



# Engender Response to the Scottish Government consultation on a Scottish National Investment Bank Bill

## 1. INTRODUCTION

Engender welcomes the opportunity to respond to this consultation on the Scottish National Investment Bank, which focuses on the proposed objectives, purpose and governance in the anticipated Bill. Scotland's National Investment Bank should be instrumental in shaping an economy that works for women and men, and that advances women's equality instead of entrenching gender inequality.

We previously submitted a response to the November 2017 consultation, developed in partnership with Close the Gap, the Scottish Women's Budget Group and Women's Enterprise Scotland, in which we outlined seven principles for a gender-competent Bank.<sup>1</sup> We believe that each principle is capable of being integrated into the development of the Bank's structures and that doing so would promote equality and economic growth in the areas identified in this response.

A Scottish National Investment Bank (the Bank) has the opportunity to take a long-term and holistic approach to growth, which is reflected in the consultation proposals that the bank be mission-led as well as the proposals for its vision. There is a wealth of evidence that gender equality is a prerequisite for inclusive growth. For example, the EIB estimated the gender employment gap costs the European economy €370 billion, or 2.8% of the EU's annual GDP.<sup>2</sup>

We therefore set out below how considerations of gender should be fully integrated into the Bank's structure, objectives, policies and investment decisions from the very beginning of its design and throughout the drafted Bill.

## 2. THE BANK'S OBJECTIVES AND PURPOSE

### The Vision

The vision currently proposed for the Bank (paragraph 3.2) combines the pursuit of economic growth and innovation with "*accelerating the move to a low carbon, high-tech,*

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<sup>1</sup> Engender (2017) *Seven principles for a gender-competent Scottish National Investment Bank*  
[https://consult.gov.scot/economic-policy-unit/scottish-national-investment-bank/consultation/view\\_respondent?show\\_all\\_questions=0&sort=submitted&order=ascending&q\\_text=engender&uuld=162815124](https://consult.gov.scot/economic-policy-unit/scottish-national-investment-bank/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q_text=engender&uuld=162815124)

<sup>2</sup> EIB Group (2016) *Protect, Impact, Invest: The EIB Group Strategy on Gender Equality and Women's Economic Empowerment*

*connected, globally competitive and inclusive economy.*” The OECD defines inclusive growth as that which ‘creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.’<sup>3</sup> The Scottish Government has committed to this approach in its own Economic Strategy.<sup>4</sup>

The multifaceted nature of the vision shows the scale of opportunity for the bank to spearhead broad economic, social and environmental change through investment. However, we would take the opportunity to underline that that increasing participation from under-represented groups is not just a social issue but leads to economic growth.<sup>5</sup>

An inclusive economy will require equality and diversity to form a central role in the Bank’s governance and lending criteria and necessitate that it develops gender competence<sup>6</sup> within its functions. Inclusive economic growth should also consider the specific needs of groups which are further removed from access to capital, including Black and minority ethnic, disabled, lesbian, bisexual and transgender, younger and older women.

We believe that the vision would be strengthened by underpinning ‘inclusive economy’ in a manner which places the goal of reducing gender inequality at the core of the Bank’s work. This would better reflect Scottish Government commitments and obligations to tackle women’s inequality in the Sustainable Development Goals, Scotland’s National Performance Framework, and the UN Convention on All Forms of Discrimination Against Women (CEDAW), among others.

The consultation also states that the Bank will seek to achieve transformative change in society by releasing untapped potential within Scotland’s wider economy. Women represent a significant amount of untapped economic potential in Scotland. As cited by the Implementation Plan, evidence from McKinsey and the Federation of Small Businesses shows that women’s businesses are undercapitalised at start-up,<sup>7</sup> and access to finance is a key challenge to a quarter of women business owners.<sup>8</sup> Findings from Close the Gap further suggest that that closing the gender gap would return £17bn to the Scottish economy.<sup>9</sup>

However, releasing untapped potential is absent a specific mention in the vision as currently articulated. We believe that it is worthy of being included in the Bill, either explicitly part of the vision or incorporated into the objectives. Leaving it to interpretation or future mission-

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<sup>3</sup> <http://www.oecd.org/inclusive-growth/>

<sup>4</sup> Scottish Government (March 2015) *Scotland’s Economic Strategy*

<sup>5</sup> McKinsey & Company (2015) *The Power of Parity: How advancing women’s equality can add \$12tn to global growth*

<sup>6</sup> “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.

<sup>7</sup> Scottish Government (February 2018) *Scottish National Investment Bank: Implementation Plan*; see also Federation of Small Business (2016) *Women in Enterprise: the Untapped Potential*

<sup>8</sup> Women’s Enterprise Scotland (2014) *Survey of Women-Owned Businesses in Scotland 2014*

<sup>9</sup> Close the Gap (2016) *The economic case for addressing women’s labour market inequality*

setting risks undermining this importance of addressing women's labour market inequality in fulfilling the vision.

### **Objectives**

The consultation document suggests that the bank will have a broad set of objectives which align its commercial goals with the broader social and economic outcomes set out in its vision. In order to fulfil the objective of *crowding-in* finance, the Bank should have particular regard to the aim of releasing untapped potential and reaching groups that are not currently adequately supported by private lending, particularly women. The lending criteria and devised programmes should explicitly focus on women from all backgrounds in order to promote women-owned business and crowd in future investment from private actors.

The totality of the proposed objectives largely reflect the commercial nature of the Bank. There will be an obvious need to measure the success of its investments in the form of economic returns if it is to be commercially sustainable. However the proposed objective that the Bank pursue *ethical and sustainable investment* should also be tracked. We propose that in addition to economic criteria the Bank should adopt wellbeing indicators which reflect its ability to take a long-term approach to investments which benefit the collective population.

The revised National Performance Framework includes a range of social, environmental and cultural metrics which could be applied to relevant investment decisions by the Bank, as stand-alone factors or in combination with standard economic returns.<sup>10</sup> Taking this broader approach to the Bank's success would reflect that unique position of the institution and its ability to deliver across the breadth of its vision.

### **Investing in Women**

The Bank should adopt a strategic focus on women-owned businesses as part of the commercial basis and economic objectives of the Bank. Women account for a minority of self-employed workers and company directors and tend to be concentrated in specific fields.<sup>11</sup> If women-led businesses equalled in number those led by men the Scottish Government estimate that women would contribute £13 billion to Scottish GVA.<sup>12</sup> However, without a proactive move to integrate equality and gender equality in the objectives, there is a risk that the Bank will not develop and implement the specific programmes and approaches that would increase the proportion of women-led businesses.

Beyond focusing its lending decisions the Bank should play a central role in addressing the multiple causes of the gender pay gap, including gendered occupational segregation as part of its role in driving an inclusive economy. One way to redress existing gender imbalances would be to assume a sectoral approach to investment that addresses the disparity in

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<sup>10</sup> Scottish Government (June 2018) *Scotland's National Performance Framework*

<sup>11</sup> Sutherland V., McGregor A, Kromydas T., Macdougall L. and McTier A (2015) *Equalities in Scotland's Growth Economic Sectors: Final Report*

<sup>12</sup> Scottish Government (2017) *Scottish Framework and Action Plan for Women in Enterprise*

investment between sectors where women are concentrated and areas where women are under-represented.

The Scottish Government's Economic Strategy, while recognising the economic importance of women's social roles and maximising opportunities for women, is disproportionately focused on traditionally male-dominated sectors (Food and Drink, Financial and Business Services, Life Sciences, Energy, Tourism and Creative Industries).<sup>13</sup> It is open to the Bank to consider the consequences of historic under-financing and take longer term decisions about return on investment. As an example, a focus on care-related businesses – a growing industry dominated by female workers who are generally low-paid<sup>14</sup> – has the potential to advantage the female-dominated workforce and treat care as vital infrastructure that enables the wider economy to function.

The Bank can also prioritise participation of women when making investments in traditionally male sectors. There is a great deal of scope for the Bank to use its lending criteria to promote equality through requiring potential beneficiaries to adopt policies and practices conducive to women's equality and gender-based roles, for example driving Fair Work First, gender balance in decision-making and requiring gender-sensitive employment practices.<sup>15</sup>

We do not think that the objectives set by the Scottish Government are sufficiently specific about the need to embed gender and equality outcomes into the framework devised for the Bank in order to achieve the Vision. Additionally, we believe that the focus on releasing untapped potential within Scotland's wider economy should be included on the face of the Bill and incorporated into the text of Vision. We are disappointed that the consultation paper includes no acknowledgements of women or gender and have concerns that this demonstrates that women have not been meaningfully considered during the development process.

### 3. THE FOCUS FOR INVESTMENT ACTIVITIES

#### **The mission-based approach**

We believe that the Bill should include a positive duty on Ministers to consider gender equality when setting the recurrent Missions and Strategic Framework for the Bank, complementing the internal performance objectives.

Without a specific ministerial level requirement on the face of the Bill, there is a risk that equality does not remain a consistent part of the Bank's role. The example missions provided in the consultation document (para 4.7) do not explicitly mention gender equality and further fail to demonstrate recognition that gender intersects with the examples given,

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<sup>13</sup> Scottish Government (March 2015) *Scotland's Economic Strategy*

<sup>14</sup> Scottish Enterprise, Hopkins P and Richmond K (2016) *Fast-growth companies in Scotland*

<sup>15</sup> <http://www.thinkbusinessstinkequality.org.uk/>

for example, women constitute a higher proportion of the aging population than men<sup>16</sup> and are more likely to live in areas of multiple-deprivation.<sup>17</sup> This further demonstrates the need for gender and other projected characteristics to be considered at the earliest and highest stage of mission design.

### **The Equalities Impact Assessment**

Under the public sector equality duty in the Equality Act, which the Bank is bound by, one of the main ways of ensuring that gender is mainstreamed throughout policy development is the undertaking of an Equalities Impact Assessment (EQIA). This requirement enables gender and gender equality to be considered proactively in the development process in order that gender be mainstreamed into the design and delivery of policy, as discussed in section 1.

We are extremely concerned that the EQIA remains to be completed at this stage of the Bank's creation, and do not consider that this meets the legal requirements on the Scottish Government. In addition to possible non-compliance, the efficacy of EQIA carried out late in policy development is limited. The European Institute for Gender Equality (EIGE) recommends that an EQIA be undertaken at the very early stages of policy development in order to avoid restating and entrenching existing 'gender blind' outcomes.<sup>18</sup>

Engender and our sister organisations in the women's sector have raised concerns that EQIAs completed in a number of varied policy areas in recent years have lacked sufficient detail, evidence and regard for proactive considerations to reach adequate equality outcomes.<sup>19</sup> While the consultation paper states that the EQIA is in development, and will be subject to further refinement, it is concerning that it has not been published before we have had two consultations on the design of the bank.

### **Ethics statement**

The consultation paper also states that the EQIA will inform the Bank's Ethics Statement. However, the responsibilities to consider the specific needs and consequences of gender should be mainstreamed into the Bank at all levels of governance, starting with the Bill itself. Measures to promote equality, including gender equality, should be an integral aspect of the Bank's activities not a separate or niche consideration.

That being said, we do agree that an ethics statement which articulates the green, technological and inclusive vision will be an important public statement of aims which will assist accountability. We agree with the proposed principles (Equality; Transparency; Diversity, Inclusion and Established and will be run following the spirit and practise of Open Government) and welcome the aim that the ethics statement will run through the Bank's

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<sup>16</sup> Griffiths D. and McCall V. (2015) *Growing older in Scotland: health, housing and care: 2011 census data analysis*

<sup>17</sup> Scottish Government (2018) *Poverty and Income Inequality in Scotland 2014-17*

<sup>18</sup> EIGE (2016) *Gender Impact Assessment Gender Mainstreaming Toolkit*

<sup>19</sup> See as example: Engender (2018) *Local Government and Communities Committee Planning (Scotland) Bill Engender Parliamentary Briefing*

practices at every level. However, we feel that an enforceable responsibility included on the face of the Bill will better support the Bank's duties under the public sector equality duty.

### **A need for a gender mainstreaming strategy**

The Bank should have a comprehensive strategy which embeds the steps and principles vital for creating a gender-competent Bank which sits alongside the Vision and Mission. Such a document would allow for a more detailed analysis of the Bank's actions to progress gender equality and more technical understanding of inclusive growth which considers the needs of women-led business in the Bank's activities. For an example of such an approach, we would highlight the strategy document published by the EIB Group "*Protect, Impact, Invest: The EIB Group Strategy on Gender Equality and Women's Economic Empowerment*".<sup>20</sup>

The EIB Group Gender Strategy is structured around three strategic action areas to guide the Bank's activities: i) the protection of women's rights through due diligence; ii) increasing positive impacts on gender and iii) targeted promotion of women's economic empowerment. If implemented effectively, such a structure should focus consideration of gender at every level of decision making.

### **Gender Equality Principles**

In our response to the 2017 consultation on the proposals for a Scottish Investment Bank (developed in collaboration with Close the Gap, Scottish Women's Budget Group and Women's Enterprise Scotland) we outlined seven principles that should guide the development of the National Investment Bank. We believe there is merit in restating them here as a potential roadmap for how gender could be mainstreamed into the Bank's design and activities in the Bill, for example a specific focus on addressing undercapitalisation of women-owned businesses and a requirement to gather gender-disaggregated data in order to monitor its investments, programmes, and services in pursuit of inclusive growth.

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.
3. 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.

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<sup>20</sup> EIB Group (2016) *Strategy on Gender Equality and Women's Economic Empowerment*

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.<sup>21</sup>
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.

#### 4. GOVERNANCE ARRANGEMENTS

While gender equality must be a key factor in lending decisions and investment strategies, equality should also be promoted in internal decisions about the Bank, including staffing and governance. We remain convinced that the Bank will be best able to fulfil its public-good vision as a publicly owned institution.

As a public body, the Chair and non-executive members of the Board would be appointed by Scottish Ministers and therefore the Code of Practice for Ministerial Appointments to Public Bodies in Scotland (2013) applies. We also believe that the gender representation objective in the Gender Representation on Public Boards (Scotland) Act 2018 should be extended to the board and that representation should reflect principle of diversity found in the proposed ethics statement by ensuring Black and minority ethnic (BME), lesbian, bisexual and transgender (LB and T), disabled and younger and older women are included.

Equality and diversity should also be a key consideration in the constitution of the Bank's Advisory Group. Membership should take into account the under-representation of women in the financial and banking sector.<sup>22</sup> We therefore believe that the Scottish Ministers as shareholders should proactively seek expertise from a range of experiences beyond the financial sector when recruiting members.

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<sup>21</sup> <http://www.cando.scot/partners/womens-enterprise-scotland/>

<sup>22</sup> <https://www.catalyst.org/knowledge/women-financial-services>

## 5. THE BANK'S STAFFING AND EMPLOYMENT ARRANGEMENTS

Engender takes no firm view at this stage on the necessity of exceptions to the Public Sector Pay Policy which enable the Bank to pay sector competitive salaries and benefits to attract skills unavailable in the public sector, provided that potential salaries do not undermine the integrity of the Policy. However, we firmly believe it is vitally important to ensure that staff at all levels are treated with dignity and respect and that this is reflected in the pay and employment policies adopted by the Bank. It is therefore imperative that pay policies and structures adopted by the bank do not enable unequal pay.

The presumption that the Bank will be subject to the Public Sector Pay Policy<sup>23</sup> should be clarified and inserted into the text of the Bill in order to provide certainty and legal protection to workers. While the future gender balance of the Bank's staff cannot be presumed (although we know women are underrepresented in private sector senior banking and finance roles) adopting the Policy will likely indirectly promote gender equality.

Women currently comprise the majority of the public sector workforce and are over-represented among the lower paid workers.<sup>24</sup> Priorities such as a requirement for public sector employers to pay the real living wage and commitments to lift the 1% public sector pay cap by providing a guaranteed minimum increase of 3% for workers earning less than £30,000 have therefore benefited most from its design.

It is also vital that measures such as Fair Work First and [child]care friendly working arrangements, training and skills development and return to work programmes, all which the Scottish Government can spearhead in the public sector, are adopted by the Bank from inception. They should then be incorporated into the lending criteria the Bank applies to private enterprises seeking its finance. By doing so the Bank can lead a meaningful shift in private employer practices and culture change which supports a person-centred labour market and encourages women's labour market participation.

## 6. SUMMARY

Engender recognises the opportunities that the creation of a Scottish National Investment Bank presents in directing investment in line with the economic, environmental and social priorities of Scotland. However, we believe that the specific needs and opportunities of women, who generally have less access to finance, have additional caring roles, and are clustered into low-paid and undervalued work across Scotland's economy, have not yet been adequately integrated into the design of the Bank. Our response has demonstrated a number of areas in which a responsibility to display gender competence should be found,

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<sup>23</sup> Scottish Government (2018) *Public Sector Pay Policy 2018-19*

<sup>24</sup> Thomson, E. and S. Ross (2015) *Women Post-recession: Moving toward insecurity*, Open Democracy, available at <https://www.opendemocracy.net/5050/emily-thomson-and-susanne-ross/women-postrecession-moving-towards-insecurity> last accessed 14 September 2018



including the governance, the lending criteria, investment decisions and overarching vision and objectives.

The key points in our response can be summarised as follows:

1. The Bank's vision would be strengthened by underpinning 'inclusive economy' with an aim to reduce gender inequality.
2. In order to 'release untapped potential' in the economy, lending criteria and programmes should promote women-owned business and crowd in future investment from private actors.
3. The Bank should adopt wellbeing indicators which reflect its ability to take a long-term approach to investments which benefit the collective population.
4. The Bank should adopt a strategic focus on women-owned businesses as part of the commercial basis and economic objectives of the Bank.
5. The Bank should take sectoral approach to investment which addresses the disparity in investment between sectors where women are concentrated and areas where women are under-represented.
6. The Bill should include a ministerial duty to consider gender equality when setting missions and performance objectives for the Bank.
7. We are concerned that the EQIA remains to be completed at this stage of the Bank's creation.
8. The gender representation objective in the Gender Representation on Public Boards (Scotland) Act 2018 should be extended to the board and both the Board and Advisory Group should acknowledge the under-representation of women in the financial and banking sector and ensure Black and minority ethnic, lesbian, bisexual and transgender, disabled and younger and older women are included.
9. The presumption that the Bank will be subject to the Public Sector Pay Policy<sup>25</sup> should be clarified and inserted into the text of the Bill in order to provide certainty and legal protection to workers.
10. Measures and policies which promote women's participation in the labour market should be adopted within the Bank and applied to private recipients of its finance.

#### **FOR FURTHER INFORMATION**

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#### **ABOUT US**

Engender is a membership organisation working on feminist agendas in Scotland and Europe, to increase women's power and influence and to make visible the impact of sexism on women, men and society. We provide support to individuals, organisations and institutions who seek to achieve gender equality and justice.

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<sup>25</sup> Scottish Government (2018) *Public Sector Pay Policy 2018-19*