Food for Thought

The Gender Business Case

The benefits of increasing agility, balancing boards and eliminating the pay gap

The commercial imperative for realising women’s potential in the workplace is clear, solid and continually being strengthened.

Unlocking potential

Removing the barriers which prevent women from participating in the labour market as fully as men has been consistently found to be good for women, good for employers, good for society and good for the UK economy.

Indeed, the Women And Work Commission found that unleashing women’s full potential could be worth £23 billion a year to the Exchequer. To put this into context, this year’s central government budget for Education is £28.6 billion. Better using women’s talents could fund most of our schools and colleges.

“Giving women the opportunity to achieve their potential must be at the heart of our approach to economic growth.”

Rt. Hon. Theresa May MP, Home Secretary & Former Minister for Women & Equalities

Achieving a more gender-balanced workplace creates efficiency savings, enhances employee engagement, boosts productivity, meets the diverse needs of customers and suppliers, and improves brand reputation. The chart below characterises the key business drivers behind levelling the playing field for women and men at work.

Our campaign priorities

Opportunity Now works with employers from across the public and private sectors to accelerate the pace of change for women in the workplace. To maximise our impact, we focus on three key pillars of activity:

- Increasing agility
- Balancing Boards
- Eliminating the pay gap

This document highlights a compelling business case behind each of our campaign aims.
Increasing agility

Flexible working is a key enabler towards women's participation in the labour market. Creating agile workplaces also saves time, money and the environment. Opportunity Now is calling on employers to roll out flexible working opportunities to their whole workforce, at all levels. Modern employers think innovatively of work as an activity, not a place, and assess employee output, not hours.

Reducing absenteeism

Agile working patterns enhance employee well-being and reduce time off work due to ill-health. BT reports a considerable 63% fewer sick days in their home-based staff compared to their office counterparts. By offering flexible hours, BT has also cut their average annual sick day count per employee to 3.1 days, compared to a national average of 8.5 days.

Enhancing retention

Research by Opportunity Now reveals that 78% of managers recognised that flexible working increases employee loyalty, while government findings show 65% of employers said it has a positive effect on recruitment and retention. Dell found that by implementing their Connected Workplace flexible working initiative attrition was reduced by 0.7% on the previous year in the office in which it was piloted. Increasing retention leads to considerable recruitment savings, as with advertising costs, interviewing time, and training provisions, the CIPD estimates the average cost of replacing a job-leaver to be £7750. In some sectors the cost of losing a professional employee is much higher: law firm Addleshaw Goddard quotes the cost of losing a qualified lawyer they have trained at around £200,000.

Reducing overheads

Enabling agile working can reap huge benefits in limiting office-based costs associated with rent, heating, lighting, etc. By reducing the desk count and encouraging flexible working, many employers have made significant savings, including the Ministry of Justice who moved to an 80% desk count and continue to reduce this as they consolidate their building portfolio. Likewise, 40% of IBM's workforce operates without a dedicated office space, and most of those employees spend at least part of their week working from non-IBM locations, leading to property savings of 2,000,000 square feet or 7,500 workspaces.

“Flexible working enables the labour market to operate as efficiently as possible. For business, it offers employers access to a wider pool of employees, allows them to hold onto experienced and skilled staff, increases productivity, boosts morale, reduces absenteeism and increases staff engagement.”

Ed Davey MP, Minister for Employee Relations

Cutting carbon emissions

By embracing agile working opportunities and teleconferencing facilities, the Environment Agency has reduced total business mileage by 19.3 million miles (33%) in the past 5 years and saved around 5,000 tonnes of CO2. By encouraging remote working and car-sharing initiatives, EDF Energy reduced single-occupancy car travel to their Exeter site from 83% in 2001 to 38% in 2010.

Improving productivity

According to research by Opportunity Now, 62% of managers believe flexible working makes their team more responsive to internal and external customers. A third of members of the public, including those who work in traditional roles, believe flexible working would make them more productive. Law firm Evershed’s found that productivity in the office in which they trialled their FlexAble initiative had improved 5% over the same time the previous year, and was higher than non-participating offices. Enabling home-working arrangements can also boost productivity by reducing dependence on favourable travel conditions. In last winter’s snowfalls, UK businesses lost £7 million due to the lack of remote working opportunities.

Boosting well-being and morale

43% of employees think that flexible working would help them with stress, while 52% believe it would make them happier. Mental health, blood pressure and sleep

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patterns are all found to be better in employees who control their own working hours.

**Balancing boards**

The percentage of women on FTSE 100 boards is now 15.6%. Opportunity Now is calling on all large employers to set public targets for increasing women’s representation on their boards and to report publically against their progress, as well as measuring their talent pipelines by gender, and taking action wherever gender balance slips. The commercial incentives to do so are undeniable.

**Boosting the bottom line**

According to McKinsey, companies across all sectors with the most women on their boards of directors significantly and consistently outperform those with no female representation – by 41 percent in terms of return on equity and by 56 percent in terms of operating results.

Likewise, in the Fortune 500, Catalyst studies reveal companies in the highest percentile of women on their boards outperformed those in the lowest percentile by 53% higher return on equity, 42% higher return on sales, and 66% higher return on invested capital.

Furthermore, a recent Danish study found that companies with good numbers of women on the board outperformed those with no women by 17% higher return on sales and 54% higher return on invested capital.

Thomson Reuters examined the performance of companies with more than 30% women on their board compared with those with less than 10% women on their board, and found that companies with greater numbers of women leaders fared better in periods of greater economic volatility.

Equally, over the course of 2011, companies in the STOXX 600 Index with more than 30% women managers outperformed those with less than 20% women managers by nearly 8%.

"The case is overwhelming that companies and countries run better if you have men and women working together at the top".

Prime Minister David Cameron, February 2012

**Improving corporate governance**

Research suggests having three or more women on a board changes boardroom culture, leading to greater scrutiny, inclusion and collaboration, with more questions asked and clearer information given. 91% boards with three or more women directors explicitly take responsibility for verifying audit information compared with 74% of companies with all male directors. Meanwhile, 94% of the boards with three or more women explicitly take responsibility for monitoring implementation of corporate strategy compared with 66% of all male boards.

**Reducing group-think**

Diverse teams have been found to enhance innovation and to approach problem solving through a wider lens, while homogenous teams can suffer “groupthink” and are less effective at scrutiny, challenge and innovation. Groundbreakers, an Ernst & Young study, found that when groupthink exists in management consisting of people from similar backgrounds, executives are more likely to ignore alternatives, take excessive risks or fail to form contingency plans.

“I am clear that increasing diversity in the board room across both non-exec and exec roles must to be seen as a strategy that delivers commercial advantage. It encourages new ideas and vigorous challenge, helping boards to approach risk in a more robust manner.”

Helen Wells, Campaign Director, Opportunity Now

**Managing risk**

Excessive corporate risk-taking can lead to economic instability. Women have been found to bring balance and a longer-term view in risk management. Having at least one female director on the board can cut a company’s chances of going bust by approximately 20%. Having two or three female directors lowers the risk even more.
Eliminating the pay gap

The full-time median hourly UK gender pay gap currently stands at 11.7%. When calculated by weekly or annual earnings, the gap between men and women’s average pay is even starker. The full-time median gross annual earnings for a man are £28,400. For women this falls to just £22,600, a gap of 20.4%.

Contrary to popular belief that pay gaps only arise after women have taken career breaks for childrearing, the latest data reveals actual men and women are actually paid differently upon entry to the labour market, with the average 16 or 17 year old boy earning £167.30 a week, but the average girl of the same age earning only £150 a week, an immediate gap of 10.4%. In certain sectors, the picture is even more dramatic: in the financial services sector, women working full time earn up to 55% less annual average gross salary than their male colleagues.

Opportunity Now is now calling on our members to take a proactive approach to narrowing their pay gaps by committing to conducting equal pay audits by 2014 and by putting the results in the public domain by 2016. We are also urging our members to support the Government’s Think, Act, Report initiative, which asks employers to measure, publish and take action on key indicators of gender equality.

Boosting the economy

An average woman working full time from age 18 to 59 would lose £361,000 in gross earnings over her working life compared to an equivalent male. Equalising women’s earnings would increase revenue from income tax and national insurance whilst reducing payments in tax credits. Equalising female wages would also enhance women’s spending power, adding growth to retail, property, travel and leisure sectors, as well as the overall economy.

“Eliminating gender discrimination in relation to occupation and pay could increase women’s wages by about 50% and national output by 5%.”

Rachael Mayanja, UN Special Adviser, Gender issues and the Advancement of women

Avoiding tribunal costs and reputational damage

Employers who take a proactive and strategic approach to eliminating bias from their pay systems can avoid damaging and costly legal action. An estimated 28,000 equal pay claims per year are accepted at tribunals in the UK. Defending an equal pay claim can lead to extensive legal costs, significant reputational damage, loss of productivity while HR and legal teams focus on the tribunal, low staff moral due to perception of pay discrimination, and loss of control over company pay systems as any corrective actions required to settle the claim are enforced by the courts.

“The pay gap between men and women is not just a moral issue, it is an economic issue. For markets to function and businesses to deliver, reward needs to be fairly distributed. A gender pay gap still exists at levels that nearly all of us, whether in the private or public sector, believe is untenable, economically inefficient and morally wrong.”

Trevor Phillips, Chair, Equality & Human Rights Commission

Attracting the best talent

Research from the CIPD reveals that fair remuneration is the biggest factor employees consider when deliberating moving to a new job, even above job satisfaction. Their survey of 2,000 employees found that 54% of workers say their top reason for wanting to change job is to increase their salary and benefits. Organisations which offer reasonable pay to all employees can attract and retain the best talent, as well as motivating a more productive workforce.

Increasing transparency

According to equal pay expert Sheila Wild, organisations which foster transparency in their pay systems generate employee confidence in the reward process, reinforce the link between performance and remuneration, reduce the likelihood of being targeted for regulatory action, and enhance the organisation’s reputation as an employer of choice.
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