

Engender submission of evidence to the Scottish Parliament Economy, Energy, Jobs and Fair Work Committee Call for Evidence on the Scottish National Investment Bank Bill

INTRODUCTION

Engender welcomes this opportunity to provide evidence to the Committee in relation to the Scottish National Investment Bank Draft Bill. We believe that the National Investment Bank (the Bank) can make a substantive impact on women's equality, provided that it can translate Scotland's ambitions for inclusive growth into gender-competent strategy and execution. There is now a wealth of international evidence that gender equality is a necessary precursor to economic growth,¹ and Scotland's economic strategy restates this.² However, if the Bank is to address the structural issues underlying women's economic inequality it must integrate gender equality into every element of its organisation and work.

We believe that to do this, the **principle of equality and non-discrimination must be included on the face of the Bill**. In this submission (and our previous consultation responses)³ we additionally address the existing evidence surrounding gender and economic development and provide a steer on where the Bill needs to be strengthened, in our view, to advance women's equality and economic rights.

1. GENDER AND ECONOMIC DEVELOPMENT

In Scotland, the gender pay gap is 14%, which can be attributed to a complex of interrelated factors where women's and girls' experience of education, training, employment, domestic labour, and care are different from boys' and men's.⁴ Women are underrepresented in senior roles in finance,⁵ and there are currently only 16 incumbent female finance ministers within the governments of sovereign

¹ EIB Group (2016) Protect, Impact, Invest: The EIB Group Strategy on Gender Equality and Women's Economic Empowerment

² Scottish Government (March 2015) *Scotland's Economic Strategy*

³ Available at <<https://www.engender.org.uk/content/publications/?cat=2>>

⁴ Close the Gap (2019) Everything you wanted to know about the gender pay gap but were afraid to ask

⁵ <https://www.catalyst.org/knowledge/women-financial-services>

states.⁶ Women only comprise 25 per cent of economics undergraduates, and only one woman has ever won the Nobel memorial prize in economics. Not only are there profound gendered differences in access to economic resources, but to roles in which decisions are made about the economy.

There is a significant gender gap in those who start and own their own businesses – just 30% of EU start-ups are women-led and Scotland does not beat this trend. If the numbers of women-led businesses in Scotland increased to equal those of men, it would lead to a 5% increase in GDP, equivalent to £7.6bn.⁷ However, although women’s self-employment is slightly increasing, it is largely concentrated in low-paid, female-dominated sectors such as cleaning.⁸ Sectors where women’s enterprise is concentrated are not those identified as likely to grow based on current forecasts. For example, women account for 49% of the self-employed in the creative industries compared with energy (9%), construction (5%), and ICT and digital technologies (11%).⁹

Scottish Government has demonstrated its commitment to gender equality in number of areas related to the Bank’s operations, for example in the Women in Enterprise framework and action plan, the *A Fairer Scotland for Women* action plan on the gender pay gap, and the Sustainable Growth Commission. This is in line with Economic Strategy analysis that “Maximising economic opportunities for women to participate fully in the economy, and recognising the wider social role they provide, is key to improving economic performance and tackling inequality.”¹⁰

Scotland is also committed to a range of international commitments on women’s economic equality with men such as the UN Sustainable Development Goals (SDG 5), the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), and the International Covenant on Economic, Social and Cultural Rights (ICESCR). Gender equality has also been a core element of EU policy and a major influence on UK law and policy, including equal pay legislation and gender mainstreaming. With all the uncertainties of Brexit, it is even more critical to embed protection and stimulus for women’s economic equality.

Despite Scotland’s policy intentions, the existing economic development agencies do not have the capacity to excel at advancing women’s economic equality. Scottish Enterprise’s 2018-19 business plan, for example, contains just two references to

⁶ https://en.wikipedia.org/wiki/List_of_female_finance_ministers

⁷ <http://www.cando.scot/partners/womens-enterprise-scotland/>

⁸ Close the Gap (2017) Response to the Independent Review of Employment Practices in the Modern Economy

⁹ Sutherland, Victoria et al (2015) Equalities in Scotland’s Growth Economic Sectors

¹⁰ Scottish Government (March 2015) *Scotland’s Economic Strategy*

women – a statement recognising the economic benefit of women in leadership roles and a commitment to track the ‘number of account-managed companies that are women-led.’ New institutions that are created to improve Scotland’s economic performance must tackle this gap between ambition and reality by building gender equality in with the bricks.

The Scottish National Investment Bank has been portrayed as “a Bank with ambition and vision to address Scotland’s economic priorities in a sustainable, inclusive and ethical way.”¹¹ The Bank’s Implementation plan states “the Bank should adopt a leadership role with regards to diversity and inclusiveness within its governance, operational arrangements and investment strategy.”¹²

However, the Bill as currently drafted offers little to no clarity about how this will be achieved. Instead as part of the Banks ancillary objects, it states that the Bank will “[invest] in inclusive and sustainable economic growth.” Inclusive growth is now a plank of the Government Economic Strategy, but requires to be further theorised before it can be realised.¹³ The biggest risk for the bank and for women is that by failing to operationalise its aims into a radical shift in the way investment can support economic development, the status quo will persist.

History has shown us time and time again that without integration of gender equality ambitions into legislation, regulation, strategy, and operations, well-meaning aspirations do not translate into a more gender equal economy.¹⁴ **We therefore must see an equality and non-discrimination objective on the face of the Bill.** It is paramount that the government works closely with key stakeholders to ensure the right governance and conceptual framework is legislated for to address persistent gender inequality across Scotland’s economy.

¹¹ https://consult.gov.scot/economic-policy-unit/scottish-national-investment-bank-1/user_uploads/251308_sct0818434918-001_snib_p4--002-.pdf

¹² Scottish Government (February 2018) *Scottish National Investment Bank: Implementation Plan*

¹³ Scottish Government (March 2015) *Scotland’s Economic Strategy*

¹⁴ An example is the Human Trafficking and Exploitation (Scotland) Act 2015, which has enormous relevance to women and women’s equality.

2. COMMITTEE QUESTIONS

Question 2: What in your view are the fundamental characteristics of a national investment bank?

Analysis by Macfarlane and Mazzucato has shown that comparative national investment banks (NIBs) have adopted a range of roles. However, commonalities include stabilising, underpinning, capital development for public goods and venture capital, and responding to socio-economic circumstances and challenges.¹⁵ What NIBs share is their ability to bring together different actors in the economy and direction-set. This requires a different approach to return, which acknowledges the reasons private actors have not invested, and seeks solutions in the public interest in order to stimulate economic activity in particular areas.

The long-run approach is also reflected by the need for patient investment, which enables a different approach to risk and return than might be found in the private sector. Women-led businesses including SMEs have barriers to accessing finance that need to be addressed through a series of cultural changes, including approaches to investment that recognise the stark gender gaps in VC and angel investment, and which recognise the social value of care and domestic labour as well as the economic potential of sectors in which care is mediated by the market.

Question 5: What governance arrangements ought to be in place?

Leadership

The EQIA of the Bill claims that “public appointments are made on merit.” This statement obscures the chronic and persistent under-representation of women in senior positions, who make up 51% of the population but only 28% of public body chief executives.¹⁶ In the financial and insurance sector just 4% of global financial institutions surveyed in 2013 had women CEOs and women held 25% of senior management roles in the global Financial Services industry in 2014.¹⁷ Yet companies across all sectors with more women on their Boards of Directors significantly and consistently outperform those with no female representation – by 41% in terms of return on equity and by 56% in terms of operating results.¹⁸

¹⁵ https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/iipp_wp_2018-01.pdf

¹⁶ Engender (2017) Sex and Power

¹⁷ <https://www.catalyst.org/research/women-in-financial-services/>

¹⁸ World Bank (2012) *World Development Report 2012 Background Paper: Gender quotas and female leadership*

We therefore welcome the extension of the Gender Representation on Public Boards Act 2018 to the Bill. However, the Act only applies to the appointment of women as a category. Both the Board and Advisory Group should acknowledge the under-representation of women and ensure Black and minority ethnic, lesbian, bisexual and transgender, disabled and younger and older women are included. This is necessary to reflect the principle of diversity found in the proposed ethics statement and **improve the inclusiveness of the institution intended to take a leadership role in Scotland's economy**. We therefore believe that the **Scottish Ministers should proactively seek expertise from experiences beyond the financial sector**.

While representation is an important facet of engaging communities it is vital that the Bank's leadership is not only representative of all groups of women, but also gender competent. 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 that disabled and Black and minority ethnic women's experiences will be inflected by ableism and racism. The Scottish Government is currently working with WiSE Research Centre for Economic Justice to carry out a project on improving the gender competence of analysts and policymakers. The experience of this pilot should be built on within the National Investment Bank.

Staffing and pay

Section 8 of the draft Bill suggests that the Public Sector Pay Policy may not be applied to the Bank. It is obviously desirable that senior roles can be recruited where skills are unavailable in the public sector, provided that potential salaries do not undermine its integrity. However, we believe it to be imperative that pay policies and structures adopted do not enable unequal pay, noting in particular the lack of women in senior positions in banking and finance.

Women currently comprise the majority of the public sector workforce and are overrepresented among the lower paid workers. Priorities in the Public Sector Pay Policy, such as a requirement to pay the real living wage and commitments to lift the 1% public sector pay cap, have therefore benefited women most. Measures such as Fair Work First and [child]care friendly working arrangements, training and skills development and return to work programmes, should be adopted and incorporated into the lending criteria for private enterprises seeking finance. By doing so the Bank can lead a shift in private employer practices and culture change which supports a person-centred labour market and encourages women's labour market participation.

Question 6: How can we ensure the market is ready for the investment opportunities the Bank can offer?

While the Scottish Government has suggested its missions-orientated approach will be sector and business neutral (see below), this should not prevent the Bank's own strategies from being attuned to the relative levels of women-owned businesses in particular sectors. This emphasises the need for gender to be mainstreamed into the development of the Bank so that the financial products can be developed which meet the needs of women-owned businesses, and the need of product markets for diversity in research and development teams.¹⁹

In this preparatory stage, **it is important that the Scottish Government utilises precursor funds, such as the Building Scotland Fund, to stimulate activity in women-dominated sectors and women-led businesses.** While the Bank will have a critical role in filling the investment gap for women-led business it is also important to consider the wider consequences of investment decisions and criteria. Strategies and policies should be developed as early as possible so as to allow for initial awareness raising among potential recipients and opportunities to prepare. Policies and lending criteria should identify consequences for women and gender equality as part and parcel of an assessment of investment risk.

Question 7: What ethical and equalities considerations do you think should inform the Bank's ethos and decision making?

Equality and non-discrimination on the face of the Bill

The Bill's objects currently include "investing in inclusive and sustainable economic growth." This is insufficient as currently worded to ensure action on equality. Firstly, as we have already stated, "inclusive growth" has yet to be comprehensively defined within Scottish policy frameworks. Secondly, the object is focused only on 'investing' in inclusive growth, and not the wider impacts of gender-sensitive economic development. For this reason, **we are clear that equality and non-discrimination should be included as an object on the face of the Bill.**

The EQIA

The EQIA relating to the Bank further demonstrates the need for equalities to be included on the face of the Bill. As an EQIA it is insufficient, lacking anything more substantive than a cursory analysis and omitting all but two of the protected

¹⁹ Scottish Government (February 2018) *Scottish National Investment Bank: Implementation Plan*

characteristics it should cover.²⁰ Of those which are addressed – gender and race – this has only been done in limited segments focussed on particular aspects of the policy, e.g. “Access to finance for women-led businesses”, and does not look at the different economic and social contexts of men and women. Furthermore, the EQIA goes so far as to state that “the Bill, as introduced, and the subsequent creation of the Bank, can be anticipated to have a positive impact on protected groups and individuals.” As we have noted above, it is a major risk that without an explicit mandate for an anti-discriminatory approach, this ‘cornerstone’ institution will further entrench women’s economic and social inequality within Scotland.

We do not consider that the present structure, content and use meets the legal requirements of an EQIA. In addition to possible non-compliance, the efficacy of EQIA carried out late in policy development is limited.²¹ EQIAs should be undertaken at the very early stages of policy development in order to avoid restating and entrenching existing ‘gender blind’ outcomes. The present EQIA was only published in February 2019 and gives no indication of having influenced the development of the Bank, following publication of an implementation plan, two consultations and now a draft Bill.

We are working with the Scottish Government’s Bill team to improve the EQIA in tandem with our engagement with the Committee’s scrutiny at Stage One. An EQIA should identify the main aims of the policy, collate existing information, fill in knowledge gaps, apply the knowledge learnt, leading to changes to the policy and finally, establish monitoring frameworks to ensure it does not have discriminatory impacts. This EQIA can only be said to, at best, do the first two steps of this process and makes no attempt to apply its findings to the Bill or intentions for future activities, for example treating care as an infrastructure investment as per the Gender Pay Gap Action Plan. Substantive read across to other related policy frameworks which address women and gender equality are lacking, including the Women in Enterprise Action Framework as well as international human rights applicable to Scotland such as CEDAW and ICESCR. There is no anticipation of future monitoring frameworks or how performance will align with the National Performance Framework. The EQIA must also be updated to reflect the commitments of the new Gender Pay Gap Action Plan.

²⁰ Age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity.

²¹ EHRC (updated 2016) Technical Guidance on Equality Act 2010 Technical Guidance the Public Sector Equality Duty: Scotland

Ethical Investment

The EQIA is intended to be used to draft an Ethical Investment Statement for the Bank.²² The EQIA in its current form gives us no confidence in the Ethics Statement. We do not know how the incomplete evidence-base included could sufficiently inform the Bank's equalities considerations in its lending, operation and governance. Additionally, equality and gender equality should be an integral aspect of all the Bank's activities, not a marginal consideration amongst a long list of lending criteria, although we agree that an ethical investment statement is a useful tool in its own right.

Instead, Engender has recommended that the Bank should develop a comprehensive strategy which embeds the steps and principles vital for creating a gender-competent Bank across the full range of its activities and structures. 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." Other NIBs have adopted similar strategies, including *KfW Entwicklungsbank*, which situates gender equality as cutting across all of its activities.²³

Opportunities for the Bank to have a positive impact on women's economic equality and representation

The Bank's role in setting the direction for future growth opportunity must reflect women's lived experience in Scotland as well as the global evidence-base on investment and gender. This means it is vital that the Bank looks beyond the direct beneficiaries of its investment and examines the social consequences (including of failing to act) of its lending. For example, the EIB re-examined the outcomes of its infrastructure investment activity in French public transport after reviewing figures which showed that 90% of women have experienced sexual harassment using public transport.²⁴

The Bank's lending criteria should also reflect the commitments to "release untapped potential' in the economy" and therefore promote women-owned business and crowd in future investment from private actors. Lending criteria can also be used to stimulate sectors dominated by women, such as care, where pay and lifetime earnings remain consistently low.²⁵ Investing in the growth of the social care

²² Scottish Government (2018) Consultation on the Scottish National Investment Bank Bill

²³ KfW (2011) The Gender Strategy of KfW Entwicklungsbank available at https://www.kfw-entwicklungsbank.de/Download-Center/PDF-Dokumente-Selbstdarstellung/2011_Genderstrategie_E.pdf

²⁴ <https://www.stitcher.com/podcast/european-investment-bank/a-dictionary-of-finance/e/53616291?autoplay=true>

²⁵ <https://gendermatters.engender.org.uk/content/care/>

sector may have less obvious short-term economic reward that investing in the manufacture of products. However, enabling women to participate more in the labour market and spend less of their earnings on care, as well as making care a more attractive sector to work in by increasing pay, is likely to have longer term economic benefits as well as make meaningful inroads into gender inequalities. Research also shows that the investment in care would generate more revenue from income tax and national insurance and save money on social security.²⁶

Engender, alongside the Scottish Women's Budget Group, Close the Gap, and Women's Enterprise Scotland, has previously published Seven principles for a gender-competent Scottish National Investment Bank which we believe are vital for creating a gender-competent national investment bank.²⁷

Question 8: 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?

Engender welcomes the mission-orientated approach of the Bank and the desire to act strategically and with coherence with other national policy. Women's economic and social inequality is clearly linked, and a focus on investment and stimulus which aligns with government policy will improve Scotland's ability to consider women's equality and rights in the round.²⁸ Missions will also enhance the Bank's position within the economic development architecture, by increasing its capacity to act strategically.

The example mission “promoting inclusive growth through place-making and regeneration” implies that inclusivity is being interpreted in a geographical or local development sense rather than a demographic sense. While we have no issues with this a mission, per se, it does suggest that equalities considerations are relatively marginal within the definition as set out in the objects of the Bank. For example, women constitute a higher proportion of the aging population than men²⁹ and are more likely to live in areas of multiple-deprivation.³⁰ Generic approaches to these populations will fail. In order to meet the specific needs of women, it is vital that gender be considered at the earliest and highest stage of mission design.

²⁶ Łapniewska (2016) WiSE Working Paper Series No.4: Growth, Equality and Employment: Investing in Childcare in Scotland

²⁷ Available at <<https://www.engender.org.uk/news/blog/seven-principles-for-a-gender-competent-scottish-national-investment-bank/>>

²⁸ Scottish Government (February 2018) *Scottish National Investment Bank: Implementation Plan*

²⁹ Griffiths D. and McCall V. (2015) Growing older in Scotland: health, housing and care: 2011 census data analysis

³⁰ Scottish Government (2018) Poverty and Income Inequality in Scotland 2014-17

While the aspiration of approach is welcome, we believe that more focus on process should be seen in the Bill. Mariana Mazzacato's report identifies a role for the third sector in identifying and articulating the concrete problems missions should respond to.³¹ We would welcome more clarity about how the Scottish Government envisions developing potential missions and any potential avenue for public engagement. Furthermore, the Bill and accompanying documents do not indicate the format and technical specificity of missions, the desired number of missions, or what would happen if the Bank could not deliver, for example, if the missions given were contradictory but not recalled. It does not require that the missions relate to the Bank's permanent objectives.

The sector-neutral and business-neutral approach of missions makes it all the more critical that equality be a core consideration within the missions themselves. We would be very concerned were equalities considerations, including gender equality, to be considered a distinct mission and therefore become a niche and time-limited concern. **Gender should be mainstreamed through all missions and the development of internal delivery strategies in order to have the maximum impact and avoid the risk of mission recall or side-lining.** This could be pursued via including a requirement on the face of the Bill for Ministers to set out how the mission relates to the Bank's objects in s.2, which should be updated to include equality and non-discrimination.

Question 9: Are there any other aspects of the Bill you wish to address? Please elaborate.

The role of the Vision

The Implementation Plan provided a draft vision for the Bank's activities which read:

“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.”

This was included in the Consultation held by the Scottish government in September 2018, which also states that “A purpose for the Bank will be set out in the Bill.” However, the draft Bill does not contain a purpose clause, nor the vision articulated in the Implementation Plan. Instead s1(1) provides that:

³¹ Macfarlane and Mazzucato (2019) A mission-oriented framework for the Scottish National Investment Bank

“The articles of association must state that the Bank’s main object is giving financial assistance to commercial activities for the purpose of promoting or sustaining economic development or employment in Scotland.”

This does not include anything relating to the Bank’s role in proposing social equality and national wellbeing, which is also absent from the list of ancillary objects.

Engender previously suggested that the vision should include the goal of releasing untapped potential to place the goal of reducing gender inequality at the core of the Bank’s work. We were however supportive of the broad and holistic approach of the vision. Including the vision on the face of the Bill would lend it permanency and offer clarity about the aims and role of the Bank, particularly how social and wellbeing concerns sit alongside its economic aims.

Wellbeing indicators

We consider the inclusion of clear monitoring and reporting processes in sections 12, 13 and 14 to be a critical aspect of measuring the Bank’s success, particularly in relation to its longer-term approach and in response to the wellbeing outcomes in the National Performance Framework.³² The revised NPF 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. Taking this broader approach to the Bank’s success would reflect its unique position and enable it to deliver the breadth of its vision.

We do not feel there is sufficient clarity about the metrics that will be employed to measure success, particularly non-commercial economic returns. In order to ensure the bank is delivering towards Scotland’s gender equality commitments (Fair Work & Business, Economy and Human Rights) we support the creation of gender indices³³ to measure progress against women’s equality in addition to other economic measures such as GDP, such as the forthcoming Scottish Gender Index. In line with the principles of equality and transparency, monitoring data on lending, employment and other activities should be disaggregated by gender and other protected characteristics, and used to update strategies to ensure relevance for those currently under-represented in private finance.

³² <https://nationalperformance.gov.scot/>

³³ European Institute for Gender Equality (2017) *Gender Equality Index* <https://eige.europa.eu/gender-equality-index>

3. RECOMMENDATIONS

In conclusion, we believe that the Bill should be amended to:

- Include an equality and non-discrimination object on the face of the Bill;
- Clarify the process for setting Missions, including a requirement that the Mission set out how it relates to the Bank's permanent objects;
- Include the Vision on the face of the Bill, updated to include the aim "releasing untapped potential";
- Ensure that the Bank's monitoring and reporting processes include wellbeing indicators that tie its economic activities with Scotland's wider national policy aims.

Additionally:

- The Bank should develop a Gender Strategy to operationalise gender throughout decision-making
- The process for recruitment to the Bank's board and senior leadership should reflect the principle of diversity
- The EQIA **must be revised** in order to meet minimum legal standards and ensure the policy reflects women, and other groups, specific needs to ensure it takes positive action towards gender equality.

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.