



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

November 2017

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 growth¹. 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. Answers to specific questions

Q1: What are the top 3 areas of interventions where you think the Scottish National Investment Bank can have the greatest impact on sustainable economic growth?

- Targeting groups that evidence shows have less access to capital than others (e.g. female and BME entrepreneurs)
- Promotion of investments that help address complex societal problems

¹ McKinsey & Company (2015) *The Power of Parity: How advancing women's equality can add \$12tn to global growth*

Q1a: Can you explain why these are the most important?

Targeting groups which have less access to capital than others

Evidence has identified a clear gender gap in enterprise, and in those who start and own their own business. Only 21% of SME businesses are led by women, but of those women who do own their business 82% want to grow their business². The enterprise sector is also characterised by occupational segregation. 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, 5% in construction, and 11% in ICT and digital technologies³. Women's Enterprise Scotland identifies access to finance as one of the key challenges that female business owners face, along with achieving credibility for their business or business idea; balancing work and caring roles; and a lack of gender-specific business support which recognises these barriers.

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.⁴ Furthermore, initial under-capitalisation has a long-term effect, constraining business growth prospects. 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 size⁵.

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 billion⁶. Of key concern to Close the Gap is the market failures which causes many women to move into (often very low-paid) self-employment: discrimination in the labour market, unequal opportunities for progression, and a lack of flexible working to balance their caring roles.

² Women's Enterprise Scotland <https://www.wescotland.co.uk/research> accessed May 2017

³ 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

⁴ Scottish Government (2017) *Scottish Framework and Action Plan for Women in Enterprise*

⁵ Ibid.

⁶ Ibid.

Promotion of investments that help address complex societal problems

Women have less access to resources, and have less financial independence than men. Scotland's persistent gender pay gap of 15% means that women earn less than men; are concentrated in low-paid, stereotypically female jobs; are twice as dependent on social security; and more likely to live in poverty. The role of investment, and economic development policy more broadly, in tackling occupational segregation and women's economic inequality, cannot be overstated. Current gender-blind approaches which do not consider the barriers to women's economic equality will further entrench gender inequality. Scotland's economic strategy focuses on investment and development support for predominantly male-dominated sectors, and consequently men disproportionately benefit from investment in jobs and skills.

Research and development investment must take a gendered approach to avoid the inadvertent consequence of disproportionately benefiting men and men's jobs. For example, the jobs and technologies which the investment bank creates should benefit men and women. Investment in science and technology should create opportunities for women and girls to benefit on an equal basis, reflecting the differences in their lived experiences in health and wellbeing, play, tendency to be carers, cultural and social interests, and safety.

A further sectoral example is that of care. Women shoulder the burden of unpaid care in the home, and comprise the majority of workers in the care sector. 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.

Q7: Are there particular issues on governance and the operational model, including issues such as public private classification, that you think would strengthen, or constrain, the bank's ability to deliver on its mission?

The investment bank should be a public body to ensure transparency and accountability. It is critical that it is covered by the public sector equality body which requires public authorities to proactively advance equality. Under the

duty, public bodies are also required to mainstream equality in their functions. This will be essential to the success of the bank, if it is to align with inclusive growth.

It is imperative that the governance structure of the bank reflects its wider aspirations around reducing inequality, and in particular that there is both gender competence and gender balance. Where consideration of women's lived experiences is not included in governance structures, it results in further entrenched gender inequality. Gender competence must not be limited to governance, and must be evident in the delivery of the bank's service. Grant managers must be gender competent in order that their decision making does not intentionally or unintentionally exacerbate women's economic inequality.

To measure the success of the investment bank in aligning with the inclusive growth agenda, and advancing women's equality, it is important that the outcomes and indicators reflect gender equality and wellbeing. 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.

Q8: Do you have any more comments about the establishment of the Scottish National Investment bank?

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