



# **Submission to Economy Jobs and Fair Work Committee inquiry on Scotland's Economic Performance: trends, challenges and future developments**

**November 2017**

## **1.0 Introduction**

Close the Gap is a policy and advocacy organisation working in Scotland on women's labour market participation. We work with policymakers, employers and employees to influence and enable action that will address the causes of the gender pay gap. We recognise that in addition to improving the lives of women and their families, addressing gendered inequalities in the labour market would bring aggregate productivity gains to Scotland's economy.

We welcome the opportunity to respond to the Committee's call for evidence on trends, challenges and future developments around Scotland's economy. We would encourage the Committee to build on the bold and invaluable work it delivered in its inquiry into the pay gap, and use a gender analysis to inform the development of this inquiry into Scotland's economic performance.

Our response provides key points related to women's labour market inequality and the economy under each of the inquiry areas of focus, and addresses specific questions, where relevant.

## **2.0 GDP growth and productivity**

### **2.1 Women's labour market inequality is a drag on economic growth.**

There is clear and mounting international evidence that gender equality at work, in addition to benefiting women and their families, is also a critical driver for improved business performance, and a worldwide catalyst for economic

growth. Labour market rigidities results in the under-utilisation of women's skills, which in turn places artificial limits on women's productivity. If individual businesses take action to facilitate the expansion of women's engagement in the labour market, particularly in those sectors characterised by occupational segregation, it will stimulate macro-economy to generate growth and replenish labour supply in an increasingly ageing economy.<sup>1</sup> As the Committee noted in its inquiry into the gender pay gap, closing the gender gap in employment is worth up to £17bn to Scotland's economy.

## 2.2 Gender and enterprise

There are clear economic gains to closing the gender gap in enterprise. 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<sup>2</sup>. Women's Enterprise Scotland identifies the challenges that female business owners face including achieving credibility for their business or business idea; access to finance; balancing work and caring roles; and a lack of gender-specific business support which recognises these barriers. Of key concern to gender advocates is that many women move into self-employment because of discrimination in the labour market, unequal opportunities for progression, and a lack of flexible working to balance their caring roles.

Scotland's rate of female business ownership is persistently low compared to other high income countries. It is estimated that if the 'enterprise gap' was closed, Scotland would have an additional 108,480 women-owned businesses. This equates to a 32 per cent increase in Scotland's business base.<sup>64</sup>

## 2.3 Women have been disproportionately impacted by the recession

In 2008, many male workers, as well as female workers, were expected to bear the brunt of a crisis in the financial and construction sectors caused by the recession. This assumption was based on employment data and redundancy rates, which when viewed in isolation, only partially contribute to an understanding of the gendered impact of recession. Reliance on quantitative measures of unemployment does not consider women's experiences of

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<sup>1</sup> Ibid.

<sup>2</sup> Ibid.

recession as they are less likely to register as unemployed and are likely to change jobs more frequently than men<sup>3</sup>. Men are also more likely to be concentrated in sectors that have cyclical fluctuations such as manufacturing and construction, and therefore presumed to be most adversely affected by recession. However, the recession recovery package designed by the UK Government included significant cuts to the public sector, in which women comprise two-thirds of the workforce.

It is now well-known that women in the UK have been significantly disproportionately impacted by cuts to public spending both as service users, because they are more likely to access public services primarily because they are more likely to have caring roles<sup>4</sup>, and as workers in the sector. Since 2008, the number of people employed in the Scottish public sector has dropped by 55,300, representing a reduction in Scotland's total employment from 23.0% to 20.4%<sup>5</sup>.

#### 2.4 Women's unpaid care work does not count towards GDP

Women's unpaid care work enables the economy to function, and yet calculations to determine GDP, do not count unpaid work. The unpaid caring that women (and some men) do for children, sick and disabled people, and older people is categorised by mainstream economic models as "leisure" and "unproductive", and therefore is not counted. Paid care work is categorised as "work" and is counted towards GDP, although it is systematically undervalued by the market which is reflected by the low pay associated with it.

The amount of work that this misses out is enormous. The ONS UK Household Satellite Accounts experimentally measures different types of domestic and reproductive labour and places a value on them. In 2010 they analysed childcare, and determined that the value of informal childcare was £343bn, which is equivalent to 23% of GDP<sup>6</sup>. In 2013 they analysed adult care, and

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<sup>3</sup> McKay, A. and E. Thomson (2010) *Women in Recession: Making gender equality a priority for economic recovery*, Close the Gap: Glasgow

<sup>4</sup> Engender (2015) *A Widening Gap: Women and welfare reform*

<sup>5</sup> Scottish Government (2017) Public Sector Employment in Scotland Q1 2017 web tables

<http://www.gov.scot/Topics/Statistics/Browse/Labour-Market/PublicSectorEmployment/exeltables> accessed June 2017

<sup>6</sup> Office for National Statistics (2010) *Household Satellite Accounts, Valuing Informal Adult Care in the UK*

<http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/wellbeing/household-satellite-accounts/valuing-informal-childcare-in-the-uk/index.html> (accessed 7 November 2017)

determined that the total value of informal adult care had tripled in 15 years, from £21.5bn in 1995 to £61bn in 2010, equivalent to 4.2% of GDP.<sup>7</sup>

## 2.5 Economic development policy is not gendered

Economic development has significant potential to reduce women's labour market and economic inequality, but economic development policy is not gendered. Strategies to develop growth sectors, economic recovery, skills, job creation and investment do not meaningfully consider gender, and do not recognise the economic gains of gender equality.

Scotland's growth sectors are heavily weighted towards male-dominated industries, with men and "men's jobs" benefiting from investment in this area. 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. However, activity to address occupational segregation through economic development policy is, at best, marginal. Although the care sector is a growing sector it is vastly under-invested. Close the Gap supported the Committee's recommendation in the gender pay gap inquiry that care be designated as growth sector<sup>8</sup> so that the gendered economic undervaluation and low-pay which characterises the work, and its workforce, may be addressed.

The lack of gender-focused activity at Scotland's enterprise agencies is also of considerable concern. As the Committee also identified in its inquiry into the gender pay gap, there is a notable lack of consideration and commitment from the enterprise agencies around addressing the pay gap through its work with businesses. There is also a lack of gender-disaggregated data on the businesses accessing support through Scottish Enterprise's account management function, although it is recognised that only a very small minority are women-owned.

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<sup>7</sup> Office for National Statistics (2013) *Household Satellite Accounts, Valuing Informal Adult Care in the UK* <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/wellbeing/household-satellite-accounts/valuing-informal-adultcare-in-the-uk/index.html> (accessed 7 November 2017)

<sup>8</sup> Scottish Parliament Economy, Jobs and Fair Work Committee 92017) *No Small Change: The economic potential of closing the gender pay gap*

## 3.0 Inequality and labour market issues

### 3.1 What are the main drivers of income and wealth inequality in Scotland?

#### *Women's labour market and economic inequality*

Women do not enjoy equality with men in Scotland. The gender pay gap is the key indicator of women's persistent inequality at work, and in Scotland the pay gap currently stands at 15%<sup>9</sup>, with recent ONS data showing that progress in Scotland has stalled<sup>10</sup>. The pay gap is headline figure which represents women's and men's different experiences in education, skills acquisition, employment, care and domestic which stems from gendered attitudes and assumptions about girls' and boys', and women's and men's behaviours, choices and lives.

The causes of the pay gap, and women's labour market inequality, are:

- **occupational segregation**, where gender norms and stereotyping about women's and men's capabilities and preferences results in women and men doing different types of work (horizontal segregation) and different levels of work (vertical segregation);
- a **lack of quality part-time and flexible working** which results in women's under-representation at management level and in senior grades;
- the **undervaluation of "women's work"** such as care, admin, cleaning and retail, in which women's employment, and part-time work is concentrated;
- women's disproportionate responsibility for **unpaid care work** and the length of time women have worked part-time in order to combine their caring roles with employment;
- **biased and untransparent** recruitment, development and progression practices;
- **male-orientated workplace cultures** that do not feel inclusive to women, nor meet the needs of their lives; and
- **discrimination** embedded within pay and grading systems, which results in women being paid less than men for doing equal work.

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<sup>9</sup> Close the Gap (2016) *Gender pay gap statistics* <https://www.closesthegap.org.uk/content/resources/Briefing17.pdf> accessed November 2017

<sup>10</sup> Close the Gap (2017) *Close the Gap calls for cohesive, strategic response as new figures show Scotland's pay gap hasn't budged* <https://www.closesthegap.org.uk/news/blog/close-the-gap-calls-for-cohesive-strategic-response-as-new-figures-show-scotlands-gender-p1/>

Disabled women<sup>11</sup>, Black and minority ethnic women<sup>12</sup>, Muslim women<sup>13</sup>, lesbian and bisexual women<sup>14</sup>, trans women<sup>15</sup>, refugee women<sup>16</sup>, young women<sup>17</sup>, and older women<sup>18</sup> experience different, multiple barriers to participation in the labour market, and to progression within their occupation. Across the labour market, disabled women, and some groups of Black and minority ethnic women are more likely to be under-employed in terms of skills, and experience higher pay gaps. Disabled, Black and minority ethnic women are also more likely to experience discrimination, bullying and harassment.

### *Women's poverty*

The gender pay gap contributes to women's higher levels of poverty; 27% of women earn below the Living Wage compared with 17% of men<sup>19</sup>. Women make up 60% of those earning less than the Living Wage. Women's poverty is intrinsically linked to children's poverty; evidence shows that main carers within households, who often have less access to resources and are predominantly women, spend more on children. Women are more likely to manage household budgets, and as such act as managers of family poverty.<sup>20</sup> Reducing the pay gap will therefore reduce women's poverty and also child poverty.

### *Women's disproportionate reliance on social security*

Welfare reform is having a disproportionate impact on women, with 86% of net 'savings' raised through cuts to social security and tax credits coming from women's incomes<sup>21</sup>. Women's disproportionate responsibility for unpaid care means they are twice as dependent on social security as men. 20% of women's incomes come from the benefits and tax credit compared with 10% of men's<sup>22</sup>.

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<sup>11</sup> Leonard Cheshire Disability (2014) *Realising the rights of women and girls with disabilities*

<sup>12</sup> Scottish Parliament Equal Opportunities Committee (2016) *Removing Barriers: Race, ethnicity and employment*

<sup>13</sup> House of Commons Women and Equalities Committee (2016) *Employment Opportunities for Muslims in the UK*

<sup>14</sup> Stonewall (2014) *The Double-Glazed Glass Ceiling: Lesbians in the workplace*

<sup>15</sup> House of Commons Women and Equalities Committee (December 2015) *Transgender equality*

<sup>16</sup> Scottish Refugee Council (2014) *One Step Closer*

<sup>17</sup> YWCA Scotland (2016) *Status of Young Women in Scotland*

<sup>18</sup> Scottish Commission on Older Women (2015) *Older Women and Work: Looking to the future*

<sup>19</sup> KPMG (2016) *Living Wage Research: Structural Analysis of Hourly Wages and Current Trends in Household Finances* <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2016/11/living-wage-research-for-kpmg-october-2016.pdf> last accessed 22 February 2017

<sup>20</sup> Women's Budget Group (2005) *Women's and children's poverty: Making the links*

<sup>21</sup> Engender (2016) *Securing Women's Futures: Using Scotland new social security powers to close the gender equality gap*

<sup>22</sup> Ibid

Close the Gap has worked with a coalition of women's organisations, led by Engender to highlight the acute gender impact of 'welfare reform', and to advocate for a gendered analysis in the design and implementation of newly devolved social security powers<sup>23</sup>.

### *Women's pensioner poverty*

Women comprise the majority of pensioners, and single female pensioners are more likely to be in low-income households than their male equivalents. The average net income of female pensioners per week is approximately 85% of their male counterparts. Furthermore, women do not only receive a lower average income than men from occupational pension schemes, they also receive a lower average state pension income.

The gender pay gap is a key factor in the disadvantage faced by women in the pensions system. Women are also more likely than men to have breaks in employment, often because of caring responsibilities, which impact on the accrual of State Pension benefits.

## 3.2 Policy responses to income and wealth inequality in Scotland

There has been a clear rhetorical shift from Scottish Government on realising women's labour market and economic equality. Policy commitments on reducing the gender pay gap, and women's economic inequality are more visible.

### *Responses to women's labour market inequality*

Scottish Government has developed a range of policies, legislation and activity developed which aim to tackle the persistent gendered inequalities in the labour market. This includes the Strategic Group on Women and Work; a women returners project; funding for equality organisations working on the gender pay gap and occupational segregation; introducing legislation on gender balance on public boards; and the Partnership to Change initiative being delivered in tandem with the Business Pledge. As Close the Gap has set out elsewhere for the Committee<sup>24</sup>, these initiatives are welcome but

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<sup>23</sup> Ibid

<sup>24</sup> Close the Gap (2017) *Submission to the Economy Jobs, Fair Work inquiry into the gender pay gap*

inadequate, and will not address the inequality that women experience in the labour market.

### *Women's economic inequality and inclusive growth*

Scotland's Economic Strategy marked a clear change in emphasis from previous strategic approaches, with a recognition that tackling inequality and increased growth are mutually reinforcing, with "inclusive growth" identified as one of the four priorities for Scotland's economic performance<sup>25</sup>. Close the Gap welcomed the explicit reference to the economic potential of women and advancing gender equality, and highlights that "*maximising economic opportunities for women to participate fully in the economy*" is key to improving economic performance and tackling inequality<sup>26</sup>.

Again, the actions set out to realise this ambition, which include increasing the level of funded early learning and childcare, implementing the equality commitments of *Developing the Young Workforce*, delivering the Women in Enterprise Action Framework, and funding gender equality organisations working on employment, are welcome but will not tackle women's economic inequality.

The fair work agenda is a central plank of the economic strategy, and Close the Gap welcomed the specific inclusion of gender equality in the remit of the Fair Work Convention. However, the framework's focus on women's experiences of the labour market, and what fair work means for women, is minimal. The framework's recommendations on equality are generic and lack specificity, and do not reflect that while there is some overlap in the causes of inequalities experienced by protected groups, the solutions to the inequalities faced by different protected groups are distinct. It is difficult to see how the framework will enable employers to operationalise fair work for women in Scotland, and advance women's economic equality.

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<sup>25</sup> Scottish Government (2015) *Scotland's Economic Strategy*

<sup>26</sup> Ibid.



### 3.3 How has the labour market changed over the last decade?

#### *Women's employment is more precarious*

The post-recession labour market is increasingly characterised by low pay and increased insecurity at work. One in ten workers now faces insecurity at work, either because they are in low paid self-employment, or employed on a zero hours, agency or casual contract. Women represent 57% of those on zero hour contracts<sup>27</sup>, and workers on zero hour contracts are more likely to work in low-paid, low-skilled, part-time work.

The rise in women's self-employment has coincided with a rise in low-paid self-employment<sup>28</sup>. There is a high number of women in very low paying occupations, with elementary cleaning occupations the most frequent occupation for self-employed women. A lack of quality part-time and flexible work also sees parents and carers, most often women, forced into casualised work or self-employment because they need flexibility and cannot find it elsewhere in the labour market. A significant proportion of the increase in women's self-employment is because they've been forced out of the labour market by discrimination and inequality.

#### *Women and the gig economy*

The gig economy is an increasing feature of the labour market in Scotland. The problems associated with the gig economy, insecure work and bogus self-employment have a significant impact on women. Gig economy platforms tend to replicate the gendered patterns of labour market participation and division of labour, including domestic labour. On platforms associated with the collaborative economy, such as Ebay or Etsy, there is a more equal gender split. Women are under-represented on more lucrative platforms such as Uber, which are less likely to be compatible with caring responsibilities, and heavily concentrated on platforms associated with low-paid work, such as domestic work. Providers on the platform Hassle, which provides cleaning services, are 86.5% female<sup>29</sup>. Migrant women are particularly concentrated in low-paid domestic work, and already vulnerable to discrimination and exploitation; the

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<sup>27</sup> ONS (2017) *Labour Force Survey: Zero Hours Contracts data tables*  
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/zerohoursummarydatatables> accessed November 2017

<sup>28</sup> <http://touchstoneblog.org.uk/2016/11/self-employment-new-army-workers/> accessed November 2017

<sup>29</sup> Ibid

gig economy is likely to further dilute their already weak status in the labour market.

Proponents of the gig economy argue that this type of work help workers to balance work and family life. This rests on the incorrect assumption that this work is likely to be well-paid, reasonably reliable, and that workers have autonomy over how and when they work. Women in casualised work and the gig economy are more likely to be working in low-paid, low-skilled work. These workers may find that flexibility is demanded of them by their platform, but there is no reciprocity. Variable and unreliable levels of income also mean women with children struggle to cover the cost of childcare, and even the basic cost of living. This contributes to women's higher levels of poverty, and as women are more likely to be responsible for household budgets, children's poverty.

Women also do not earn much as men in the gig economy. Nearly 75% of women in the gig economy earned less than the taxable threshold. Around 66% of women in the gig economy are also in other work<sup>30</sup>. This aligns with evidence on carers, who often have to juggle a number of "micro-jobs" alongside their caring responsibilities just to make ends meet. This has a significant impact on mental and physical health, and on managing household budgets.

Women are not as active as men in the gig economy: they are half as likely as men to have tried any form of gig work. Of those women who have, they were much more likely to stop than men were: almost 40% of women who have tried gig work had given it up. Women in the gig economy also work less frequently than men; of those who work weekly, only one in seven are women. It had been suggested that this is because women have a more casual relationship with the gig economy; however, women face gendered barriers which prevent them from engaging in the same way as men, including risks to personal safety, childcare responsibilities, and juggling gig work with other work.

### *The gender impact of automation*

In its report *The Future of Jobs*, the World Economic Forum predicts that women will be disproportionately affected by automation. In absolute terms,

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<sup>30</sup> RSA (2017) *Good Gigs: A fairer future for the UK's gig economy*

men will face nearly four million job losses and 1.4 million gains, approximately three jobs lost for every job gained, whereas women will face three million job losses and only 0.55m gains, more than five jobs lost for every job gained<sup>31</sup>.

Tasks undertaken as part of female-dominated jobs such as admin are already being automated with the advance of technology. And while some male-dominated manual jobs are affected in the same way, the critical point is that women are significantly under-represented in the industries in which there will be job creation – science, technology, engineering and maths (STEM). Women make up only 20% of employees in STEM industries, while 73% of women with STEM qualifications do not work in the industry<sup>32</sup>.

In developing strategies to address automation, and the future supply of skills, there is no evidence that policymakers at national and sectoral level in Scotland are considering the gender impact of the fourth industrial revolution. Close the Gap will be developing work on how women in Scotland will be affected by automation in late 2017.

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<sup>31</sup> World Economic Forum (2016) *The Future of Jobs*

<sup>32</sup> Equate Scotland (2016) *Rising to the Challenge: How Scotland can recruit, retain and support women in STEM*.