

Submission to the BEIS Committee's inquiry into the gender pay gap

May 2018

Introduction

Balfour Beatty welcomes the fact that gender pay reporting has encouraged some employers which might not have done so otherwise, to examine their data, understand that they have a key part to play in providing solutions and to develop action plans to begin to do so. It has also crystallised the fact that while women may not be being paid less for doing the same work as men, in industries such as construction there are not enough women and, significantly, they are not being promoted into the more senior, higher-paid positions. If companies want to reduce their gender pay gap, these are the areas that must be addressed. The reporting of gender pay data across industry in this way has hopefully galvanised industry into taking action.

As reporting of the data must take place annually, there is a clear point at which it will be possible to establish whether progress is being made and it is likely that next year's data publication will come under more scrutiny than this year's. However, for industries such as construction, where the causes are many and not all of them within the control of the sector itself, it is likely that it will take many years to bring about significant change. For example, although there has recently been a small increase in the number of girls taking STEM subjects at GCSE¹ and A Level (science, technology, engineering and maths), the increase remains very modest and the trend is not continuing beyond that point², for example at university.

Engineering, for example, is one of the key skills the construction industry relies on. 92% of UK Engineers in the current workforce are men, while only 8% of UK engineers are women, even though women make up 51% of the working population³. This is unfortunately unlikely to change in the near future, as only 15% of UK Engineering Undergraduates in 2017 were female⁴. This means that the talent pool the construction industry is recruiting from is currently and will remain for the next few years at least, very male-dominated.

The lack of young women taking STEM subjects has a significant impact on the numbers coming into industries such as construction. Furthermore, even if there were a significant increase in the next year's intake, of young women choosing to study relevant subjects at

¹ <https://www.wisecampaign.org.uk/resources/2017/08/analysis-of-gcse-stem-entries-and-results>

² Unifrog, January 2018

³ Royal Academy of Engineering

⁴ Women in Engineering, January 2018

GCSE, it would still take more than a decade for those people to come through the system and begin to have an impact on the figures. We welcome the work that is underway to try and encourage more young people at school of all genders to study STEM subjects. However, we believe that more needs to be done and that it must be done faster. While industry must continue and increase its work with schools and colleges, Government also has a key role here in terms of STEM and specifically with regard to engineering. Gender pay reporting is just another way of highlighting the problem.

Those issues that the construction industry itself is able to directly influence will require sector level collaboration and a range of more strategic approaches than have been used previously. To this end, we welcome the work that is underway via the Construction Industry Training Board (CITB), the Construction Leadership Council and the Sector Deal; and the National Retraining Scheme, which should begin to make a real difference.

Balfour Beatty set out its thoughts on this as well as more detail about what we as a company are doing in our 2017 paper *Inspiring Change: Attracting Women into Construction*⁵.

Balfour Beatty's approach to its gender pay gap

- The mean gender pay gap between male and female employees in Balfour Beatty is 27%. The median gap is 33%⁶.
- Balfour Beatty acknowledges that the company has a significant gender pay gap, as does the rest of the sector, which unfortunately ranks as one of the worst industries for the gender pay gap.
- We believe that organisations that are not able to recruit and retain a diverse workforce miss out on key skills and that being a business which fully reflects the society it serves will make us better placed to continue to deliver the most innovative infrastructure for our customers.
- Our gender pay gap is due in large part to the fact that 84% of our staff are male. Reducing the gender gap at all levels is, we believe, the best and most sustainable way of addressing the gender pay gap.
- Balfour Beatty understands the issues underlying its gender pay gap and is implementing a robust plan to address those areas we as a company can change. Amongst other things, this includes a returnship programme, embedding unconscious bias training into management courses, benchmarking and improving our maternity policy, encouraging senior managers to develop and support high-potential women and reviewing recruitment processes. Our plan has executive level sponsorship and Chief Executive oversight.

⁵ <https://www.balfourbeatty.com/media/314522/balfour-beatty-inspiring-change.pdf>

⁶ Full details of Balfour Beatty's gender pay statistics can be found in our gender pay gap narrative: <https://www.balfourbeatty.com/media/317254/balfour-betty-gender-pay-report-2018.pdf>

- Our priority is to improve the diversity of our workforce and specifically to increase the number of women in the company at all levels, in all parts of the business, especially in technical, operational and senior roles, rather than simply aiming to increase the number of women in the business. Although this will be even more challenging than trying to recruit significantly more women, we believe that it is the right thing to do and the only way to genuinely address the issue over the long term.
- Balfour Beatty values its workforce and believes in the fair treatment and reward of all staff. We pay depending on the role and not based on gender.
- Although there has been an increase in recent years in the number of women entering the construction industry, there is much work still to do on both recruiting women into the sector and on retaining them. Balfour Beatty is working hard on both of these areas.
- To genuinely address the construction gender pay gap, the structural issues the sector faces must also be addressed. These are not something any one individual company itself can change. These issues include the lower numbers of women studying STEM subjects; perceptions, which still unfortunately exist, that the industry does not welcome or value women, resulting in many not considering construction as a possible career path; the lack of women in senior roles, due to the failure in past decades to recruit and retain enough women in the sector, and especially the failure to promote those women. This also has the consequence that there are not enough women in senior positions to act as role models to other women.
- Balfour Beatty is committed to playing its part in addressing the under-representation of women in the sector as well as in our own business. For example, we are working with the Government and with industry bodies to attract more women into the industry and are partnering with schools across the country to promote careers in construction and ultimately Balfour Beatty as an employer. We are also engaging with organisations such as STEMNET to create a network of STEM ambassadors to encourage children in schools to take up STEM subjects.

Responses to the Committee's areas of interest

1. Is the annual information related to pay required under the Equality Act 2010 sufficient? Should any further information be required?

The nature of the data required under the Equality Act means that the measures have some flaws and there is a limited understanding by some of what is being reported. However, although the data required is open to misinterpretation, it is positive that it has highlighted the issues, galvanized some companies into taking action, and encouraged board members, shareholders and customers to challenge those that are not doing enough.

We do not believe that more information should be required at this stage. The Government should review progress after five years to assess progress. However there is a general need to

improve understanding of what the measures actually say and to manage expectations of how much improvement it is possible to make in a year.

2. How effective are the sanctions for non-compliance with reporting requirements?

While the act of publishing the data itself has hopefully encouraged some companies to take action to address their gender pay gap, the measure will be undermined if the repercussions for failure to comply are not strong enough.

The Equalities and Human Rights Commission (EHRC) has said that it will be enforcing against all those organisations which failed to meet the deadline, which we believe is the right thing to do, although we also support the EHRC's initial approach of seeking to persuade rather than rushing to fine.

As well as pursuing those who fail to report, it is also important to ensure that the data being reported is accurate and we welcome the fact that those companies that have reported statistically unlikely data are being challenged.

However, given that we are at still the beginning of this process, it remains to be seen how effective the sanctions are.

3. What requirements, if any, should there be on companies to address gender pay gaps?

Although there is nothing in the law itself which requires companies to take any action to address the gender pay gap, for Balfour Beatty, it is the right thing to do, which is why we are implementing a plan to do so.

Beyond our own company, our view is that the data has now got board members, shareholders, customers and employees engaged on the issue. Responsible companies will be looking to improve the situation and to demonstrate that improvement within the next five years and the pressure from these key stakeholders should help maintain the focus.

About Balfour Beatty

Balfour Beatty is a leading international infrastructure group. With 15,000 employees across the UK, Balfour Beatty finances, develops, delivers and maintains the increasingly complex infrastructure that underpins the UK's daily life: from Crossrail and Heathrow T2b to the M25, M60, M3 and M4/M5; Sellafield and soon Hinkley C nuclear facilities; to the Olympics Aquatic Centre and Olympic Stadium Transformation.

Improving the diversity of the people we employ is important to Balfour Beatty. We recognise that it is not only right to ensure that people of all genders and backgrounds are able to access fulfilling careers in the construction industry; but that a business which fully reflects the society it serves will make us better placed to continue to deliver the most innovative infrastructure for our customers.

As part of Balfour Beatty's commitment to diversity and inclusion, we are working hard to increase further the representation of women employees. Overseen by Balfour Beatty Group Chief Executive Leo Quinn, our diversity and inclusion three-year plan sets out strategic objectives in support of our endeavours, with progress regularly tracked.

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