



Response to the Economy, Energy and Fair Work Committee Call for Evidence on the Scottish National Investment Bank Bill May 2019

1. INTRODUCTION

Close the Gap is Scotland's policy advocacy organisation working 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 therefore welcomed Scottish Government's focus on inclusive growth, which has the potential to advance women's labour market and economic equality. However, while gender equality is good for economic growth, growth itself does not always result in increased equality between men and women; gender-blind investment results in differential outcomes for men and women. The Scottish National Investment Bank therefore holds enormous potential to tackle women's economic inequality, and Close the Gap therefore welcomes the opportunity to respond to this call for views.

We are concerned that the equality impact assessment (EqIA) of the Bill is significantly flawed, in terms its process and structure, the scope of its content, its analysis, and conclusions. This is part of a wider challenge across Scotland's public sector where, in spite of it being a legal requirement, EqIAs are often not done, and where they are, they are done poorly. There is little evidence that EqIA is resulting in increased equality for women. This response highlights some of the gaps and misanalyses in the Bill's EqIA. However, we would also

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 May 2019

note that Close the Gap has been working with Scottish Government to make the EqIA for the Bill more robust, and we have welcomed this.

3. ANSWERS TO SPECIFIC QUESTIONS

Q5: What governance arrangements ought to be in place?

It is imperative that the governance structure of the Bank reflects its wider policy aspirations around reducing inequality, and to achieve this it is necessary that there is both gender competence and gender balance in the governance structures. Where consideration of women's lived experiences is not included in governance structures, it sustains gender inequality. We therefore welcome that the Bank will be subject to the Gender Representation on Public Boards (Scotland) Act 2018. There is strong evidence that diverse boards results in better decision making.²

The finance services industry, including the banking sector, is characterised by acute and chronic levels of gender inequality. Women are significantly under-represented at board level, less likely to be in senior and management positions, and over-represented in the lower grades across the sector.³ There is evidence of widespread discriminatory pay practice in the financial services industry⁴, and banks have among the highest gender pay gaps in the labour market.⁵ There is also an entrenched culture of long hours, presenteeism, and inflexible work which disadvantages and discriminates against women.⁶

The EqIA presents a small amount of narrowly-focused evidence of women's under-representation on boards and among the workforce in the banking or finance industries. There is no analysis of the causes of occupational segregation, nor the other inequalities that women face while working in the sector.

The EqIA also notes that a strategic framework will be agreed which will set out the broad responsibilities of the Bank towards its staff, and it will "...require the Bank's HR policies, practices and systems to comply with

² Close the Gap (2016) *Gender Equality Pays: The economic case for addressing women's labour market equality*

³ House of Commons Treasury Committee (2018) *Women in Finance*

⁴ Equality and Human Rights Commission (2009) *Inquiry into sex discrimination and the gender pay gap in financial services*

⁵ <https://www.ft.com/content/487de270-57b3-11e9-91f9-b6515a54c5b1> accessed May 2019

⁶ Equality and Human Rights Commission (2009) *Inquiry into sex discrimination and the gender pay gap in financial services*

employment and equalities legislation and the standards expected of public sector employers.”⁷ A generic recommendation is made around ensuring equality for staff: “The Bank should consider the steps it can take to ensure that, as a workplace, staff (and prospective staff) are not discriminated against...” While it is noted that “Ministers expect the Bank to ensure that its recruitment and working practice are established in such a way as to improve diverse representation and not to perpetuate existing industry issues”, the only recommendation is that the Bank should become a signatory to the voluntary initiative Women in Finance Charter. The EqIA should include specific recommendations on ensuring that the Bank does not replicate the male-oriented culture of the banking sector in which there is widespread discriminatory pay practice, non-transparent recruitment and progression practice, inflexible work, sexism and occupational segregation. To challenge these barriers it is critical that the Bank creates a fair and inclusive workplace from inception by adopting gender-sensitive employment practice.

Similarly there are no specific recommendations in the EqIA on how the board recruitment process will mitigate women’s under-representation in the wider sector. As women are under-represented at senior levels in the banking and financial services sectors in Scotland, the Bank should be proactive in its recruitment of a diverse workforce, otherwise it risks replicating the occupational segregation which characterises the sector.

Q7: What ethical and equalities considerations should inform the Bank’s ethos and decision making?

Close the Gap has welcomed Scottish Government’s focus on accelerating the move to an inclusive economy as this has the potential to create gendered inclusive growth in Scotland. If the Bank is to contribute to the building of an inclusive economy, the principle of equality and non-discrimination should be core to the Bank’s ethos and decision making.

Equality and non-discrimination on the face of the Bill

Equality is not mentioned in the Bill. This omission runs the risk of the focus on equality being lost in implementation and delivery. As investment affects men and women differently, we strongly believe that equality and non-discrimination should be included on the face on the Bill. This would ensure

⁷ Scottish Government (2019) *Scottish National Investment Bank: Equality impact assessment*

that the Bank prioritises equality and meaningfully takes account of the ways in which its work can advance women’s equality.

Gendered inclusive growth

The vision which has been developed through two consultations, and is articulated in the implementation plan is that “*the Scottish National Investment Bank will provide finance and act to catalyse private investment to achieve a step change in growth for the Scottish economy by powering innovation and accelerating the move to a low carbon, high-tech, connected, globally competitive and inclusive economy.*” In spite of the strong focus on the vision in preceding documents, it does not come through strongly in the Bill. We therefore think the Bill should include a separate section to capture the vision more substantively.

Clause 2(2a) provides that “investing in inclusive and sustainable economic growth” is an ancillary object. While there is an increasingly shared commitment to the broad principle of inclusive growth, there is little clarity on how this might be operationalised into delivery. It is however critical that inclusive growth is gendered. Genuinely inclusive economic growth must consider needs of diverse groups of women including Black and minority ethnic (BME), disabled, lesbian, bisexual and transgender, younger and older women. We are therefore strongly of the view that the bill should make explicit provision for inclusive and sustainable **gendered** inclusive growth as one of the Bank’s objects.

The Bill lists one of the Bank’s objects as contributing to the achievement of the Scottish Government’s economic policy objectives (2(2e)). While Scotland’s Economic Strategy includes a welcome commitment to maximise the economic potential of women, the focus of investment and development support is predominantly male-dominated sectors⁸. 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 female⁹ 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

⁸ Scottish Government (2015) *Scotland’s Economic Strategy*

⁹ 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 May 2019

administration.¹⁰ Despite this, activity to address occupational segregation through economic development policy is, at best, marginal. Consequently, men and disproportionately benefit from investment in research and development, and the jobs and technologies it creates. Making lending decisions in line with the priority sectors of the economic strategy makes it very likely than men will disproportionately benefit from the Bank.

The under-capitalisation of women's businesses

The Bill states that one of the Bank's objects is "promoting and developing the activities of enterprises, where lack of financial investment is holding back economically viable commercial activity" (2(b)). We welcome this object but believe it should be more specific to reflect the clear gendered dimension of under-capitalisation. 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 which is a major contributing factor in women's economic inequality.

The gender pay gap means 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.¹¹ 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.¹² 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.¹³ Therefore, if the focus of the Bank is to be on investment that is not currently being provided by the market, this include a specific focus on women-owned businesses.

We therefore believe that object 2b should explicitly include a strategic focus on women-owned businesses. Without this, there is a risk that the Bank will

¹⁰ Close the Gap (2015) *How Women's Networks and mentoring can address occupational segregation: what policymakers can learn from WiRES*

¹¹ Scottish Government (2017) *Scottish Framework and Action Plan for Women in Enterprise* available at <https://www.gov.scot/Publications/2017/08/5504> accessed May 2019

¹² Ibid.

¹³ Scottish Government (2017) *Scottish Framework and Action Plan for Women in Enterprise* available at <https://www.gov.scot/Publications/2017/08/5504> accessed May 2019

not develop the gender-sensitive approach that is required tackle the inequalities experienced by aspiring and existing female entrepreneurs.

The gender pay gap

Tackling women's labour market and economic inequality should be at the core of the Bank. *A Fairer Scotland for Women*, Scotland's first gender pay gap action plan includes a commitment to include the gender pay gap in the EqIA. The action plan notes that "this will ensure the Bank's intended leadership role with regards to diversity and inclusiveness in its governance, operational arrangements and its Investment Strategy is fully embedded."¹⁴ However, there is minimal consideration of the gender pay gap in the EqIA; the high pay gap in the finance sector is referenced, and the pay gap as a driver for women to leave employment and start their own business is also briefly mentioned. However, there is no evidence or analysis of the role of economic development policy, or the Bank specifically, in tackling Scotland's national gender pay gap.

Gender equality should be mainstreamed in the investment strategy, and addressing the gender pay gap and women's labour market inequality should be a central plank. It is also imperative that a robust EqIA is developed for the investment strategy.

Intersectionality

There are significant gaps in the experiences of protected groups in the EqIA. There is a small amount of evidence and analysis of women's lived experiences but this is narrowly focused, primarily on enterprise and working in the banking sector. BME people are mentioned in relation to access to finance. There is also no acknowledgement of the intersections of different identities and how this shaped women's lived experiences. For example, when considering access to finance, the EqIA includes the examples of women-led businesses and ethnic-minority-owned business, but does not consider the barriers faced by BME women because of their multiple intersecting identities. Inclusive growth must be intersectional if it is to be genuinely inclusive of diverse groups of women.

¹⁴ Scottish Government (2019) *Fairer Scotland for Women: Gender pay gap action plan*

Q8: It is proposed that the Scottish Government will set the strategic direction of the Bank but the body itself decide on its investment approach. What is your view on this “mission-led” approach?

The decision-making process for determining missions has the potential to widen or narrow Scotland’s gender pay gap and therefore impact women’s equality. While the missions-led approach necessitates a strategy which is cross-sectoral, it is important to recognise that women’s employment is concentrated in a relatively small number of jobs and sectors, and in those which have historically not benefited from strategic investment and economic development support. This underlines the potential for the mission-led approach for advance women’s equality but only if the development process and the missions themselves are gender-sensitive.

Setting missions

There is very little information in the Bill as to how missions will be developed. 11(2) provides for Scottish Ministers setting strategic missions by sending the Bank a document “describing the socio-economic challenges” that the Bank is to seek to address. Equality is not mentioned. Close the Gap is therefore strongly of the view that there should be positive duty on Ministers when setting the strategic missions. Without an explicit provision for gender equality on the face of the Bill, there is a high risk that delivery of the missions will be gender blind. For instance, the example missions set out in the 2018 Scottish Government consultation are transitioning to a low carbon economy; responding to an ageing population and wider population health; and promoting inclusive growth through placemaking and regeneration. There is no indication that gender has been considered in developing these example missions. The EqIA does not include any evidence or analysis that would suggest a gendered lens has been used to consider the missions even though there are well-evidenced gendered dimensions to each. For example, women comprise a higher proportion of the ageing population than men¹⁵, more likely to live in areas of multiple deprivation¹⁶, more likely to be living in poverty and more likely to experience persistent poverty¹⁷.

¹⁵ Griffiths, D. and McCall, V. (2015) *Growing Older in Scotland: Health, housing and care: 2011 Census data analysis*

¹⁶ Scottish Government (2018) *Poverty and Income Inequality in Scotland 2014-17*

¹⁷ Close the Gap (2018) *Women, Work and Poverty: What you need to know*

We are concerned that the EqIA will be used to inform equality considerations in the investment strategy. It offers an example investment made by the Bank the development of assistive technology such as AI and robotics, specifically in the development of technology enabled care. This is highlighted as benefiting women as they do the majority of unpaid care in the home. However, women also comprise the majority of the paid carer workforce and so would potentially be disproportionately affected the automation of tasks undertaken as part of their job.

Reporting on missions

There is no detail in the Bill on the indicators that will be used to report on progress to achieve missions. Close the Gap agrees with Engender¹⁸ that the success of the bank should not be measured purely in terms of commercial success and economic returns. The Bank should use wellbeing indicators which reflect its approach to investment through the provision of patient capital that benefits the collective population.

The EqIA does note that the Bank’s activities will “contribute to the achievement of a number of outcomes of the National Performance Framework, and through that, help to meet the UN Sustainable Development Goals” but no further evidence or analysis is provided. Instead the EqIA signposts to a Scottish Government webpage where further detail is to be published, although does not yet appear to be available¹⁹. Despite gender equality being a Sustainable Development Goal, and the gender pay gap being an indicator in the National Performance Framework, this is not mentioned in the EqIA.

In order to report on missions, and in particular, whether the Bank’s work is advance equality for diverse groups of women, it is critical that it gathers intersectional gender disaggregated data on its investments, programmes and services to measure success.

4. OTHER 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

¹⁸ Engender response

¹⁹ <https://www.gov.scot/policies/economic-growth/scottish-national-investment-bank/>

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 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.

