



Response to the Scottish Government consultation on a Scottish National Investment Bank

October 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.¹ We have welcomed the Scottish focus on inclusive growth, which has the potential to advance women's economic and labour market equality. Investment affects men and women differently, and so the principle of equality and non-discrimination should be core to the Scottish National Investment Bank. The Scottish National Investment Bank holds enormous potential to tackle women's economic inequality, and Close the Gap therefore welcomes the opportunity to respond to the consultation.

2. GENERAL COMMENTS

Close the Gap, Engender, Scottish Women's Budget Group and Women's Enterprise Scotland have developed Seven Principles for a Gender-competent Scottish National Investment Bank. We would urge that the design and delivery of the bank incorporate the principles to ensure that women's economic inequality is not further entrenched by its implementation.

The seven principles are:

1. "Equality is good for growth. The converse isn't necessarily true." As investment affects men and women differently, the principle of equality and non-discrimination should be core to the Scottish National Investment Bank. Inclusive growth means including men and women and meeting the different

¹ McKinsey & Company (2015) *The Power of Parity: How advancing women's equality can add \$12tn to global growth* available at <https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth> Accessed October 2018

needs of disabled, LGB & T, Black and minority ethnic, and older and younger women, and non-binary people.

2. Investing in economic structure should not only mean investment in bricks, steel, and fibre optic cable. Investment in childcare has the same type of impact and should be considered as infrastructure. Growth can come from sectors we don't immediately associate with productivity such as childcare and long-term care. Unpaid care also underpins our 'productive' economy. We want to see care become a key sector of Scotland's economic strategy and a focus of the Scottish investment strategy.

4. Our investment bank should invest in research and development, but the jobs and technologies it creates should benefit men and women, boys and girls. Investment in science and technology should create opportunities for women and girls to benefit on an equal basis, reflecting the differences in their lived experience of health and wellbeing, play, propensity to care, cultural and social interests, and safety.

5. Success shouldn't only be measured by GVA or GDP but by an increase in wellbeing of the people of Scotland. Wellbeing indicators should be created and used to measure the bank's performance.

6. Women's businesses should stop being undercapitalised, so that they can be as successful as men's businesses. If the numbers of women-led businesses increased to equal those of men, it would lead to a 5% increase in GDP, equivalent to £7.6bn.

7. The Bank should be governed by a gender-balanced, gender-competent leadership team. It should gather and publish gender-disaggregated data about its investments, programmes, and services. Its offer should be gender sensitive and aware that many women start businesses because of their experience of sexism and racism in employment.

3. ANSWERS TO SPECIFIC QUESTIONS

Q1: Are the proposed objectives and purposes for the Bank the most appropriate to deliver the Implementation Plan's recommendations, and to fulfil the bank's potential contribution to increasing sustainable economic growth?

Ensuring that the objectives of the bank is consistent with the Scottish Government's economic strategy makes sense in terms of aligning

Government activities behind key objectives. However, Scotland's economic strategy focuses on investment and development support for predominantly male-dominated sectors. Occupational segregation is evident in all of the growth sectors, with women concentrated in lower paid jobs in each industry, and vastly under-represented in STEM occupations. For example, only 18.7% of directors in Scottish life sciences businesses are female² and available labour market data on the energy sector suggests that women account for only 23% of employees and the majority tend to work in administration.³ Despite this, activity to address occupational segregation through economic development policy is, at best, marginal. Consequently, men disproportionately benefit from investment in jobs and skills. Making funding decisions in line with the priority sectors of the economic strategy makes it very likely that men will disproportionately benefit from the Bank.

The decision-making process in determining which economic sectors will be a focus for development, investment, and growth in Scotland has the potential to widen or narrow the gender pay gap. Unless the development of and investment in male-dominated sectors incorporates significant and substantive efforts to militate against occupational segregation, the economic strategy will perpetrate gender inequality. The care sector is very low-paid, because it is female-dominated, and the skills required to be a care worker are intrinsically undervalued because they are perceived to be inherent in women. Care is a growing sector, and yet economic strategies have failed to designate it as a key sector. In its recent inquiry into the economic gains for closing the gender pay gap, the Scottish Parliament Economy, Jobs and Fair Work Committee recommended that care be a growth sector. Close the Gap, along with other national gender equality expert organisations, supports this call.

As per the labour market more broadly, the enterprise sector is characterised by occupational segregation and thus focusing investment on certain sectors may mean that businesses led by men benefit disproportionately. For example, women account for 49% of those self-employed in the creative industries and 51% in tourism, while they represent just 9% of those self-employed in energy,

² Skills Development Scotland (2014) *Skills Investment Plan: For Scotland's Life Sciences Sector* available at https://www.skillsdevelopmentscotland.co.uk/media/35685/life_sciences_sip_april14.pdf Accessed October 2018

³ 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 October 2018

5% in construction, and 11% in ICT and digital technologies.⁴ Research has shown that the sectors where women's businesses are concentrated tend to have lower levels of business growth and smaller turnover, ultimately leading to lower pay.⁵ The funding decisions of the Bank must actively challenge these trends and actively promote gender equality in enterprise.

Specifically responding to the Bank's objectives set out in paragraph 2.4, we note the following points:

Mission-oriented

It is specified that Ministers will set the outcomes for the Bank's investment. One of the responsibilities of the Minister for Older People and Equalities is 'cross-government coordination of policies in support of women and gender equality'. Gender must be mainstreamed in the implementation and operation of the Scottish National Investment Bank and we therefore hope that the Minister for Older People and Equalities will be actively involved in the setting of objectives and 'missions' to help ensure that gender is a key part of these discussions.

We also note that Ministers are covered by the Scottish Ministers' Duty under the Public Sector Equality Duty and the legal obligations contained within these duties should be considered within the running of the Scottish National Investment Bank and the development of the Bank's outcomes

Crowding-in investment

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.⁶ A 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

⁴ Sutherland, V., A. McGregor, T. Kromydas, L. Macdougall, and A. McTier (2015) Equalities in Scotland's growth economic sectors, Training and Employment Research Unit, University of Glasgow: Glasgow available at <http://eprints.gla.ac.uk/113002/> accessed October 2018

⁵ 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 October 2018

⁶ 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_14.pdf accessed October 2018

use private equity or venture capital.⁷ 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.⁸ The issue, therefore, is not a lack of skill but a lack of resources.

Women-led businesses contribute more than £5 billion towards the Scottish economy, and if rates of women-led businesses equalled that of men, the contribution to Scotland's GVA would increase to £13 billion.⁹ Therefore, if the focus is to be on 'investment that is not currently being provided by the market', then this must include a specific focus on women-led businesses.

Open and transparent

We welcome the decision to make the investment bank a public body as this ensures transparency and accountability. As we indicated in our initial consultation response, we are also pleased that the bank will be covered by the public sector equality duty which will require the bank to proactively advance equality. However, it is necessary that the Bank be a listed public body so that it is covered by the Scottish-specific duties. In implementing these specific duties, gendered considerations should not be limited to governance, for example in terms of employees, but consideration of the Duty should also extend across the outcomes and beneficiaries of the Bank.

The creation of a Stakeholder Working Group and Advisory Board will promote transparency and openness. However, it is necessary that these governance structures reflect the wider aspirations around reducing inequality, and in particular that there is both gender competence¹⁰ and gender balance. This also applies to the composition of the Bank's board. Close the Gap's *Gender Equality Pays* research showed that employers that take steps to address women's inequality at work benefit from a reduction in costs through lower turnover, improved employee morale and motivation, and higher levels of

⁷ Scottish Government (2017) *Scottish Framework and Action Plan for Women in Enterprise* available at <https://www.gov.scot/Publications/2017/08/5504> accessed October 2018

⁸ Ibid.

⁹ Ibid.

¹⁰ Gender competence – refers to the skills, knowledge and analytical capability to develop policy that is well-gendered; that takes account of the socially constructed difference between men's and women's lives and experiences. 'Intersectional' gender competence is that which understands that women are not a homogenous group, but the disabled and Black and minority ethnic women's experiences will be inflected by ableism and racism.

productivity.¹¹ Diverse workforces are more creative as men and women have different experiences and perspectives. Gender balance on boards can therefore drive excellence and efficiency in public service delivery, as decision-makers better reflect the service-users they serve.¹²

Where consideration of women's lived experiences is not included in governance structures, it results in further entrenched gender inequality. The Implementation Plan for the Bank does set out a clear ambition for a "gender balance across its Non-Executive Director Board members", and "an expectation that the Board and Executive Management Team are gender-balanced".¹³ It is necessary that steps are taken to ensure this ambition becomes a reality.

Overall, with regards to the objectives, it is vital that the outcomes and indicators reflect gender equality and wellbeing. Collectively, the objectives should aim to address women's inequality. Throughout the monitoring and evaluation of the 'missions', gender disaggregated data should be gathered to identify where men and women, and male-dominated jobs and female-dominated jobs, may be differentially benefiting from the investment bank.

Q2: Do you have views on the statement of the Vision which has been set for the bank?

The economy is not currently inclusive. Women account for 51% of the Scottish population but do not participate in the labour force in the same numbers as men, work fewer hours, are paid on average 15% less than men and women's work is systemically undervalued. Close the Gap has therefore welcomed the focus on 'accelerating the move to a.... inclusive economy' as this has the potential to create gendered inclusive growth in Scotland. However, the implications of taking an inclusive growth approach require to be theorised more substantively. At the moment, there is shared commitment to the broad principle of inclusive growth, but there is currently no clarity on what type of policy this would necessitate and how this might be operationalised into

¹¹ Close the Gap (2016) *Gender Equality Pays: The Economic Case for Addressing Women's Labour Market Inequality* available at <https://www.closesthegap.org.uk/content/resources/Gender-Equality-Pays.pdf> Accessed October 2018

¹² Ibid

¹³ Scottish Government (February 2018) *Scottish National Investment Bank: Implementation Plan* available at <https://beta.gov.scot/publications/scottish-national-investment-bank-implementation-plan/> accessed October 2018

delivery. There is also a need to ensure that it is clear what gendered inclusive growth means in practice.

As noted in the principles listed in section 2 of this response, gender equality produces economic growth, but the inverse is not necessarily true. It cannot be presumed, therefore, that aiming for economic growth will benefit women or address women's inequality. Unless gender is actively considered and integrated in policies designed to deliver inclusive growth, women will not benefit from these policies.

Q3. Do you agree that the overall direction of the Bank should be set by Ministers through a Strategic Framework, including the setting of missions and performance objectives and a target rate of financial return?

We are supportive of Scottish Government Ministers setting priorities through a Strategic Framework. Again, we would note that Ministers are subject to specific duties under the Public Sector Equality Duty and these obligations should form a key part of the development and delivery of the strategic framework.

There should also be consideration given to how the Bank will balance the dual objectives of targeting specific rates of financial return and furthering the Bank's social objectives, such as the creation of a low carbon economy and inclusive growth. On occasion, pursuing financial returns may be at odds with the Bank's social objectives and these two purposes may therefore be competing, rather than aligned. Considering the weighting given to these respective objectives may be helpful to ensure the Bank meets its aims in terms of inclusive growth. For Close the Gap, the social objectives and the need to progress gender equality should take precedent.

Q4. Do you have any views or suggestions on the example of missions, outlined in paragraph 4.7?

Gender must be mainstreamed in the implementation of the adopted 'missions'. For example, responding to an ageing population and wider population health requires gender analysis as women and men have varying health needs. We would also require further clarity around the specific mission 'promoting inclusive growth through place making and regeneration' to ensure that this was appropriately gendered. Focusing on communities, in the sense of jobs, poverty and industries, must consider the differing experiences of men and women. For example, women are more likely to be in poverty, more likely

to experience persistent poverty¹⁴ and occupational segregation means that women are concentrated in low-paid sectors. While place is undoubtedly important to building inclusive growth, this focus can not be at the expense of gender. Equally, a focus on participation and community empowerment in decision-making also requires a gendered lens as women are more likely to face barriers to participation in these processes.

We would advocate for an additional mission around women and enterprise, such as closing the gender gap in enterprise or promoting gender equality.¹⁵ This would further align the objectives of the bank with other Scottish Government objectives, such as the *Scottish Framework and Action Plan for Women in Enterprise*.

Q5. Do you agree that the Bank should identify and implement an Investment Strategy which is along the lines suggested?

An investment strategy, developed by a diverse board, will provide clarity on the objectives, priorities and decision-making of the board. We are supportive of this process. However, this investment strategy must identify how the Bank will further women's equality in the context of gendered inclusive growth and there must be an Equality Impact Assessment to examine any differential impact on men and women so that any potential inequalities can be addressed prior to implementation.

Q6. Are there any arrangements or requirements not already considered that would inform the Equalities Impact Assessment and strengthen and enhance the Bank's ethical approach to investment, and what are these?

The completion of robust, high-quality equality impact assessments (EqIA) at the start of the policymaking process are essential to furthering gender equality through policy decisions. However, an ongoing problem in policy-making is the poor quality of EqIA and there is little evidence that EqIA is leading to the effective gendering of policy.

EqIAs are often completed post-hoc or during the policy-making process, rather than informing policy from the outset. A key point of conducting an EqIA

¹⁴ Close the Gap (2018) *Women, Work and Poverty: What you Need to Know* available at <https://www.closesthegap.org.uk/content/resources/1---Women-work-and-poverty-what-you-need-to-know.pdf> accessed October 2018

¹⁵ Close the Gap (2018) *Response to the Economy, Jobs and Fair Work Committee Consultation on Business Support* available at <https://www.closesthegap.org.uk/content/resources/Close-the-Gap-Response-to-Business-Support-Inquiry---August-2018.pdf> accessed October 2018

is to ensure that policymakers take account of equality as policy and plans are developed. When EqIAs are completed in the later stages of the policy process, this leads to less opportunities to consult, examine evidence and make adjustments to policies and consequently leads to policies being less robust and inadequately gendered.

4. CONCLUSION

The Scottish Investment Bank has the potential to be transformative for gender inequality and can play a significant role in delivering gendered economic growth. However, this will only be possible if gender is mainstreamed throughout the design, delivery and evaluation of the Bank. It is also necessary to ensure that the Bank's governance structures have gender competence and are gender-balanced in terms of personnel.