



# **Close the Gap response to the Economy, Jobs and Fair Work Committee consultation on business support August 2018**

## **1 INTRODUCTION**

Close the Gap is a policy and advocacy organisation working in Scotland on women's labour market participation. We have been working with policymakers, employers and employees since 2001 to influence and enable action that will address the causes of women's labour market inequality.

There is clear and mounting global evidence that gender equality is good for economic growth<sup>1</sup> and, as such, a key aspect of the Scottish Government's inclusive growth agenda should be closing the gender gap in enterprise. Enterprise is heavily gendered and the business sector is not immune to issues, such as occupational segregation and the gender pay gap, which exist across the mainstream labour market. For example, while there is a lack of definitive data, it is reported that self-employed women in the UK earned 40% less than self-employed men in 2012.<sup>2</sup>

Women's enterprise is a significant economic contributor with women-led businesses contributing more than £5 billion towards the Scottish economy. 80,000 women are registered business owners in Scotland and 94,000 women are self-employed. 82% of women want to grow their business, with 29% wanting to grow their business rapidly. However, while this marks a significant contribution, only 21% of SMEs are led by women and if the numbers of women-led businesses increased to equal those of men, it would lead to a 5% increase in GDP, equivalent to £7.6 billion.

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<sup>1</sup> Close the Gap (2016) *Gender Equality Pays: The economic case for addressing women's labour market inequality*

<sup>2</sup> Women's Enterprise Scotland (2017) *Submission to the Economy, Jobs and Fair Work Committee Inquiry into the Gender Pay Gap Inquiry* [http://www.parliament.scot/S5\\_EconomyJobsFairWork/Inquiries/GPG017-WES.pdf](http://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/GPG017-WES.pdf) accessed August 2017

If Scotland is to tackle the gender gap in enterprise and achieve economic growth, it is imperative that the Economy, Jobs and Fair Work Committee takes a gendered approach across this inquiry into business support.

We welcome the opportunity to respond to this consultation. This response, which draws upon previous work by Women's Enterprise Scotland, focuses on the key gaps in support and the reasons why women may choose not to use Business Gateway services.

## **2 RESPONSES TO QUESTIONS**

### **4. Why do some new and existing businesses choose not to use Business Gateway?**

The lack of quality part-time and flexible work sees parents and carers, most often women, forced into self-employment or starting their own business because they need flexibility and cannot find it elsewhere in the labour market. Women have made up just over half (53%) of the increase in self-employment since 2008<sup>3</sup> and part-time self-employment has also been growing more rapidly among women. Some of these women have turned to self-employment because they have been forced out of the labour market by inequality or a negative experience of the workplace.

Evidence highlights that these women will then face further barriers in the world of business and enterprise and it is therefore vitally important that business support services in Scotland work proactively to overcome these barriers. Women in business can feel stifled by issues such as a lack of appropriate role models, a hierarchy of support available, attitudes to sustainable growth, sectoral issues and confidence.<sup>4</sup> Specifically, the main barriers to growth for women-owned businesses are:

- a lack of access to finance and investment;
- a lack of access to networks and contacts;
- affordability and accessibility of childcare; and

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<sup>3</sup> TUC (2016) *Self-employment – who are the new army of workers?* Available at <http://touchstoneblog.org.uk/2016/11/self-employment-new-army-workers/> accessed August 2018

<sup>4</sup> Paper by Women's Enterprise Scotland for the Enterprise and Business Support Project (2017) Enterprise and Skills Review Phase Two Report: Supporting Papers

- a lack of access to growth support, including quality advice and training and access to markets.<sup>5</sup>

Tackling these barriers is not always central to the support provided by Business Gateway and there is subsequently a range of issues which may prevent or deter women using Business Gateway including:

### **Gender aware support**

In a study undertaken by Women's Enterprise Scotland in early 2017, 46% percent of women-led businesses said that they had experienced discrimination as a female business owner. Additionally, 78% of respondents said advice services should be more aware of the differences in support needs between women and men in business and 87% of business support staff agreed that staff should be more aware of these differences.<sup>6</sup>

As mentioned in the introduction, 87% of women in enterprise want their business to grow. However, Business Gateway is often seen as being overly prescriptive and lacking the flexibility to adapt to the specific needs of women-led businesses. While business and enterprise support agencies often stipulate a particular trajectory of growth if individuals are to gain support, many women owned and led businesses have an alternative growth trajectory and may not wish to grow their business in this way. Research has shown that women sometimes felt pressure to conform to 'traditional' norms of 'growth businesses', including taking on early stage investment, which did not suit them.<sup>7</sup>

Women's businesses are under-represented in the growth sectors, as defined by Scottish Government. For example, women account for 49% of the self-employed in the creative industries and 51% in tourism. On the other hand, there are particularly low levels of women's self-employment in the male-dominated industries of energy (9%), construction (5%) and ICT and digital technologies (11%).<sup>8</sup> Research has shown that the sectors where women's businesses are concentrated tend to have lower levels of business growth and

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<sup>5</sup> Women's Enterprise Scotland (2012) *Survey of women-owned businesses in Scotland 2012*

<sup>6</sup> Women's Enterprise Scotland – *Gender Aware Support and Best Practice* available at

<https://www.wescotland.co.uk/gender-specific-support> accessed August 2018

<sup>7</sup> Women's Enterprise Scotland – *Growth and Finance* <https://www.wescotland.co.uk/markets-finance>

<sup>8</sup> Sutherland, Victoria et al (2015) *Equalities in Scotland's Growth Economic Sectors*, Training and Employment Research Unit, University of Glasgow

smaller turnover, ultimately leading to lower pay.<sup>9</sup> Business support services must challenge these trends and ensure women are not funnelled into stereotypically female sectors. There is a need for capacity building among business advisers around gender equality and the causes of the gender gap in enterprise, this could be achieved through training to challenge gender stereotypes. Indeed, 75% of support staff said training on the provision of gender-aware support would help them to be more aware of the differences in support needs.<sup>10</sup>

It is also important that gender and wider equalities considerations are mainstreamed throughout the services of Business Gateway. As Business Gateway is delivered by local authorities, mainstreaming gender equality is a legal requirement under the Scottish specific duties of the public sector equality duty (PSED). The duty requires authorities to publish information on how they have mainstreamed equality into their functions including service delivery and employment. This means that gender equality, and equality more broadly, should be central to all Business Gateway activities whether policy development, research or delivery. However, overall compliance with PSED has been poor with local authority reports providing scant evidence of mainstreaming or positive impact. In its assessment of 2017 PSED reports, Close the Gap found that most local authorities are still experiencing significant challenges on the fundamental parts of the duty, and there is little evidence of mainstreaming activity in the delivery of business support services.<sup>11</sup> Ensuring equality is mainstreamed in the design and delivery of Business Gateway services would achieve better outcomes for women using the service.

## **Access to capital**

Unequal access to resources is a fundamental aspect of gender inequality. Income and other resources are often not controlled or shared equally within the household and this is a major factor in women's economic inequality.<sup>12</sup> A

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<sup>9</sup> Federation of Small Businesses (2015) *Women's Enterprise: The Untapped Potential*, available at <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-women-in-enterprise-the-untapped-potentialfebc2bbb4fa86562a286ff0000dc48fe.pdf?sfvrsn=0> accessed August 2018

<sup>10</sup> Women's Enterprise Scotland *Gender Aware Support and Best Practice* available at <https://www.wescotland.co.uk/gender-specific-support> accessed August 2018

<sup>11</sup> Close the Gap (2018) *Assessment of public sector employers' compliance with the public sector equality duty* Forthcoming.

<sup>12</sup> JRF (2014) *Poverty through a gender lens: Evidence and policy review on gender and poverty* available at [https://www.spi.ox.ac.uk/sites/default/files/Gender\\_and\\_poverty\\_Bennett\\_and\\_Daly\\_final\\_12\\_5\\_14\\_28\\_5\\_1\\_4.pdf](https://www.spi.ox.ac.uk/sites/default/files/Gender_and_poverty_Bennett_and_Daly_final_12_5_14_28_5_1_4.pdf) accessed August 2018

consequence of women earning less in employment is that women have less financial capital with which to start up a business. Women-led businesses start with lower levels of overall capitalisation, use lower ratios of debt finance (about a third of that used by male-led businesses), and are much less likely to use private equity or venture capital.<sup>13</sup> Capitalisation is correlated with long-term business performance; if women-owned businesses received equal formal capitalisation to men's, business performance would equal that of male-owned businesses of the same type and size.<sup>14</sup> The issue, therefore, is not a lack of skill but a lack of resources.

Awareness and take-up of alternative sources of finance is lower among majority women-led firms.<sup>15</sup> Business Gateway has a key role in signposting women to the full range of available finance options, including alternative sources such as crowdfunding and angel investors (including Scotland's first angel investment group, Investing Women).

### **Q8. Where are there gaps in business support at a local level? What could be done to fill any gaps?**

#### **Mentoring and role models**

Research has also highlighted that women and men seek, and prefer, different forms of advice. While men opt for advice on consultancy basis, women prefer less formal support through mentoring and coaching. 43% of women led businesses cited mentoring as the main support they needed to grow their business in the next three years.<sup>16</sup> Considering the importance of mentoring and coaching for women, this is an important area for investment and should be a central part of the business support offer, either delivered by Business Gateway or signposting to services elsewhere.

As part of a project to develop the Women in Renewable Energy Scotland (WiRES) network, Close the Gap delivered a mentoring initiative for women working in the renewables industry. The evaluation of the project found that a third of women had been attracted to join WiRES because of the opportunity

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<sup>13</sup> Scottish Government (2017) *Scottish Framework and Action Plan for Women in Enterprise* available at <https://www.gov.scot/Publications/2017/08/5504> accessed August 2018

<sup>14</sup> Ibid.

<sup>15</sup> Federation of Small Businesses (2015) *Women's Enterprise: The Untapped Potential* available at <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-women-in-enterprise-the-untapped-potentialfeb2b4fa86562a286ff0000dc48fe.pdf?sfvrsn=0> accessed August 2018

<sup>16</sup> Women's Enterprise Scotland – Mentoring and Networks available via <https://www.wescotland.co.uk/mentoring-networking> accessed August 2018

to participate in the mentoring programme. Of those who were mentored, 83% felt better able to plan their career or professional development.<sup>17</sup> The WiRES experience echoes the evidence-base on mentoring<sup>18</sup> which strongly supports sex-specific networks and interventions as a way of redressing gender inequalities in individual workplaces and in industrial sectors.<sup>19</sup>

More can be done to provide valued mentoring and role model opportunities across the country, as highlighted within the Economy, Jobs and Fair Work Committee's gender pay gap report which recommended that Scottish Government review existing opportunities available to female entrepreneurs in the realm of mentoring 'with a view to enhancing support wherever possible'.<sup>20</sup> Issues remain around reducing the concerns that some women feel about participating in mentoring, such as confidence or a belief that mentoring is not for them. It is worth considering how these concerns might specifically be addressed through business support.

## Networking

Women have restricted access to networking events that are likely to lead to investment opportunities, especially when these events are based around activities that are viewed as stereotypically male. There is evidence of gender stereotypes underpinning women's relatively limited success in accessing venture capital and potential investors sexually harassing women,<sup>21</sup> particularly in male-dominated industries.

In male-dominated workplaces and industrial sectors, women's networks become a source of solidarity, support, encouragement and provide women with critical information about opportunities for progression. Networking was another key activity of the WiRES project and, again, the evaluation of the project highlighted the value placed on networking opportunities in male-

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<sup>17</sup> Close the Gap (2015) *How Women's Networks and mentoring can address occupational segregation: what policymakers can learn from WiRES* available at <https://www.closesthegap.org.uk/content/resources/CtG-How-womens-networks-and-mentoring-can-address-occupational-segregation.pdf> accessed August 2018

<sup>18</sup> Close the Gap (2012) *Fixing the Leaky Pipeline: Securing a Supply of Skills in Scotland's Renewable Energy Sector?* Available at [https://www.closesthegap.org.uk/content/resources/1480883000\\_CTG-Working-Paper-7---Renewables.pdf](https://www.closesthegap.org.uk/content/resources/1480883000_CTG-Working-Paper-7---Renewables.pdf) accessed August 2018

<sup>19</sup> Royal Society of Edinburgh (2012) *Tapping all our Talents: Women in Science, Technology, Engineering and Mathematics: A Strategy for Scotland RSE*

<sup>20</sup> Scottish Parliament Economy, Jobs and Fair Work Committee (2017) *No Small Change: The Economic Potential of Closing the Gender Pay Gap*

<sup>21</sup> Forbes (2014) *What it's really like raising money as a woman in Silicon Valley* available at <http://www.forbes.com/sites/jeffbercovici/2014/08/07/what-its-like-raising-money-as-a-woman-in-tech/> accessed August 2018

dominated industries with 99% agreeing or strongly agreeing that “the event helped me strengthen my professional networks”.<sup>22</sup>

### **Strategic Framework on Women’s Enterprise in Scotland**

The Scottish Framework and Action Plan for Women in Enterprise, launched in 2014 and refreshed in 2017, aims to increase the contribution of women’s enterprise to the Scottish economy. The key areas of this Framework are measurement, mentoring and networking, role models, gender-aware support and growth and finance. The full implementation of this Framework and Action plan would fill many of the gaps mentioned within this consultation response.

While the Framework laid the foundation for action by key stakeholders, it is unclear what activity has been delivered from the Framework and implementation appears to have been slower than hoped. The policy framework must also be matched with appropriate resources and strategic financial investment. Investing in women’s enterprise has a strong return on investment potential given the potential for a £7.6 billion increase to GDP.

### **Gender-disaggregated data**

There is a lack of gender disaggregated data on pay for self-employed or business owners in Scotland which means it is difficult to accurately determine the gender pay gap in self-employment. The Federation of Small Businesses have noted ‘a lack of consistent and regular gender-disaggregated business ownership data’<sup>23</sup> and the OECD claim that the lack of ‘solid, reliable data’ is a challenge when trying to boost women’s entrepreneurship, and they call for more ‘gender specific data in this area’.<sup>24</sup>

To measure the success of the business support in aligning with the inclusive growth agenda and advancing women’s equality, it is important that the outcomes and indicators reflect gender equality. Gender-disaggregated data should be gathered to identify where men and women benefit from support, and in what ways. Under the public sector equality duty, public authorities are

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<sup>22</sup> Close the Gap (2015) *How Women’s Networks and mentoring can address occupational segregation: What policymakers can learn from WiRES* available at <https://www.closesthegap.org.uk/content/resources/CtG-How-womens-networks-and-mentoring-can-address-occupational-segregation.pdf> accessed August 2018

<sup>23</sup> Federation of Small Businesses (2015) *Women’s Enterprise: The Untapped Potential* available at <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-women-in-enterprise-the-untapped-potentialfeb2b4fa86562a286ff0000dc48fe.pdf?sfvrsn=0> accessed August 2018

<sup>24</sup> OECD (2012) *Closing the Gender Gap* available at <http://www.oecd.org/gender/closingthegap.htm> accessed August 2018



required to complete equality impact assessments on an ongoing basis, assessing how policy and practices affect men and women. However, equality impact assessments are not currently completed to a high-standard across the public sector and there is little evidence that impact assessments are reducing inequalities. Business support, delivered at all levels, should collect gender disaggregated data and conduct robust equality impact assessments as standard.

## **Conclusion**

If women started and grew businesses at the same rate as men, this would generate £7.6 billion for the economy. This should be Scotland's ambition and, in order to achieve this, there must be concentrated efforts to close the gender gap in enterprise through ensuring that women in enterprise can access appropriate and gender-aware business support.