead set up their own businesses to get the deal they want. But a big push on ensuring hiring and promotion processes don't inadvertently put off women can help change this.

Actions that would help in this regard include companies making it clear that they have a presumption in favour of flexibility – i.e. that they are open to candidates' proposals for how they would fulfil the role so long as the key tasks are met. Likewise, greater openness to job-sharing in more senior roles and use of adverts that specify skills and person specification, not just a long list of experience, will help.

At more senior level, the head-hunters Voluntary Code of Conduct is a useful benchmark of good practice, although more can be done by business and government to support those head-hunters who sign up to the Code to ensure they can implementing the recommendations suitably. This includes greater openness from businesses to candidates from different backgrounds. For example, when recruiting for Non-Executive Director roles, businesses might consider widening their search to include entrepreneurs and leaders of small and micro businesses.

### ...continued robust support for women at all levels is another

Supporting and encouraging career development and management must be a business priority for all employees. There are already a number of national business-led initiatives which are extremely valuable

to firms, but individual companies can also draw up their own support initiatives. Setting up diversity networks allows women to share experiences and inspiration, whilst mentoring, sponsorship schemes and coaching can help women to draw up focused career development plans.

Businesses can also support women to manage their career breaks effectively. This April saw the successful launch of a new employer initiative in the UK, "returnships", whereby professionals who are re-starting their careers after a long break – often women returners – reintegrate back into the workplace via an "internship". This kind of thinking can be extended to many different situations, including where female employees are returning from maternity leave, or, with agreement with their employer, looking to change their hours. Similarly, more openness around expecting and welcoming flexible working proposals from staff will help those with caring responsibilities to maintain contact with the labour market. The Project 28-30 survey of 2,500 people led by Opportunity Now showed that flexible working is essential to women in balancing their many and varied commitments, yet the stigma attached can be an obstacle to progression.<sup>19</sup> Barriers to flexible working include rigid job design, demand from other colleagues during 'regular' working hours, a presenteeism culture, and a lack of role models who undertake flexible working on a regular basis.

As the Agile Future Forum<sup>20</sup> emphasised last year, not all of these can be wished away – particularly in more senior roles. Many employers choose to accept all flexible working requests, but companies need to decide each case on its merits as it may not be practical for every firm. This will vary on business model but a typical issue for businesses might include difficulty in providing cover over an extended non-continuous period.

Whilst practical realities cannot be avoided, there are work-arounds that businesses can explore. Job-sharing, as already mentioned, in one example – though we should be clear that it is possible to do many senior roles part-time, as the work of the Timewise foundation shows.<sup>21</sup> In many cases the issue is now not whether flexibility is possible, but what the structural changes that will enable flexibility are. The onus should be on business to challenge outdated assumptions of traditional working patterns, as a benefit for both the firm and the employee.

### The equal pay agenda should be highlighted as an important issue within any business diversity strategy...

Businesses' approaches to workforce diversity need to incorporate measures to ensure equal pay is a priority, with a strong focus on pay fairness. As with boardroom diversity, this is an issue that lends itself to sweeping one-size-fits-all policy announcements by politicians. In reality though, the issues involved in achieving pay equality – particularly in equal value terms – are deeply company specific. The utility of government action in making a difference on the shop floor is light. As with the Davies review, this is a role best served by ensuring companies themselves take action in ways that make sense to their particular situation.

In that light, we encourage businesses to sign up to the Government's *Think. Act. Report* framework to show their commitment to addressing gender pay issues. Within that work, businesses need to look carefully at and, where necessary, review their reward strategies to ensure pay is equal and fair. Carefully-designed job evaluation plans and pay management structures are a positive step, and building checks into pay systems and working with unions and staff councils can also be useful. To ensure pay fairness exists on the ground, managers' training can be used to raise awareness in particular of the agenda when it comes to discretionary pay.

### ...and businesses need to ensure managers are engaged

Much of the delivery of the changes that we have called for here rely on building the confidence of line managers throughout a business to manage for a more flexible, and less certain, world. This requires a clear signal of expectations from the top – but it also calls for support from companies in their management development. This is not easy – but it is a challenge related to the changing shape of the workplace and one which will apply to all managers, whoever they are dealing with. A more flexible approach to work isn't a "women's issue" – it is the future of work, for both men and women.

## WHAT WE NEED TO DO

In order to nurture and develop the female talent pipeline:

- Senior leaders need to sponsor strong, business-relevant diversity policies...
- ...including, where possible, relevant targets on diversity for the senior management cohort as well as board-level positions
- When hiring, businesses should work in collaboration with recruitment firms to ensure recruitment processes for employees maximise the diversity of shortlists
- Businesses should provide robust support for women within their workforce at all levels, for example through offering mentoring and coaching schemes, as well as approaches that re-integrate returners effectively into their roles
- Part of this includes challenging outdated assumptions around flexible working and, where possible, adopting a presumption in favour of flexibility
- Pay equality has to be a part of business thinking on diversity. Firms should sign up to *Think. Act. Report.* where they are able to. In any case, businesses should use job evaluation plans, clear pay management structures and manager training to ensure pay fairness and pay transparency on the ground
- The critical success factor in delivering change is effective line management – businesses need to ensure that their support and training for line managers reflects a new world of work, and the expectation of agility

### **Government has a big role to play in creating an environment that enables women to succeed**

Diversity starts with choices made in school and then needs to be embraced and championed by business leaders. But businesses can only go so far. In many areas, it is government policy that must create the right conditions for women and men alike to manage their work/life balance effectively. Government also has a role in challenging businesses to up their game, even where a regulatory approach would not be appropriate.

The lesson of the Davies Review on diversity on corporate boards is that working with business in a collaborative way can achieve a lot, especially in terms of tackling longer-standing pipeline issues. The number of FTSE 100 companies that already have at least 25% female representation on their board more than doubled from 12 in 2011 to 25 in 2013 and now stands at 38, whilst 33% of new board appointments to the FTSE 250 since March 2013 have gone to women.<sup>22</sup> By contrast, a legalistic approach risks alienating companies and embedding a compliance-focussed culture of box-ticking that won't deliver the change we need to see. In this section, we address what might be done by government to improve

gender diversity performance in a way that provides business-relevant and sustainable solutions.

### **The government needs to do more to push a wider awareness and understanding of the benefits and options for flexible working**

Female participation in the labour market in the UK is high - at 71.4% in 2013 - and continues to rise.<sup>23</sup> Flexibility has helped support progress, but it is clear that there are still some barriers. While some of the gap between men's and women's employment rates is likely to be down to family choice, there are still women who do not work because they cannot find an arrangement that works for them. There is more that needs to be done.

The right to request flexible working started a major change in our labour market, with a massive upsurge in the availability of different forms of flexibility to working parents. Its extension will also help by extending the idea of sharing responsibilities for care and further normalising the idea that flexible work is "how we do things".

But we should not get complacent. In many smaller firms there is concern about how to manage conflicting requests from staff. So government should seek to ensure that better guidance for businesses handling flexible working requests is made available so that firms can genuinely embrace the change -

without fear of opening themselves up to unnecessary legal risk in instances when there may be practical realities preventing them from accepting requests.

Government needs to do more to combat a lack of awareness and understanding of the options for agile working too, and the competitive advantages it can bring for some businesses. Flexible working is not always about part-time or flexi-time work. Remote working can help those who choose to work from home if, for example, they have a young child. The government can do more to promote best practice and share knowledge of the different options for flexible working.

### Business urgently needs more guidance around the details of the forthcoming Shared Parental Leave system if they are to be able to make it work in practice for employees

Shared parental leave is another important part of the puzzle. The new system has the potential to offer real benefits for businesses and employees. Again, sharing leave creates the ability for flexibility to be seen as an employee relations issue – not an issue for women alone. It also has business advantages – reducing the loss of knowledge and human capital from the workplace by enabling both parents to continue contributing to the labour market. The proposals support vital changes in the employment relationship, establishing more inclusive, agile workplaces.

Nevertheless, it remains the case that the legislation underpinning the new regime is extremely complex and difficult to navigate. We hope that by the time of the election, there will be clear guidance and template documents in place for both employers and employees. If not, ensuring clear communication on the changes should be a priority for any incoming government.

The system will need a chance to embed before any further changes should be considered. Once given time to embed, the government should look towards introducing shared parental leave which can be taken on a part-time basis, rather than in blocks of at least a week. Many parents wish to continue with a regular income as well as stability at work, so allowing parents to take shared parental leave on a part-time basis – where their employer agrees – will increase the uptake. This will also have less impact on the business as opposed to taking full weeks. Part-time Shared Parental Leave does cause additional complexity for firms though, so such a change has to be with employer agreement.

More broadly, the new system may mean companies need to think about the balance of their occupational maternity and paternity provision and whether it fits with their business model and helps them to attract and keep key talent. For example, some STEM-led companies choose to offer enhanced maternity packages as an incentive to attract or keep skilled women in their workforce. There is a worry, though, that these benefits will be disrupted by the Shared Parental Leave system – leaving firms open to legal challenge – so businesses need clear guidance around how they can implement the new legislation without losing their current benefits systems.

### Delivering flexible, high-quality, affordable childcare needs to be the next challenge government takes on, so that parents with caring responsibilities can maintain contact with the labour market

Flexible working and sharing leave are important, but they can only go so far. For all parents it's important to know that their children receive the best possible care while they are at work. This peace of mind is often a key part of taking the decision to return to work for women. This means we need a long-term, coordinated commitment from government to provide affordable, accessible childcare for all so that parents who choose to can maintain contact with the labour market.

The maternal employment rate for mothers with their youngest child aged 3-5 years old stands at 58% in the UK, much lower than the OECD average of 64%. Yet IPPR calculate that attracting 280,000 women back into the labour market would save almost £1.5bn in extra tax revenue and lower spending on benefits and tax credits.<sup>24</sup>

The current government decision to provide extra support for childcare – including accepting the CBI call for an early years pupil premium – is a good start. Yet more needs to be done. Costs have skyrocketed, up by 27% since 2009 alone.<sup>25</sup> The government should consider increasing the amount of free provision when it is affordable to do so, especially for those from low income backgrounds. As set out in the CBI report *First Steps*, this will support those who are least likely to be able to pay for provision themselves – and who are therefore most likely to fall out of the labour market.<sup>26</sup> As part of this, government should be looking at ensuring it supports key groups to work for more hours, rather than introducing further universal rights to a small number of hours. A particular focus should be what can be offered to mothers looking to return to work between the gap

that exists between the end of maternity leave and the beginning of current free provision.

Reducing the cost of childcare for parents is important, but so is increasing the flexibility of hours that it's available for. As the UK's labour market has developed, a 9-5 approach still predominates in childcare. Nurseries are increasingly offering 8-6, but we need to see more provision of wraparound care in schools through breakfast and afterschool clubs. The Department for Education should look at what more can be done to support schools setting up this provision.

### Finally, the equal pay agenda needs to be given the right level of prominence in the diversity debate

Gender should not define what people are paid. While the full-time pay gap for women under 40 is now close to zero, the overall gap is proving more stubborn, stuck at 19.7% in 2013 (median gross hourly earnings excluding overtime).<sup>27</sup> Some of the recent lack of progress is down to the occupational segregation we have already identified as an issue that needs to be addressed – for example, women's employment is disproportionately concentrated in the public sector, where pay growth has been lower in the light of fiscal retrenchment. Indeed, the pay gap between women and men under 40 working full-time is close to zero.<sup>28</sup> Nevertheless, there is further to go, and we will only know that overall progress on gender diversity is being made if the pay gap closes correspondingly.

The gender pay gap does provide a useful headline comparison between the earnings of men and women. It can show us whether – at a national level – we're making progress on this issue. However, the statistics do not indicate when there are valid differences in rates of pay for comparable jobs, for example where there have been negotiations around pay rates. Determining an individual's pay on hiring – or an increase – often involves a decision on performance. Again, the challenge for businesses is ensuring that managers make these decisions objectively.

The key way to make meaningful progress is by addressing the causes of the gap, rather than ordering actions on a punitive basis. Mandatory equal pay audits and company pay gap reporting, for example, would be both disproportionate and burdensome for firms at a time when we should be focusing on ensuring sustainable growth. More importantly, they do not tackle the issues at the root of the problem.

Instead, the elimination of a gender pay gap requires occupational, cultural and educational factors to be addressed – as we have already laid out within this paper. For example, a recent survey by a Harvard economist showed that the pay gap in industries with more flexible work schedules, such as technology, science and health, is smaller than in those with more rigid workdays.<sup>29</sup> This means we need to make progress in the areas which have a real impact on equal pay, from the right careers advice in schools, to more support in the workplace for career management. To intervene with the aim of artificially reducing the gap – rather than focus on intervening more at the root causes of the gap itself – would not bring the real progress we need to see.

But it is right to put the issue of the UK's persistent overall gender pay gap into the same spotlight as the Lord Davies review did for women on boards. It's an important challenge to take on. The UK's voluntary approach on women on boards has set it out as a clear agenda and government departments have been successful in ensuring it received widespread attention. Given the persistence of the gender pay gap, we need a similar, Davies-style push on the equal pay agenda.

One way of doing this would be to set an overall target for the reduction of the gender pay gap at a national level at median hourly full-time pay rates, using the target as a vehicle for action across all of the different areas as set out in this paper. We must set our sights on reducing the UK's overall gender pay gap, but by focusing on rooting out the real reasons for its persistence, with business taking the lead once again to continue to deliver real progress over time for women in the workplace. The way to meet this target and reduce the gap is to find the root causes of the problem, as we have outlined throughout this paper, and promoting an increased awareness of the agenda.

## WHAT WE NEED TO DO

In order to provide an enabling framework within which diversity can thrive:

- Government should raise awareness of the different options and benefits of flexible working, and provide businesses with clearer guidance for handling requests
- Government should ensure there is clarity around the Shared Parental Leave legislation and give reassurance to businesses who fear the disruption of their current processes and benefits packages
- Government should wait for the Shared Parental Leave system to embed, before making any further changes. A future change business would like to see is allowing employees to take leave on a part-time basis, but only by agreement with their employer
- Government should work towards delivering an increased amount of free childcare provision for those most at risk of labour market isolation, and seek to deliver support for mothers returning to work in the period before current free provision is available
- Government should ensure the type – as well as the amount – of childcare available supports women to return to work by making the provision of wraparound care a priority
- A future government may wish to make equal pay a priority agenda, in the same manner that the Lord Davies review shone the spotlight on women on boards
- Any future government action should be based around setting a UK target to focus minds on what is a complex issue.

#### Footnotes

- 1 *First Steps: a new approach for our schools*, CBI, 2012
- 2 *On the Up*, CBI/Accenture Employment Trends Survey, 2013
- 3 Figures obtained by the Women's Business Council using UCAS's Statistical Enquiry Tool. Figures are for 2011 and based on offers accepted
- 4 Barclays Youth Barometer, LifeSkills, 2013
- 5 CBI/ Pearson Education and Skills Survey, 2013
- 6 CBI/ Pearson Education and Skills Survey, 2013
- 7 *Jobs and growth: the importance of engineering skills to the UK economy*, M Harrison, The Royal Academy of Engineering, 2012
- 8 Government Equalities Office, August 2013
- 9 Institution of Mechanical Engineers, May 2014
- 10 *Women in STEM*, The Royal Society of Edinburgh
- 11 *Careers guidance and inspiration in schools: Statutory guidance for governing bodies, school leaders and school staff*, April 2014
- 12 Joint Council for Qualifications
- 13 Annual Survey of Hours and Earnings 2012, employees only
- 14 *Maximising women's contribution to future economic growth*, Women's Business Council, 2013
- 15 Boardwatch, <http://www.boardsforum.co.uk/>
- 16 Women in Work Index, PwC, March 2014
- 17 *Room at the top*, CBI, 2011
- 18 Boardwatch, <http://www.boardsforum.co.uk/>
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