



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

Tuesday 2 May 2017

Session 5



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ECONOMY, JOBS AND FAIR WORK COMMITTEE

14th Meeting 2017, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

Jackie Baillie (Dumbarton) (Lab)

*Bill Bowman (North East Scotland) (Con)

*Ash Denham (Edinburgh Eastern) (SNP)

*Richard Leonard (Central Scotland) (Lab)

*Dean Lockhart (Mid Scotland and Fife) (Con)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Gillian Martin (Aberdeenshire East) (SNP)

*Gil Paterson (Clydebank and Milngavie) (SNP)

*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Carroll Buxton (Highlands and Islands Enterprise)

Lynne Cadenhead (Women's Enterprise Scotland)

Jamie Hepburn (Minister for Employability and Training)

Elma Murray (Scottish Local Authorities Economic Development Group)

Linda Murray (Scottish Enterprise)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 2 May 2017

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome to the 14th meeting in 2017 of the Economy, Jobs and Fair Work Committee. I remind everyone to turn their electronic devices to silent or to turn them off if they are likely to interfere with the sound system. I have apologies from Jackie Baillie.

Agenda item 1 is for the committee to decide whether to take in private item 3 and take in private at future meetings the committee's consideration of the draft report on the gender pay gap and our approach to the data inquiry. Does the committee agree to do that?

Members *indicated agreement.*

Gender Pay Gap

09:31

The Convener: We now come to our first set of witnesses this morning. We have with us Carroll Buxton, who is director of regional development at Highlands and Islands Enterprise; Lynne Cadenhead, who is chairman of Women's Enterprise Scotland; Linda Murray, who is head of strategy at Scottish Enterprise; and Elma Murray, who is chief executive of North Ayrshire Council and a member of the Scottish local authorities economic development group. Welcome to you all.

By way of introduction, it might help committee members and those who are listening if each of the witnesses indicates briefly their position and role, before we move on to questions. Perhaps we could start with Carroll Buxton.

Carroll Buxton (Highlands and Islands Enterprise): I am director of regional development at HIE. Within my portfolio, I work with policy makers in HIE, particularly on how to attract and retain young people and on how we deal with inclusive growth across the Highlands and Islands.

Lynne Cadenhead (Women's Enterprise Scotland): I am an entrepreneur and have been involved in a number of entrepreneurial companies in the start-up scene in retail and technology in Scotland for a number of years. I am here today with my Women's Enterprise Scotland chairman hat on. We are responsible for creating a conducive environment for women-led businesses to start up and grow in Scotland.

I am chair of UNICEF in Scotland, so I am very interested in gender issues in children. I am also interested in governance and was recently involved in setting up a leadership and board governance course at Edinburgh Napier University.

Linda Murray (Scottish Enterprise): I am head of strategy services at Scottish Enterprise. That job means that I get to do lots of things, so I guess I am a generalist rather than a specialist on anything in particular. I have been with Scottish Enterprise for quite a long time and, in previous roles, I have focused on leadership and organisational development in companies. I have a particular interest in youth employment and I currently champion the inclusive growth group and the Brexit response group in Scottish Enterprise.

Elma Murray (Scottish Local Authorities Economic Development Group): Good morning and thank you for your time today. I am the chief executive of North Ayrshire Council and, as a member of the Society of Local Authority Chief Executives, I have the lead role for employability.

That is not specifically why I am here today; I am here to represent colleagues from the Scottish local authorities economic development group, which is a group of my colleagues who focus specifically on economic development in local government. I am keen to share our experiences of the role for local government in helping women to advance and in dealing with issues around the gender pay gap.

In the past year, I have had the privilege of taking a lead role, in conjunction with Deputy Chief Constable Rose Fitzpatrick, on another matter. We have created the Scottish women in public service leadership group, which is designed to promote and support women in the public services to take on greater leadership roles.

The Convener: Thank you. We will start with some questions from Bill Bowman.

Bill Bowman (North East Scotland) (Con): Good morning. I have a couple of questions on statistics. The subject of my first question is an issue that you might have commented on in your written submissions, but I would like to hear your views on it. Are you confident—this is a question that we ask all the panels in our inquiry—that there is a definitive set of statistics on pay, earnings and employment for women in Scotland? Are any statistics available on those foreign direct investment projects that are supported by the enterprise agencies with regard to gender pay gaps, board compositions and management structures?

Carroll Buxton: There are a lot of statistics available on the gender pay gap in Scotland. We talk about whether the mean or the median is the best figure to use; both have pros and cons. We feel that the fact that part-time workers are not covered by the statistical definitions is a bit of a challenge, given that more than half of women in the Highlands and Islands work on a part-time basis. We are missing a big chunk of the population there. I am not saying that there is anything wrong with the current measurements and the statistics that are available, but I feel that we could expand on them to give us a better overall picture.

I do not have statistics in relation to our foreign direct investment specifically, but if the committee would like, I could find out whether we have any such statistics available and provide them at a later stage.

The Convener: Yes, we would like that. I should have said to panel members that if any of you wish to submit further information in writing after today's session, the committee would welcome that. If issues are raised that you would like to provide more detail on, please do so.

Who else would like to respond?

Linda Murray: It makes sense for me to come in straight after Carroll Buxton. Similarly, I do not have such figures to hand, but we can certainly look at that and come back to you on the situation with regard to the gender pay gap, board composition and general structure of the FDI companies.

In response to the more general question about whether we have a definitive set of statistics, I say that we have a lot of statistics; the challenge that we face in Scotland relates to the comparability of those statistics and whether all the data that we have available helps us to make decisions and choices about what we want to do. As someone who is not a statistician or an economist, my experience is that it is possible to look at a number and think that it tells you one thing, but find that, when you dig underneath it, it tells you something quite different. What we need is greater transparency and information that is comparable.

Elma Murray: The public sector is a very large employer in Scotland, and it is probably worth while considering what statistics we have there. Local authorities, in particular, have a range of statistics that they must publish annually through their statutory performance indicators.

As Linda Murray said, there is a range of bits of information that it would be helpful to dig under. For example, I could give you information about the proportion of employees in my organisation who are male, the proportion who are female, and what grades they are at but, to get a real understanding of the pay gap, it is important to dig below that to find out how many employees are part time, how many are full time and what their average earnings work out to be.

Lynne Cadenhead: My expertise is in the start-up area, so I do not have any relevant information on public sector organisations, but my general understanding is that the short answer to the question is that there is a significant dearth of appropriate statistics. In particular, we have scant information about the gender pay gap in start-up businesses, but there is a general perception that female entrepreneurs and women-led businesses face a gender pay gap that persists at around 20 per cent.

I understand that there are quite a lot of gender-disaggregated statistics in some areas but, unfortunately, they are not published, and if they are not published, they will remain unrecognised.

Bill Bowman: When you talk about the pay gap in start-ups, do you mean the gap among entrepreneurs or the gap among the people who work in enterprises?

Lynne Cadenhead: Again, it is difficult to be definitive because there is so little information, but what we have relates to female entrepreneurs who

start up businesses. In general, they pay themselves 20 per cent less than male entrepreneurs who start up businesses. Therefore, even when they write their own pay cheques, they still pay themselves less.

The Convener: Do you have an idea as to why that is?

Lynne Cadenhead: Female entrepreneurs take a different approach to their businesses. They have a much more sustainable outlook towards them and are much less interested in rapid scale-up and aggressive growth, and are more interested in looking after people and reinvesting in their businesses the money that they create. If there is an issue in the business, a female entrepreneur will tend to pay herself last—and less—in order that she can sustain it, whereas it tends to be the other way round for male-led businesses.

Gil Paterson (Clydebank and Milngavie) (SNP): Are there any statistics to suggest that businesses that are started by women last longer than those that are started by men?

Lynne Cadenhead: There is quite a lot of information to show that women take a very different approach to growing their businesses so that they are sustainable. We have recently done a report for the Scottish Government, in which we have about 50 references to documentation, so there is quite a lot of information to reference that. We can give the details of that after the meeting.

Gordon MacDonald (Edinburgh Pentlands) (SNP): The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 came into effect on 6 April. What are panellists' views on the pay gap reporting legislation?

Carroll Buxton: As a public sector organisation, we have a duty to publish our gender pay gap information, which we do. The Highlands and Islands region has a relatively small number of businesses in the private sector that are of the size that has to report. It might be worth exploring what a sensible size would be—or one that would give a better feel, across the whole of Scotland, of what the gender pay gap might be, rather than having a category just for the largest companies.

Linda Murray: There are two aspects. Alongside comparability, which I mentioned earlier, there is transparency—having much more data available about what goes on in the private sector. My experience, from working in Scottish Enterprise, is that the factor that quite often changes companies' perception and thinking is their being shown other companies' experience. The solution is much less about Scottish Enterprise, or an account manager, turning up and saying, "You should do these things, because they are good for your business." What is helpful,

where companies are very big—this might be quite challenging in areas such as Carroll Buxton's, for example—is for real businesses to speak to other businesses about their experiences.

Gordon MacDonald: Carroll Buxton touched on the fact that 98 per cent of private sector enterprises that operate in Scotland have fewer than 50 employees, while the legislation relates only to companies with over 250 employees. What real impact will the legislation have on the gender pay gap? If the threshold for the reporting requirement were to be reduced to encompass more companies, what impact would trying to meet that have on the operation of a lot of small companies?

Carroll Buxton: The points that Linda Murray makes are very valid ones. The issue is about being able to demonstrate to companies the benefits of reducing the pay gap and, more importantly, what lies behind it. In our own organisation, for example, we have more women working part time. More recently, we have had women who work at higher grades working flexibly, which might mean working full-time compressed hours, which enables them to work full time but on a different work pattern. That has enabled women to progress up the grades perhaps more quickly than they would have done in the past, or to work at more senior levels.

Using such examples, we can demonstrate to companies that there are different ways of approaching the issue. However, it is quite difficult when it comes to small companies, and that might skew statistics. I am not a statistician and would need to refer to colleagues who know more about this, but the data might be skewed when you have small numbers of employees and you go down to too low a level.

09:45

Richard Leonard (Central Scotland) (Lab): My question is for Carroll Buxton and Linda Murray in the first instance. I understand that HIE and Scottish Enterprise combined have about 2,800 account managed companies. Does that sound about right?

Linda Murray: Yes.

Richard Leonard: Can you tell us how many of the companies that you account manage are run by women?

Linda Murray: We have lots of different stats around women and I am trying to remember exactly what we have. We survey women who are accessing our services for the first time—we have been doing that since 2011. The most recent statistics suggest that 48 per cent of women who are accessing services for the first time are from

women-led companies, whereas in 2011 that figure was in the low twenties—somewhere between 21 and 25 per cent.

We recently did some work to examine where our primary contact is—that is not the same as being the owner or a leader; it is the person with whom we engage most often. I cannot think whether that applied to the whole account management portfolio in Scottish Enterprise, but we found that in 15 per cent of cases our primary contact is a woman.

One of the challenges is that ownership and leadership in a company are sometimes split across men and women, so it can be difficult to work out whether a company is primarily woman-owned or whether there is a mix that means that the company is equally owned. There is also the fact that when we ask such questions, people are not obliged to tell us what the gender structure of their ownership is. That is a space where the more that we look at such things and the more transparent that we can make them, the easier it will be for us to understand the situation in the coming years.

Carroll Buxton: In our area, the picture is probably similar. About 35 per cent of our account managed businesses are either in female ownership or have a woman in the partnership. There is a lower level of businesses that have a female executive—about 14 per cent. Around 45 per cent of our account managed businesses have women in senior leadership positions.

We see a difference between our account managed businesses and our social enterprises, where the numbers of women in leadership positions are generally higher. We see increasing numbers of women coming through our programmes, such as leadership, entrepreneurship and innovation. Those figures are rising a little.

Richard Leonard: Thank you. On the issue of account managed companies, one of the elements of the Scottish business pledge aims to encourage the companies that you deal with to attain living wage accreditation. Last night when I looked, I saw that fewer than 500 accredited living wage employers are in the private sector in Scotland. Even if they were all among your account managed companies, that would still add up to less than 17 per cent of those companies. I presume then that you are dealing with a large number of companies that are account managed by you and that are not accredited living wage employers.

The Highlands and Islands Enterprise submission mentions the living wage as a key component in addressing the gender pay gap. Do you have any comments on that?

Carroll Buxton: Promoting the business pledge and the benefits of its various aspects is very much part of our conversation with our account managed businesses. I agree that the number of businesses that have signed up and are accredited is relatively low. That does not necessarily mean that the businesses are not committed to the living wage. The benefit of signing up to aspects of the pledge, particularly the living wage, is a primary topic of conversation between our account managers and their businesses.

Linda Murray: In the Scottish Enterprise area, about two thirds of account managed companies pay the living wage to their staff, although they are not all accredited. There is an issue there about what companies do and whether or not they go for accreditation.

On the numbers for the business pledge and the fact that the living wage is the mandatory element of that, something like 33 or 34 per cent of the business pledge sign-ups are from Scottish Enterprise account managed companies. That is a reasonable proportion, although I guess it is still early days.

Richard Leonard: Why is there resistance to becoming an accredited living wage employer?

Linda Murray: I would not necessarily say that there is resistance, although I have not asked people whether they are resistant to it or whether it is just that they have not done it. I do not know the reason.

When we ask questions about it, we find that lots of companies are not particularly interested in badges—people think, “That feels quite political, and I’m not interested in politics.” I have had some conversations along those lines with company representatives I have met. There will be many different reasons why they have chosen not to go down the route of accreditation even though they are doing the thing that we would like them to be accredited for.

Richard Leonard: Presumably, however, as the principal economic development agencies, you are charged with trying to break down those barriers, pointing out that accreditation is not political but is beneficial socially, economically and businesswise to companies. In its written evidence, HIE has cited examples of companies that have become accredited living wage employers and have reaped the benefits of that.

Linda Murray: Yes, I would absolutely agree with that. That is indeed what we do in trying to work with companies on a day-to-day basis—we encourage them to do that. However, we know that it takes time, and we know from other instances of things having been badged in the past that companies will do the things that we

want them to do, although they will not necessarily sign up for the accreditation. I can think of lots of past examples concerning various other badges that people have been asked to go for.

It takes a long time to work with companies and to convince them that the stuff that we all get at a kind of macroeconomic level makes a difference for them in the day-to-day running of their business.

Elma Murray: I am mindful of what Linda Murray has said but, in the area where I work, we have examples of companies that would not sign up or become accredited simply because they do not want to put pressure on other, smaller businesses within the area and do not want to be seen as a business that does that. They want to be consensual in how they work with other businesses in their local area. We can put some pressure on them, but it is their decision.

There is no doubt that the living wage is important for addressing the gender pay gap, but it is also important to consider how women engage in the workplace. Are they doing part-time work or full-time work? How do they manage their childcare responsibilities? Do they spread their childcare responsibilities within the household? What support do we give to households to do that generally? Those are all quite important factors.

We did a wee bit of research at the end of last year, which I can send to the committee if you are interested. We talked to businesses about what was interesting to them and how they expected to employ in the future. We talked to parents of pupils at our schools to find out what would encourage more women to come into work. We did some basic gender analysis, which might give you some more input, not so much from the point of view of Scottish Enterprise or HIE account managed businesses, but more from a local authority point of view, about how we are working with local businesses to create inclusive growth in the area.

The Convener: There is a follow-up question from Gillian Martin. I do not know if Lynne Cadenhead wishes to come in, perhaps following up on some of the issues that we have discussed.

Gillian Martin (Aberdeenshire East) (SNP): I am interested in the responses to Richard Leonard's questions about account managed companies and the stats on how many companies are run by women.

The sectors that Scottish Enterprise prioritises are sectors that have a broad degree of gender segregation by their very nature. As a result, they have large gender pay gaps. Linda Murray, do you feel that Scottish Enterprise has a duty not only to address that but to consider giving more priority to female-run businesses and to certain types of

businesses in order to realise Scotland's economic potential?

Linda Murray: In that space, we have some fairly traditional sectors that, in some cases, would be the growth sectors, and the gender pay gap is pretty obvious in them. In 2015, we did a piece of work with the Equality and Human Rights Commission on gender issues within sectors, which was quite illuminating for us. We used the information that we gathered from that exercise to ask companies whether they understand what their sector looks like as a whole. Often, companies are focused on what the issue means to them specifically rather than thinking about the sector as a whole. We would share that information with our colleagues in sector teams, and we have done a lot of work inside Scottish Enterprise with our sector teams, which then engage with companies in those sectors to ensure that the issue is on their agendas as a topic of conversation.

On your point, yes, we do consider the question of what Scotland's economy would look like if we had more women engaging in those growth sectors and if those women were being paid equally to the men in those sectors.

Gillian Martin: You are doing that work with your account managed companies, but are you doing that work on yourself? I declare an interest, in that I am the convener of the cross-party group on women in enterprise. One of the criticisms that I have heard in the three or four meetings that we have had since I have been the convener of that group is that some women feel that their businesses are being dismissed as purely lifestyle businesses—I wrote down that phrase when it was used in one of the meetings—and that they are not, therefore, being taken seriously when they ask for business assistance. Quite a lot of the women who run businesses whom I speak to talk about that strain. They say that, because they run their business permanently from home or because it is an internet-based business, it is dismissed as a lifestyle business, which means that they do not get access to the same business support that others are getting.

Linda Murray: I was disappointed when I read in the report that people perceive that they are being dealt with differently because their business has been allocated a label such as lifestyle business. In that space, as an employer, we ensure that everybody in our organisation—from the person who does your administration all the way through to the chief executive—undertakes equality training on a regular basis.

Gillian Martin: But it is not just an equalities issue; it is an issue that concerns our ability to realise Scotland's economic potential.

Linda Murray: Absolutely. I was about to say that as part of that equalities training for our staff we talk about the business case, which means that we are not looking at the issue purely from the point of view of it being an equalities issue. It is set within the equalities training piece that we do for our staff, but we speak to our staff about what the issue means for the services that we offer, what that might mean for people's engagement with companies and how people might engage with companies that are women-led. Like Carroll Buxton, we see a lot more women-led businesses coming through in social enterprise as well. We are mindful of that and take the issues very seriously, which is why we ensure that all of our staff are given adequate training.

Gillian Martin: Would anyone else like to comment on this issue?

Lynne Cadenhead: We come back to the statistics that were talked about before. My understanding is that the maximum figure for Scottish Enterprise account managed companies that are led by females is about 11 per cent. I take the point that there is some variety in how such business are defined, as we have talked about. We are working with Scottish Enterprise, Highlands and Islands Enterprise and business gateway to help them to improve the number of account managed businesses that are coming through, but the figure is still very low.

That comes back principally to what we were talking about earlier. Women do things differently and they have a different growth trajectory for their businesses. The organisations are never going to get the same number of women-led businesses coming through if, for example, the system sets a requirement for a business to be achieving a turnover of £5 million within three years—women will not achieve that; they might achieve it a bit later. Therefore, automatically they will have been excluded from the process. That might be a perception or it might be reality, but we have had lots of different conversations with women about that issue.

The key thing is to keep coming back to the economic argument. If women started up businesses at the same rate as men do, there would be an additional contribution to the Scottish economy of £7.6 billion, as a minimum, and recent information suggests that that figure would be a lot higher.

I pick up also on what Carroll Buxton said. It is essential that part-time businesses are also considered because women have different requirements from their businesses—part-time businesses with lower wages perhaps suit some of them. It is very important for those not to be dismissed.

Women feeling prejudged or dismissed in business is not just a perception; for many women, it is a reality, as much of our research has recently borne out.

10:00

Carroll Buxton: I return to the question about sectors. Recently, we have done some work on occupational segregation in the Highlands and Islands, and there are specific sectors in which it is much more pronounced than in others. Those tend to be male-dominated sectors such as engineering and construction.

We cannot ignore the fact that some of the interventions need to be made much earlier than in the workplace. We are doing a lot of work with partners on a science skills academy, which is about encouraging more young people into science, technology, engineering and maths—STEM—education and encouraging them to consider careers that involve those subjects. There is an issue with girls getting disassociated from STEM as they grow a little bit older. A priority for us is to determine how we can work with partners to ensure that young people become engaged at an earlier stage.

There are also issues in more rural areas in particular, where the availability of childcare is extremely important. Even transport to workplaces can have a big impact on whether people with caring responsibilities can work full time or part time. Therefore, quite a lot of things are indirectly associated with occupational segregation.

Some actions that are taken also have unintended consequences. This evidence is absolutely anecdotal, but a number of schools are going to start closing early on a Friday afternoon and we have had quite a few requests in our organisation recently for flexible working, because there is not enough childcare to look after workers' children on a Friday afternoon, so people are having to make other arrangements—that is, either look after the children themselves or make arrangements with their partners.

Many aspects add to occupational segregation and it is important that we try to consider matters in the round.

Dean Lockhart (Mid Scotland and Fife) (Con): I have a question about the gender pay gap and start-ups, which is an interesting discussion. It sounds as though there are particular sectors in which start-ups are predominantly female led—for example, social enterprises—and other sectors, such as engineering, in which they tend to be more male led. Is the gender pay gap in start-ups driven by different levels of profitability in the different sectors? I have been involved in a couple of start-ups in which the profitability of the

company has driven the level of salary for the founder and even key employees.

Carroll Buxton: I do not have to hand statistics on start-ups specifically. The figures that we have relate to our account managed businesses, which tend to be slightly ahead on growth. I do not know whether Lynne Cadenhead has any stats.

Lynne Cadenhead: I do not have stats on start-ups, but the figures will definitely be related to sector. We can look into that and come back to the committee with something on it.

Dean Lockhart: We can widen the discussion—it does not need to be on start-ups. Do you have a sense of whether profit is to some extent a driver of the gender pay gap in your account managed companies?

Carroll Buxton: The honest answer is that I really do not know—we have not explored that in detail. The difference between social enterprise and business probably gives a bit of an indication in that respect. My gut feeling is that pay levels in social enterprises are lower.

Linda Murray: I do not have stats that are specific to start-ups by sector and gender pay gap.

Elma Murray: I do not have such stats either, but based on information that we gather from our local businesses, I can say that when females create businesses they look for them to suit other aspects of their lives. The business will not be looked at solely in terms of its growth and profitability; it will also be looked at from the point of view of how it fits with everything else that the woman requires to do at that point in her life. You can see that, because of that difference in how men and women look at businesses at the start-up stage, there is a difference in profitability and what drives them.

Lynne Cadenhead: That re-emphasises the point that we lack information and relevant useful statistics. As a general observation, I say that women are interested in four things—profitability, people, planet and purpose. Those are the drivers for the majority of women who set up and lead businesses, and they have an effect on what they pay themselves and other people. Again, it comes back to sustainability. Women-run businesses have a different growth trajectory, and that affects pay.

Dean Lockhart: Thank you.

Ash Denham (Edinburgh Eastern) (SNP): I want to go back to Gillian Martin's question about the priority sectors in the economy—for example, information technology and energy—having very low levels of female participation. It has been put to us that those industries could be encouraged to have higher levels of female participation. Is there a case for making support and funding for those

sectors conditional in order to try to get higher numbers of women into them?

Carroll Buxton: Conditionality is quite a difficult topic. There are ways that we can work with businesses to encourage higher numbers of women into them. In some sectors—for example, the IT sector—we have quite a lot of foreign direct investment. At present, given the economic climate, it would be quite a challenge to introduce things that could be perceived as additional barriers to investment in Scotland.

I am afraid that I am kind of sitting on the fence on conditionality. We would very much like to encourage people to do things differently. It is about recruitment practices, flexible working and how people could widen their recruitment pool in order to make it easier for women to join their workforce.

In rural regions, roll-out of digital connectivity is enabling people to work differently; in IT-related sectors people can work from home, which can make a big difference. We have small examples of that in the Highlands and Islands, but nothing on a huge scale, as yet.

Linda Murray: I echo what Carroll Buxton said. There have been plenty of people from Scottish Enterprise at various committees in the past, so it will come as no surprise to members to hear that we prefer to encourage people using the carrot to using the stick. That does not mean that we do not have conversations inside Scottish Enterprise about where we might want to focus our efforts and what we might want to do, but in our engagement with companies and sectors, our approach is, rather than using a straightforward conditionality clause, about encouraging people to look at what they do in their business, and presenting evidence from other businesses about what has worked for them and what others might do in that space.

Elma Murray: I want to make a point that is partly in response to Ash Denham's question, but which also picks up on something that Carroll Buxton raised. A lot of work is going on in education at present—one of the responsibilities of local authorities is to act as education authorities. We do a huge amount of work on the STEM subjects—in particular, on encouraging female participation in them. Examples of good practice in that respect include, in Ayrshire, #thisayrshiregirlcan, which has been developed with Ayrshire College. It has highlighted the range of jobs that are available in the science, technology and engineering sectors and how attractive they can be to young women. We promote that from a fairly early age in school onwards.

Also, through the developing the young workforce initiative that is in place across Scotland, we have been inviting many more businesses into classrooms and schools so that they have the opportunity to link real jobs with qualifications and the subjects that young people need to study to take them into those jobs. Some of that work is already happening, but I feel that we need to work harder at it.

Lynne Cadenhead: I like the idea of making funding conditional on gender balance. Although it is good to encourage people—I understand that—encouragement goes only so far, so we must sometimes make things mandatory: we need to set down rules and responsibilities and what people need to do.

I will go back to the need to reinforce to people the economic argument for why diversity is good for their businesses. There is significant evidence from STEM companies that shows that women power radical innovation, which leads to profitability. If you set out the hard facts and statistics and appeal to people in that way, maybe you will get them to come on board a bit more.

Ash Denham: Thank you.

John Mason (Glasgow Shettleston) (SNP): I will begin with a question that follows on from the last round of questions. If a business perceives it to be a barrier that we are encouraging it to take on more women, and we are hearing evidence that that business is losing out because there is a pool of talent that it is not tapping into, how do we balance its perceiving a barrier with its missing an opportunity?

Carroll Buxton: That is about supporting businesses to consider how they recruit. I am not sure what your thoughts are around conditionality. Would you set percentages for gender in the workforce? Would it have to be 50:50 or whatever? How would businesses be expected to achieve that? As a couple of others on the panel have said, we can demonstrate to businesses the benefits of having a diverse workforce in which both genders are well represented, how that promotes innovation and how they can encourage more women into leadership positions. There are good examples of gender diversity supporting businesses—Lynne Cadenhead has spoken about that.

What I am trying to ask about conditionality is this: first, how would we set the parameters and, secondly, how would we police them? We want businesses to be able to recruit the best people, and we can tell them that, by extending their recruitment practices or by changing some of their employment practices, they can open up to a much wider range of very skilled people who can help their businesses to grow and succeed.

John Mason: Would it ever be the case that a company was so intransigent that you would refuse to continue supporting it?

Carroll Buxton: I am not aware that we have ever come across that position, to be fair.

John Mason: Okay.

I would like to move on to business start-ups. We have talked about the gender pay gap in new companies, but the issue is more that women do not appear to be setting up as many businesses as men. Ms Cadenhead said, if I understood her correctly, that the economy is losing out on £7 billion or thereabouts. Why are more women not setting up businesses? We have had evidence from people in the employment sector that men may be a bit more self-confident and may go for promotion. Is it the same for new businesses? Are men just more self-confident about starting up businesses?

Lynne Cadenhead: Linda, do you want to go first?

Linda Murray: I am looking at you, Lynne, given that the question is about start-ups and new enterprises. [*Laughter.*]

10:15

Lynne Cadenhead: Women starting up businesses at the same rate as men would make a £7.6 billion contribution to the economy. It really would be significant. We have covered a couple of areas around sustainability. Women just do things a little bit more slowly. A lot of people talk about how women in business are risk averse. That is not the right phrase to use. Women have advanced risk awareness—they assess things in a lot more detail before they move ahead and start up.

There are probably two key factors that hold women back in starting up and growing their businesses. The first is access to capital. On average, women start up their businesses with 30 per cent less capital than men do. However, research indicates that if women were to start their businesses with the same amount of capital as men, their businesses would do as well, if not better, and be more profitable and more sustainable, because women go for the longer-term picture.

If we look at the business community in Scotland, the access to business-angel capital, venture capital and bank funding is predominantly driven by men: investment decisions are made and assessed by men. I say with the best will in the world that men will tend to look at things from the point of view of how they think businesses should grow, which is quickly. Access to capital is really important, so we need to develop more

initiatives on long-term patient capital that is not looking for quick wins, quick bucks and headlines.

Another really important thing in encouraging women-led businesses is mentoring before they start up their businesses. Most of our support just now is directed at start-up businesses—starting up the businesses and then growing and scaling them. However, what is needed is pre-start support, and before that we need pre-pre-start support. That involves gradual building of confidence in a very wide-ranging way, and giving people the information that they are looking for. At that stage, women need to build up their networks and their social capital, because they want to be able to talk to other people rather than take on a consultant. Men value consultancy when starting up businesses; women place a lot more value on mentoring.

Many of the systems in Scotland are directed towards funding paid consultancy for people who are starting up in business, whereas it is expected that the vast majority of mentoring will be free. There is a real disconnect between what men and women want in business; we need to increase greatly the amount of paid and unpaid mentoring for women, and to put more emphasis on it. Women need to feel that they are being pre-judged less in respect of their businesses—they do not like to be spoken to as lifestyle businesses.

The final thing, which is a really important reason why women are not starting up businesses at the same rate as men, is use of language. We need to be a lot more careful to use gender-appropriate language. For example, much of the language that we see is about aggressive, fast and high-paced scale-up. A question such as, “Are you an ambitious entrepreneur looking for capital to grow your business rapidly?” will appeal to a certain type of female entrepreneur, and to male entrepreneurs in general. “Are you looking for patient capital to grow your business sustainably over the next five to 10 years?” will get women coming forward saying that they want to grow and build their businesses. There is a lot to be done on gender-appropriate language and support for women to start up their businesses.

John Mason: I will go back to the first point that you made, about women thinking about their businesses a bit more sensibly than men. Is part of the problem that men are starting up too many businesses and going in gung-ho without thinking about it?

Lynne Cadenhead: I will answer honestly and say yes.

John Mason: That is helpful. Thank you. I will move on to Scottish Enterprise and HIE. You said that business angels and some venture funds are run by men who are looking for quick returns,

which does not fit businesses that are led by women. Are Scottish Enterprise and HIE different in that respect, given that they are not run by men? When you consider investments, are you more willing to wait for a longer return?

Carroll Buxton: Highlands and Islands Enterprise supports a wide range of businesses. We have a segmented portfolio—from high-growth businesses down to developing businesses that are in their early stages. We look at the individual business to see what it needs and when it needs it, over its lifetime. The businesses in our portfolio are not all growing at the same rate and are not the same size. In some of our more remote and peripheral areas, we are working with pretty small businesses that have a big impact in their local communities. How we work with those businesses and the type of support that we give them could be quite different to the support that we give to bigger businesses in more central and highly populated areas. A range of support is available: it depends who needs what and when.

John Mason: Is the support that is given split 50:50 between men and women, or does that not matter?

Carroll Buxton: More than half our account managers are female. In some of our programmes, women who are participating can ask for a female mentor and they will be given one. It is a choice—some women do not want a female mentor, but if they do, they will get one.

Linda Murray: I agree with Carroll Buxton: SE’s decisions are based on our understanding of the specific company. Rather than taking black and white decisions, we consider what would be the right thing for that company at its stage of growth that would help it to unlock the next step. Such decisions about how we support companies are based on the relationship that we have with the companies as we work with them.

I can think of a couple of good examples of women-led businesses that have been supported through the Scottish Investment Bank. I cannot think of the names of the companies off the top of my head, but one of them produces cycling wear for women. As one would expect from an economic development agency bank, SIB acts in the space where the market fails to act. We would look at all businesses and whether they have the potential to grow and, therefore, to have an effect on Scotland’s economy.

I am not sure what the breakdown is for our account managed staff, but much of what we do is not around account managed businesses. I know that we have talked a lot about such businesses this morning, but we work with only just over 2,000 account managed companies and about 12,000 companies in total over the course of a year, so

the vast majority of the work that we do is not in or around the account management space.

The gender mix among our specialist staff, including sustainability, information and communication technology and workplace innovation specialists, is fairly equal.

Lynne Cadenhead: I want to make a point about managing expectations around return on investment and time to exit. I have already talked about patient capital and the process taking longer.

The system seems to be geared towards companies scaling up aggressively and really quickly, but in reality there is a mismatch in terms of expectations. The latest information that I have on average return on investment for a technology company is that it is about 3 to 3.5 per cent—the return is not 10, 15 or 100 times investment. On average, it is about 10 years before a company in the high-tech growth sector achieves exit.

John Mason: Could you clarify that point? When you say that the system is very aggressive, are you including the private sector and Scottish Enterprise and HIE or are you making a distinction?

Lynne Cadenhead: I mean the system in Scotland, including the private and public sectors. There is a clear drive towards aggressive, high-scale, fast growth. That detracts from the number of smaller businesses that want to grow moderately and sustainably.

Return on investment is about 3 to 3.5 per cent and time to exit is about 10 years, so it takes a long time to get there. The expectations of some investors, and indeed of the early-stage companies, is that they will get there in three to five years, and that just does not happen.

Gil Paterson: John Mason's question more or less covered what I wanted to say, so I return to a point that Elma Murray raised. You explained that you are doing some work on STEM subjects in schools, but you did not say whether it has been successful at having an impact on the children.

Elma Murray: It is probably a bit early to say. Some of the work that we are doing is with children of primary school age, so it will be another five or six years before we see what businesses they go into and whether they create their own businesses or go on to further or higher education to support the sector. We need to do more to develop awareness among businesses of the opportunities that that work presents and to get some of our businesses more involved in the education sector so that they can create interest, ambition and aspiration in those areas. Without a doubt, those are the higher-paying job areas in our country at the moment.

There are some other issues that I was thoughtful about when others were speaking. A lot of the work that local authorities do around economic development is probably at the earlier stage—it is a bit more upstream. Some of that work will be with start-ups and some of it will undoubtedly be with social enterprises, which have a different business model. Lynne Cadenhead spoke about whether a business model is aggressive, but a social enterprise business tends not to be aggressive at all and it takes a longer period to grow. That is certainly what we see.

I have already talked about schools. Another point relates to how our some of our markets grow. The big areas of growth for us will be in the care sector, in terms of care for both children and older people. Local authorities are working with local businesses not only to support them in those areas and in the way that they employ women, but to grow more sustainable businesses and—given that the sector is growing—to support the opportunities that the sector gives women to create their own businesses in those fields.

Gil Paterson: The committee has discussed this subject at length. There seem to be key times when difficulties occur, and the evidence shows that one of them is right at the start of life, at school. We are looking at the possibility of the pipe not being filled up from the very start. Your work is assisting with that, but there is another aspect to it. I have already said that I have a daughter of 16, who is studying for her highers. I am hearing about parental influence in the decision about pupils' onward journey. Should it be a responsibility of the schools to educate the parents, or is that a difficult one to address?

Elma Murray: It is a difficult one to address. I am not saying that we should not be doing something about it; I think that there are things that we can do. However, I return to my earlier comments about doing things by consensus as opposed to putting conditions around what people do.

We do a lot of work in early years on removing the traditional gender stereotypes from how children and young people think about their opportunities and prospects. We continue with a lot of that work in schools. We do not do it all the time; education in Scotland is a big part of our business, and I could not guarantee that we would do that very well all the time. However, serious steps are being taken now to change how people deal with those traditional stereotypes.

A lot of that happens through interest in some of the key subjects, but it also happens through bringing businesses into schools so that both young women and young men can see what the opportunities are.

10:30

Linda Murray: With regard to Elma Murray's point about much better connections between businesses and schools, I was just thinking about my recent experience of joining the west region developing the young workforce board. Although I have attended only one meeting, I have to say that, at my induction, I was really struck by what has been done in that region. For example, a load of things have been done for young women going into very traditional male sectors; Rolls-Royce, I think, had a couple of days' worth of very focused activity in which it exposed large numbers of young women in schools to lots of different careers and career paths in engineering, which, generally speaking, is still perceived to be traditionally male dominated.

As part of its deliberations, the committee might be interested in looking at what some of the developing the young workforce boards have been doing. They are relatively new—some are just a couple of years old, while others are still being established—but I was struck by what the west region board was doing to get more women into more traditional, male-dominated industries.

Gil Paterson: Thank you. If no other panel member wishes to comment, I will move on to another area.

As we know, the Government has a gender diversity target of 50:50 by 2020. Will we meet that target, and is the legislation stringent enough to ensure that we do?

Linda Murray: I have not looked at the legislation, so I do not know whether it is stringent enough. However, given that 2020 is not too far away, I hope that we will meet the target; we are certainly working with partners such as Highlands and Islands Enterprise and Changing the Chemistry to try to raise awareness in companies of why diversity is an important thing for a business to think about and why a diverse board is really beneficial. There is a lot of international evidence on the straightforward cash return on investment that businesses see as a result of having a more diverse board. Some international companies with sites and locations here in Scotland have really embraced that idea and are very much open to sharing their international experience and suggesting how that might be applied in Scotland.

Gil Paterson: I should have mentioned that the target is for public boards, but I think that the idea is that, if this happens at public board level, it will encourage the private sector to do the same.

Carroll Buxton: As Linda Murray said, we as public bodies have done work to increase female representation on our boards and, like Linda, we very much hope that the target of 50:50

representation by 2020 is achievable. I think that we are at about 45 per cent at the moment.

With regard to the private sector, what we can do and have done with partners is to hold events such as the one that we held in February with the sector to demonstrate to women just what is involved in becoming a board member in either the public or the private sector and how they can contribute in that respect. We would very much be interested in continuing that approach.

Lynne Cadenhead: As far as public boards are concerned, I think that the target of 50:50 by 2020 will probably be achieved, but it will take a significantly longer period of time to achieve anything like that in the private sector from large companies down to smaller ones. I actually think that it will require a generational change—or take a generation—to achieve 50:50 in the private sector.

Gil Paterson: Thank you.

The Convener: Following on from that, do you feel that the procurement process could be used to ensure fair treatment and pay?

Linda Murray: In short, yes.

The Convener: How?

Linda Murray: All of our tender documentation says very clearly that we would encourage those who are bidding for work with us to pay the living wage and that we expect them to promote that in their supply chain. Again, this is all about encouragement. We do not measure that, and it is not one of the criteria that we would score when we look at tender documentation, but since we have introduced that, we have seen more people who bid for work from Scottish Enterprise coming well prepared to have that conversation and to tell us what they are doing to address the living wage, what their fair work practices are and how all that plays through to their supply chain. The answer to your question, therefore, is yes: procurement is probably an area in which we could look to do a bit more.

Carroll Buxton: We, too, promote living wage diversity in our tender documentation. Scoring such things can be quite difficult, because we have to remain within the guidelines, but we promote that issue wherever we can.

The Convener: We should try to look at the issue from a practical point of view, because a lot of people think of politicians, parliamentary committees, advisers and people at a high level as not being connected with the real world, as it were.

For example, workers in the care sector are predominantly female, so if we look at applying procurement rules about employment equality, fair pay and so forth, different scenarios play out on a

practical level. We have heard about construction work and the fact that huge numbers of workers in the sector tend to be male. Therefore, if we talk about public or private bodies looking at employing from different sectors, or engaging companies from different sectors, how will it be possible, from a practical point of view, for them to engage with that? They might be looking at using companies that are small and medium-sized enterprises. In very small companies, there are often huge gender imbalances one way or another, which may arise simply from the very nature of such companies and not necessarily intentionally or as something that affects pay levels. How should companies or public bodies approach that situation?

Carroll Buxton: There is no quick fix. As we have touched upon already, there is also an issue about having a pool of people who are sufficiently skilled and available for work to enable them to be recruited. We have talked particularly about construction, for example. In order for more female workers to be employed in the construction industry, there will need to be more of them with the necessary skills and qualifications.

There will have to be a two-way approach. We can encourage businesses to look at their recruitment policies to try to ensure that they are not unintentionally excluding women from applying for posts—for example, through their working patterns or what they expect in the way of business travel—but we also need to encourage them to make sure that we have female participation in those areas and in those sectors that will form part of the labour pool.

The Convener: Looking at another aspect of that, I was at a meeting with the men in childcare initiative, which has received funding from the Scottish Government. We were told that there is not a problem with men being employed in childcare; there is just a lack of men who put themselves forward or who are interested in that area of work. The problem may not be just about barriers to, for example, men going into childcare or women going into construction work, but about a lack of interest. Does that not have to be considered when standards or requirements are being applied to companies?

Carroll Buxton: Absolutely; it is something that has to be considered. Some such issues are quite cultural, too. We have touched a bit on occupational segregation, a lot of which is cultural and traditional so changing it will not happen overnight. Achieving that will take a wide range of interventions from a wide range of partners. I am afraid that that probably does not really answer the convener's question. It is a very complex issue with a wide range of aspects that need to be tackled.

The Convener: I want to follow up on that with Lynne Cadenhead, who talked about the potential addition to the Scottish economy—which might run into billions of pounds—if there were as many female-led as male-led enterprises. Again, looking at the question from a practical point of view, I want to test that, because people will say, “Ah, but if I need one pair of shoes, I’m not going to buy two pairs just because there are another six shops.” I wonder about the figures that are bandied about around simply adding to the economy by bringing in another set of enterprises, whether they are male or female led. Will you break that down a bit for us?

Lynne Cadenhead: That is backed up by a number of research reports, including the latest one from Barclays Bank, which demonstrate that the contribution to the economy would be very significant. I am not quite sure what you are driving at in asking me to break it down but I will make a comment on childcare associated with the issue.

One of the key barriers that prevents a woman from starting a business is a lack of childcare. We recently ran a business creation course for the wives and partners of armed forces personnel. That involved nearly 30 women who were completely economically inactive because of the nature of their life and their partners' work. We took them through a 10-week business course and, at the end of that, 15 of them had started up in business and started trading. There are two reasons that they were able to do that but the fundamental one is that they were able to come along to the course because we provided them with childcare. The vast majority of the grant that we received for that course went on childcare to help those women and they bonded as a group.

I am not saying that every one of those businesses will grow into a massive business, but many of them are trading well. They might contribute £5,000, £10,000 or £20,000. Some will grow, but they all contribute to their families and their local communities, which is significant.

Those women have also gained a considerable amount of confidence and experience, even though they might not start up businesses. A number of the women who went through the course decided that they did not want to start up businesses but that they felt ready to go out and try to get jobs for themselves.

The Convener: I am sorry; my question was more about the market. If there is no market, you cannot simply add £13 billion to the economy. You might alter the business structures and who runs the businesses but you will not automatically add £10 billion to the economy if there is no market for services or goods.

Lynne Cadenhead: The simple example that I have given you already demonstrates that those businesses are up and running, generating income and adding to their local communities. You would have to look through all the research and statistics but I stick by the fact from the recent Barclays report that such a situation will contribute to the economy. However, we can go away and consider the matter in a bit more detail for you, if you like.

The Convener: Is it right to look simply at one measurement—that is, money? That takes us back to your point about the desire to create sustainable businesses that might not immediately be profitable but which, in the long term, might assist in creating a stable economy. Are monetary targets, goals or measurements the only ones that we should consider?

Lynne Cadenhead: No. It is really important to consider a number of different measurables. A significant amount of work is being done on that in the enterprise and skills agencies ministerial review group. We have been talking about the fact that, rather than just considering money and profitability, we need to consider productivity and gender balance in business, for instance. A load of other statistics and measures need to be considered for inclusive growth for the economy. That work is under way at the moment.

The Convener: I have a question for Elma Murray about the city deal. How is the performance on that measured? Does she have views on the best way to approach that?

Elma Murray: I am afraid that I cannot talk about the Glasgow city deal specifically but I will talk about growth deals in general.

A growth deal for Ayrshire is under development at the moment. We are considering seriously how we measure inclusive growth. One of the measures that should be very important to us is the level of female participation throughout Scotland. It is not just about the numbers of businesses that women set up and the trajectory or profit-making arrangements of those businesses but the extent to which women are engaged productively and in a healthy way across Scotland's overall workforce. There are measures on that to which we should give further consideration, not least of which is tackling chronic poverty in the area. That is one of the aspects of inclusive growth and the growth deal that we are working on.

We have clear evidence that shows that where more women are in work there will be fewer incidences of child poverty. It is a key issue that we want to address in areas such as North Lanarkshire where there are very high levels of child poverty. A clear measure of addressing that is by getting more women into good employment.

10:45

The Convener: Is there a relationship between child poverty—and whether it is increasing or decreasing in Scotland—and the subject that we are considering, which is the gender pay gap?

Elma Murray: That is an interesting question. I can say that in our area, there is a clear relationship between the poor levels of female participation and the high levels of child poverty. We are quite clear that increasing female participation in the workforce will have the impact of reducing child poverty. I do not have information on whether that is the case across Scotland.

Linda Murray: I want to come in on the specific point around measurement. In our business plan for 2017-18, Scottish Enterprise is introducing and will publish a new measure, which is the number of companies introducing fair and progressive workplace practices. I am racking my brains to remember how we calculate that. I cannot remember what the four criteria are, apart from the one about the number of social enterprises. The business plan is due to be published once we have got through the election periods.

The question is whether it is all about the money and the numbers—the answer to that is no. We are looking at how we might measure things differently from an economic development point of view, and there will be a new measure in our business plan for the current year when it is published.

The Convener: Can you share that with the committee, or will we have to wait?

Linda Murray: Not at the moment; I am sorry. I will try to remember how we calculate what the measure is—I know that there are four things and one of them is social enterprise, but I cannot remember what the other three are.

The Convener: Thank you. The next question is from Ash Denham.

Ash Denham: We have covered my question already.

Andy Wightman (Lothian) (Green): I have a couple of questions. The first is for Carroll Buxton from HIE. You say in your evidence that there are high levels of occupational segregation in the Highlands and Islands—it is more pronounced than in other areas—and that that contributes to the higher gender pay gap across the region. Can you elaborate on that? Why is that the case, and what is your response to it?

Carroll Buxton: We recently carried out some research on that. Occupational segregation tends to be more pronounced in the Highlands and Islands than it is in other places, although the sectors where it is most prevalent are probably

similar across Scotland—we are talking about a greater representation of men in engineering and construction and much higher representation of women in the caring professions, social services and the public sector.

One explanation is that we have a high level of public sector employment in the Highlands and Islands, which has an impact because more women are employed in that sector. There is vertical and horizontal sector segregation—it is not only across the sectors, but within organisations—and women are employed at lower grades, even in the public sector.

Even within the Highlands and Islands the situation differs from area to area. For example, Moray and Shetland have relatively high levels of segregation. That could be because of the types of industries that are particularly prevalent in those places: in Shetland there is a lot of fishing and oil and gas-related work.

In the main, the research told us that we need to dig deeper into some of the causes of that segregation and deal with them very specifically and in small areas. There is no blanket solution, but in small areas there are things that can be done to try to change the picture over time.

Andy Wightman: I notice that the research was done by Ekosgen. Are you able to share it with us?

Carroll Buxton: It should be available on our website, but I can provide it to the committee.

Andy Wightman: Grand—that would be super.

My next question is for all the panellists. What steps do you think that the Scottish Government and we, as legislators, should be considering in order to reduce the gender pay gap—if, indeed, there is anything that we can do—in the immediate future? The Scottish Government has the Scottish business pledge, the fair work convention and so on. Is there any scope within those work programmes to do the kind of things that could begin to reduce the gender pay gap?

Carroll Buxton: We have touched on various things. Elma Murray and Lynne Cadenhead both mentioned childcare, and we have been doing a pilot up in Shetland. Childcare can be a particular problem in rural, sparsely populated areas. There are things that we can do, although how we can affect the gender pay gap is not immediately obvious. Childcare, transport and the availability of different types of employment opportunity can all make a difference, particularly in enabling sectors of the population to engage in full-time, rather than part-time, employment. That can have an impact on the gender pay gap.

Linda Murray: We have introduced a number of things in the past few years in Scotland that I

guess are setting us off on the right path. For me, some of it is about how to take a much more holistic view. We would think about things from an economic development point of view but, as Carroll Buxton said, if the childcare services to support people to move into the labour market do not exist, it does not matter what any of us do from an economic development point of view: if nobody can look after your kids, you cannot go out and be economically active. That has been a challenge in Scotland for decades now.

When I first worked in economic development many years ago, one of the key things that we did in the area where I worked was to provide free childcare for people coming out of unemployment and moving into work. The biggest barrier that they faced was that they did not have family support to look after their children.

It would be good to take a more holistic approach, and, as part of a collective, to think about factors that we would not necessarily think about otherwise. We tend to consider such matters in silos, and we are very much issues driven, but we need to take an approach that is more about understanding and asking what the implications are of doing something on childcare—or education, or giving young people the best start in the early years—when it comes to people's ability to be economically active and to contribute.

Elma Murray: I guess that in one way or another we are saying that the issue is not just about one or two things and that we should be doing a range of different things, all at the same time, to try and create the right environment for things to change sustainably.

I will not repeat some of the things that other panel members have mentioned regarding childcare, but there are issues around recruitment—particularly the language that we use. We need to be much more encouraging and diversity aware in our recruitment approaches. We can do a lot more with businesses to promote interest in the STEM subjects.

Local authorities are not too bad at that, in that their employment practices allow employees—whether they are men or women—to share their caring responsibilities. For example, local authorities offer parental leave, which either parent can take to look after a child. There might also be caring leave that allows people to support an older person in the family. Promoting that with businesses would be another good step.

Among our employability programmes, we recently had a programme that focused on encouraging lone parents into work. There was hardly a person in the room who did not have at least three children—many of them had four or five children. By the time that I met them when they

came to start their six-month employment experience at the council, they had all gained a qualification from the local college as part of the programme. They were going to finish that six months' work experience in a position that none of them had ever been in before: with a qualification and legitimate, valid work experience. They were so excited about doing that.

It feels to me that we can probably do a lot of those things. I represent one authority that is doing that with 24 people, so it could be done at scale.

Lynne Cadenhead: I will not reiterate the comments that have been made about childcare statistics. I want quickly to highlight the importance to people of relevant and real role models at all stages of their journey. It is essential that those role models appear regularly in the appropriate media.

A more important point—and this pulls together the threads of what everyone has spoken about—is that if we want to make quick wins and sustained generational change, we should consider women as a sector. That should be a key strategic objective for the Government. That, as a backbone, would bring everything together. Lots of great work is being done by many different people, but it all seems to be in different pockets, and it needs to be linked together in a holistic approach. Considering women as a sector could be transformational.

The Convener: I thank our panel members. We will now have a brief interlude of about 10 minutes before we move on to our evidence session with the Minister for Employability and Training.

10:56

Meeting suspended.

11:08

On resuming—

The Convener: Welcome back to this meeting of the Economy, Jobs and Fair Work Committee. I welcome Jamie Hepburn, Minister for Employability and Training; and, from the Scottish Government, Lorraine Lee, senior policy executive, fair work directorate, and Emma Congreve, economic adviser, housing and social justice directorate. I understand that Mr Hepburn wishes to make a very brief opening statement of a couple of minutes or so.

The Minister for Employability and Training (Jamie Hepburn): I will endeavour to take less than a couple of minutes, convener.

Suffice it to say that I am very glad that the committee is looking at this issue, because it is a priority area for us as an Administration, and I am

glad to be able to discuss it with you today. I see that I am being a bit of a guinea pig this morning, in that this session is the first time that the committee has live tweeted a meeting. I also see that we have to let you know what we think afterwards—I will be sure to let you know about the efficacy of the approach.

I am very happy to answer the committee's questions.

The Convener: We look forward to your written submission on live tweeting after this evidence session.

We will start with a question from Bill Bowman.

Bill Bowman: Good morning, minister. As you might know, we have begun all these evidence sessions with a standard question about the statistics that are available and whether those on the panel are happy with them or whether they might like something else. If you do not mind, I will ask you the same question and get your thoughts on it. Are you confident that we have a defined set of agreed statistics on female economic activity in Scotland and the pay gap?

Jamie Hepburn: We have clearly set out the measure that we utilise for the national performance framework. I am not aware of there being some form of internationally agreed standard; I think that different jurisdictions use different measurements. In the national performance framework, we use the median measure, which is drawn from the Office for National Statistics and is used elsewhere in the United Kingdom. In that sense, therefore, it offers comparability. The Organisation for Economic Co-operation and Development also uses a median measure, albeit that it is slightly different from the one that we utilise in the national performance framework and the one that is used by the ONS.

There are advantages to having that measure—for example, it gives a better indication of what typical pay might be—but, equally, I recognise that it has some limitations. For example, it does not assess part-time pay. As we know, a disproportionately large number of women are in part-time employment, and some would argue that that should be utilised in the measurement; I am also aware of the suggestion that we use the mean measurement.

There are, as the evidence that the committee has gathered has shown, different perspectives on this matter. I would reflect on the fact that there is no standard definition, and if your committee makes any recommendations on this matter as part of its inquiry, we will, of course, reflect on them. I can tell you that we continually look at what is in the national performance framework, and we are looking to give consideration to what additional information can be provided on a range

of other measurements to ensure that there is transparency.

At this stage, though, we do not intend to change the single definition that we use. I would also observe that the purpose of the national performance framework is to indicate progress against the specific measurement that we utilise. How we measure that against any of our indicators is to look at whether performance is improving, is stable or is worsening, and that would be the case no matter what measure we utilised.

Bill Bowman: You mentioned using the mean. The issue of part-time working has certainly come up, but another issue that has been highlighted is the need for more sectoral statistics to allow us to see the figures in various parts of the economy. Did you say that you are not thinking of taking into account some of the comments in that respect at the moment?

Jamie Hepburn: Not yet. I have not said anything about the issue of intersectionality or specific sectors. What I can say, however, is that some of that information is available and we publish it on our website. If the particular areas of our website where we do so have not been brought to the committee's attention, we can provide that information to the committee.

What I will agree to reflect on—and this issue is not specific to the gender pay gap; it goes across a range of markers with regard to the labour market that I previously reflected on when I appeared before the committee some time ago to talk about the labour market strategy—is the fact that there is a variety of gaps in the information that we gather. Through our labour market strategy, we are considering, first, the areas that we should focus on and secondly, how we can draw down that information. It is an important area for us, and if the committee has any recommendations to make on the gender pay gap for the labour market strategic group, the group will reflect on them.

Gordon MacDonald: What impact do you think that the pay gap reporting legislation will have on the gender pay gap, given that it relates only to companies or organisations with more than 250 employees and that, of Scotland's 350,000 private enterprises, 348,000 have fewer than 50?

11:15

Jamie Hepburn: That is indeed an important observation to make. In fairness, I point out that, although the number of companies that will have to publish such information is small, they account for something like 45 per cent of the workforce. I acknowledge, though, that that is still a minority. That is not a policy that the Scottish Government has set; it is the UK Government's policy. We can,

of course, raise such matters with the UK Government; indeed, the committee could do so directly, if it were so minded.

What we can do is to lead by example in the public sector agencies for which we have responsibility. We have reduced the threshold for the reporting requirement for such organisations to having 20 or more employees.

Through our entire process of engagement, including the fair work agenda, we will always be willing to discuss such matters with companies that are in the private sector and the third sector, for which we do not have policy responsibility and so cannot set targets. A statutory target has been set by the UK Government. We can work with companies that do not fall into that category to see whether they are prepared to go further and provide more information. We can lead by example, which is what we have done with our reporting threshold.

Gordon MacDonald: You mentioned that there is not enough data. What can the Scottish Government do to work with the UK Government to get more data on the gender pay gap, given that most companies have to report only at UK level?

Jamie Hepburn: It is undoubtedly correct that there is not enough data. It is also correct that we utilise what we have to draw down and drill into the Scotland-specific figures. Sometimes, depending on the data source, it is difficult to do that because the sample could be very small and might not provide useful and meaningful data. That could be our starting position and it could be something that we discuss with the UK Government. If there are methods by which we can gather data ourselves, we can reflect on those. It goes back to the fundamental point that I made in relation to the labour market strategic group, as these are issues that we are considering right now. The starting point is to decide what information we should be gathering and, after considering that, we would need to drill into the practicalities of how we would go about that, whether it would be possible to gather such data and whether we would need to engage in further work.

Gordon MacDonald: Thank you.

The Convener: Now we have a question from Ash Denham.

Ash Denham: The possibility of using procurement levers to influence greater gender equality has come up a number of times in the panels. In particular, when Peter Reekie gave evidence to the committee last month, he suggested that there might be a number of ways in which that could be accomplished. For example, we might be able to exclude certain parties from tendering for particular reasons, or, under the

guidance on fair work practices, we could add in a question about the gender pay gap, score the responses and use that scoring during the tendering process. Is that something that the Scottish Government is looking at or could look at? Would it be feasible?

Jamie Hepburn: We will certainly look at anything that is suggested to us. The procurement agenda in general is something that we discussed when I was previously before the committee. We have done quite a lot of work in procurement regulations to ensure that a range of fair work practices can be criteria that any body that procures a service or contract can utilise as part of its assessment process. The gender pay gap is not specifically cited, but the guidance refers to

“promoting equality of opportunity and developing a workforce which reflects the population of Scotland”

in terms of a range of characteristics including gender, so that could be a part of the work that companies undertake. However, if there is something else that we can look at and we think that we can take forward, we will certainly reflect on it.

Ash Denham: It might be a good way to get the issue in there. A question could be put in, employers would have to reflect on it and it could be taken into account during the procurement process. Will that present any particular problems for SMEs tendering? Smaller companies might have particular challenges with having women at senior levels and so on.

Jamie Hepburn: Yes, although I think that the evidence that has been presented to you, and certainly the evidence that I have, suggests that having women in senior leadership roles is not just an issue for small and medium-sized enterprises.

Whether it would produce a burden for a small or medium-sized enterprise that was significant in comparison with any of the things that would be required of them as they tender for a public contract, I honestly cannot say definitively. Instinctively, I cannot see why it would. However, clearly, if we were minded to seek to add anything to or alter the regulations, we would need to consult on that and see what any consequences of making those changes might be.

John Mason: Earlier this morning, we asked Scottish Enterprise and Highlands and Islands Enterprise how much they push the issue of the gender pay gap when they are looking at supporting firms, giving grants and doing the various things that they do. I got the impression that they are a bit wary of pushing it too hard. They want foreign businesses to come to Scotland and do not want to put up another barrier to that, and they feel that pushing the gender pay gap too

hard might put up a barrier. Do you have any thoughts on that?

Jamie Hepburn: I suppose that I would reflect on two things. The first issue would be the work that is being undertaken by both enterprise agencies internally on their own practice. I am aware that there has been a range of work internally within both Scottish Enterprise and Highland and Islands Enterprise to look at their own pay and grading policy, and it has led to internal improvements.

Some work is also under way on how the agencies interact with employers to support the attraction of new businesses to Scotland. Both organisations are members of Close the Gap, which is a partnership that we fund. They have assisted with the design of the think business, think equality diagnostic online toolkit. There is work under way.

I was half-watching some of the earlier evidence session today, although I did not see it all. My expectation would be that Scottish Enterprise, Highland and Islands Enterprise and all those who are involved in the area would take such a responsibility seriously.

John Mason: I am not suggesting that they were not taking it seriously. I think that their approach is that they want to be supportive and encouraging—that is the kind of wording that they were using—rather than taking a firmer line. We are asking how firm a line they should take. If a business is not doing an awful lot to promote gender equality and cut the pay gap, should the level of support to that business be reduced?

Jamie Hepburn: I think that to get a business to do better at closing the gender pay gap, its level of support should be increased. Clearly we want to attract investment here. If a particular enterprise needs to do better at closing the gender pay gap, I do not know that that fact should prohibit it from getting financial support from the relevant enterprise agency.

My clear expectation would be that Scottish Enterprise, Highland and Islands Enterprise and, indeed, the south of Scotland enterprise agency—which we have committed to establishing as part of the skills and enterprise review—would take that responsibility very seriously. They have a critical role to play in working with employers to close the gender pay gap.

One of the lamentations that we have is that we do not have responsibility for employment law. This matter goes back to a lot of the work that we engage in in relation to the Scottish business pledge and the fair work framework. It is about working with employers to explain to them why it is in their own enlightened self-interest to act in this area. I do not know whether the specific evidence

has been presented to the committee, but a range of evidence suggests that companies' productivity levels and even things such as their share prices do better if they tackle the gender pay gap. The same applies to ensuring that there are women on the board. We need to go out and say to companies and employers that it is in their own interest to do better in that regard.

The Convener: A number of Scottish Enterprise priority sectors, including IT and energy, have very low levels of female participation. On the other hand, there are some sectors in the economy where there is an increasing feminisation, as one of our witnesses said. For example, among those going into the legal profession, there is a preponderance of females rather than males, thereby creating the opposite imbalance from what existed 30 years ago.

We have heard evidence from a number of sectors. In apprenticeships, the difficulty is that there is predominantly male uptake; in university, it is majority female uptake; and it is roughly 50:50 in colleges. What thoughts do you have on addressing what is sometimes referred to—I am not sure whether the phrase is an accurate one—as occupational segregation, or what I might refer to as imbalances? The issue is not going away, according to the evidence that we have heard. What measures could be taken to encourage more of a balance across the board in a variety of professions?

Jamie Hepburn: "Occupational segregation" is certainly the terminology that we would use. It does not tell the whole story, but it is a critical part of it. We need to do more, and we need to do rather better to ensure more female participation in what is viewed as traditionally the preserve of men in the labour market.

On the flip side of that, we need to do rather better to ensure greater participation of men in what is traditionally viewed as the preserve of women in the labour market, the social care sector being the prime example. That is undoubtedly a critical element of the equation.

A range of work is under way. My colleague Shirley-Anne Somerville has published the draft STEM strategy, a significant element of which is to do rather better at encouraging women—or girls in the school environment—to take up STEM subjects in greater numbers. In our modern apprenticeship frameworks, Skills Development Scotland has published the equalities action plan, and it is working to ensure that, where there is a 75:25 gender imbalance in any specific framework, work should be done to level that out. That work is under way.

You refer to modern apprenticeships being predominantly male, and I readily concede that

that is the case, but there has been a journey. In 2008, around a quarter of all modern apprentices were female. In the last year for which we have full information available, the figure was about 41 per cent, so there has been progress. However, I readily concede that, underlying that, more needs to be done within specific frameworks.

We certainly need to do more to encourage greater participation. That cannot give the entirety of the picture, however. For instance, even where women undertake STEM studies at university level, once they graduate, only around 27 per cent of women with a relevant qualification go on to work in the STEM sector.

We also need to consider the institutional, societal and cultural barriers, which you were touching on—I was listening into your previous evidence session—referring to the burden of the caring responsibility falling predominantly on women, with the consequential career breaks and so on, which has a wider impact on participation, even where women achieve the relevant qualification. I do not have the information before me, but that is probably true in the legal profession. More women might be coming in, but at what level do they end up in their careers?

The Convener: I appreciate the points that you are making about specific sectors and areas, but is there an overall approach that we have missed that might deal with the fact that we seem to take particular measures in an area that then create a different imbalance 10 or 20 years later? Could we take a more forward-looking approach? That is not to take away from specific measures for specific sectors, areas and issues.

11:30

Jamie Hepburn: Having reviewed some of the evidence that the committee has taken, I know that there has been a suggestion from several witnesses about having one overarching strategy for the gender pay gap. I am not going to sit here and commit to that, as I want to reflect on the evidence that the committee has taken.

I can say that there has been and there continues to be a range of activities across a multitude of areas that impact on the gender pay gap. For example, we fund and are a partner in the family friendly working Scotland partnership—I sometimes get the name wrong because it is about flexible working and the impact on families. We also provide funding for Women's Enterprise Scotland, working in coalition with Scottish Chambers of Commerce to encourage a greater number of female entrepreneurs, and last week I announced further funding to encourage more women to return to the workplace at a level that is

commensurate with the level that they were at before they took a career break.

A range of activity is under way. At this stage, I have an open mind about whether we need to bring that into one overarching strategy. If the committee has evidence that provides a compelling case for such a change, it will be incumbent on me to reflect on that.

The Convener: Thank you. Gil Paterson is next.

Gil Paterson: If the number of female business start-ups matched the number of male-owned start-ups, there would be another 100,000 businesses in Scotland. Is there enough funding and support for women-owned businesses through the enterprise networks?

Jamie Hepburn: It is hard for me to say whether there is enough funding. We provide significant funding to support business start-ups, but it is undoubtedly the case that, if we look at entrepreneurial activity and business start-ups, men are twice as likely as women to have started up a business. We need to get underneath that figure and find out what drives it. That is why we fund Women's Enterprise Scotland to work with a range of partners to undertake various measures such as peer mentoring and providing links with angel investors to attract the relevant finance.

The overall funding that we provide to our enterprise agencies and through local government to support business start-ups is quite a lot. The key is trying to attract more women to be part of that equation.

Gil Paterson: I suppose the follow-up question is: if we had evidence that additional financial support would change the situation, would the Government have the power to intervene and would it consider doing that?

Jamie Hepburn: We will consider anything that we think would be effective and relevant to any area that is a priority for us. I would not close down consideration of any recommendation. In considering how that could be achieved, we would have to look at the budget that we set in a particular year and find the resource to match the ambition. Again, it comes down to the evidence that is provided and the recommendation that is made.

Gil Paterson: Thank you.

Gillian Martin: I appreciate that you might not have heard all the evidence from the previous panel, but there was a really interesting line of discussion on the back of some of John Mason's questions to Scottish Enterprise about what it looks for when it allocates funding and assistance.

There has been quite a lot of anecdotal evidence that Scottish Enterprise is looking for

growth and has a certain amount of expectation that companies will grow rapidly, and that that approach is excluding many women-led businesses from accessing such support, not only because they tend to be more risk averse, but because they portray themselves differently and place more importance on sustainability. That issue really needs to be looked at.

In your experience, do the enterprise agencies perhaps need to look with a gender lens at their approach to delivering support and allocating finance?

Jamie Hepburn: I certainly know that that has been an element of the work that Women's Enterprise Scotland has taken forward. To go back to the point that I made in response to Mr Paterson's question, I note that the work to try to ensure better link-up with angel investors is done very much on the basis of the proposition on longer-term returns that you have put to me.

I suppose that there are two things that I reflect on. First, there should be no reason why women-led businesses cannot see significant growth in a short period just as much as businesses that are led by men. We therefore need to get underneath that and understand why the situation that you describe is the case, if in fact it is the case—as you set out, a lot of the evidence is anecdotal, so we need to look at the issues further.

On financial return, my view is that we should take a longer-term view and that, if a business is taking a little longer to grow, there is no reason for it to be cut off at the knees immediately. In deciding on what support is to be provided, we need to look at whether the business is in a key growth area for the economy, whether it will provide the high-skilled jobs that we hope to have here in Scotland and at its sustainability as an employer. If that requires slightly slower but more sustainable growth, that does not mean that support should be off the table.

Gillian Martin: The witness from Women's Enterprise Scotland mentioned the issue and wondered whether an analysis has been done of the people who get support. Perhaps people overestimate their growth potential at the point when they are trying to access support. Has an analysis been done of whether companies are realising their potential? Would you be interested in looking at that?

Jamie Hepburn: We can certainly reflect on that. I imagine that our enterprise agencies already have that information and can provide it through the various employers that they account manage. If we need to do some more work in that regard, again, I will be happy to consider any particular recommendation on that.

Gillian Martin: While we are on the subject of analysis, another point that has emerged on the enterprise agencies is that, rather than saying to companies that they should be closing the gap and dealing with equalities or social justice issues, the agencies should be making the business case for doing that. Therefore, is more analysis required of what the business case is for closing the gender pay gap? That maybe goes back to Bill Bowman's question about having better data.

Jamie Hepburn: There is information already. There is certainly a range of academic research that shows the business benefits, and inherent in our labour market strategy is a recognition of the economic benefits, as well as the social benefits, of a more inclusive labour market. Information is available. If more is required, we will of course consider that, but my view is that the issue is fairly well understood, certainly in academic circles. They have information that we can look at. That is why we should be working towards a more collaborative and inclusive labour market and economy.

Gillian Martin: Thank you.

Dean Lockhart: In previous evidence sessions, we heard from witnesses about the importance of encouraging women to return to work after taking a career break for whatever reason, and about the valuable role that older women play in the workplace. I have two questions in that area.

You mentioned that you made an announcement on the topic last week. What specific measures does the Government have in place to encourage women to return to work and, in particular, to return to the role that they had before their career break, or an equivalent role? I understand that the funding that is available from the Scottish Government in the area is £250,000, although perhaps that has changed in the past week or so. Is that enough support to encourage female workers back to work after a career break?

Jamie Hepburn: I suppose that the point to make here, Mr Lockhart, is that that funding is about testing out what might work. It follows on from a more limited amount of money that we provided to Equate Scotland to support women to return to the STEM sector. I readily concede that that was a fairly limited project for a fairly limited number of people.

The STEM sector is very important to the Scottish economy. It is very important to me and to the economy that we ensure that more women participate in that sector, and allowing women who have been in it to return to it is critical. However, my perspective is also that we cannot support women to return just to that one sector, which is why that further pot of funding has been made

available to support women to return to other sectors as well.

On its value, the funding is there to support the same test-bed approach so that we can see what might work. We need to look at how effective the scheme that we have had running with Equate Scotland has been and how effective any schemes that we take forward as a result of this funding might be. We need to learn any lessons from that and then to see whether additional funding from the public purse is required or whether it should become part of our wider discussion with employers to demonstrate how the organisations that have taken part have benefited and to explain to them why they might benefit, too.

To be fair, I add that we are aware that a number of employers already operate their own returnship programmes. We do not have comprehensive information on that, but it is something else that we are trying to assess. We need to look at those programmes and see how effective they have been. Work is under way on that, but there is more to be done. We will then need to see what has been effective, learn the lessons from that and consider how we might roll it out further.

Dean Lockhart: Thank you. The Scottish business pledge includes a pledge on equal pay. I understand that the number of businesses that have signed up is around 349, which is roughly one out of every 1,000 companies or businesses in Scotland. Do you have a target for an increase in that sign-up rate? Over the next 12 or 24 months, are you looking for a higher number of businesses in Scotland to sign up to the Scottish business pledge?

Jamie Hepburn: Of course we are. The pledge is important to us and we want as many businesses to take part as can.

I suppose the point to make is that, by its nature, it is a voluntary scheme and we cannot compel businesses to take part in it. It requires some work for us to go out and get companies involved in the process. We certainly want to see more businesses take part. Those that sign up have to commit to progress against all the individual strands that comprise the business pledge, although not necessarily all at the same time. One of the nine strands is around action on the gender pay gap, and ultimately those that sign up to it will want to make sure that they are progressing against that measure.

I readily concede that the number of businesses that are taking part is a small subset of the overall number of employers in Scotland. It is a fairly new endeavour and initiative. We hope that it will grow over time, and I believe that it will. We are planning to assess how it has worked in practice

so far and what culture change it has led to. That will take place this year, and we will be able to share the results with the committee and other interested parties.

Dean Lockhart: Thank you.

Richard Leonard: You have mentioned a couple of times already “Scotland’s Labour Market Strategy”, which you launched in August last year, so it has been in place for eight months or so. One of the sections in that document includes an analysis of the kind of areas that we are looking at. I will come on to one of those in particular in a minute, but the final pledge in that section says that you are intent on

“exploring wider pay-related issues such as pay ratios and transparency”

and, as you describe it,

“the negative impact of executive pay processes on investment, growth and productivity.”

What action have you taken in those areas?

11:45

Jamie Hepburn: We have established the strategic group, and it has met, although we have still to absolutely bottom out its membership. I am sure that Mr Leonard would like to know that that is on the basis that I think that we need a bit more trade union membership on the group than we have been able to secure thus far. By its nature, the work has been fairly exploratory at this stage, but that will be a critical element of the group’s work.

I have already made the point that we can explore these matters only if we examine the relevant data that we have to assess progress against the areas that you have set out, Mr Leonard. Again, that will be a critical element of the labour market strategic group’s work. I undertook to write to the committee about that group. I have not done so thus far, but I will be doing so as soon as possible.

Richard Leonard: Thank you. One of the other areas that is mentioned in that section of the strategy is something that we have returned to on numerous occasions, and that is the living wage. We heard in evidence from the fair work convention, for example, that that is a critical instrument in addressing—or beginning to address—part of the gender pay gap. This morning, we heard evidence from Highlands and Islands Enterprise, echoing that view.

When I checked last night, of the listed accredited living wage employers, just 468 were from the private sector, out of a total of 793. Do you not think that you should be more proactive in promoting living wage accreditation? Should you

maybe have a word with Scottish Enterprise and Highlands and Islands Enterprise to encourage them to be more proactive in making the argument for living wage accreditation?

Jamie Hepburn: I feel that I am pretty proactive in that regard, Mr Leonard. I undertake a range of visits to accredited living wage employers across a range of sectors, including in the private sector, to make sure that they are highlighted.

I return to the point that I made—very much on the same basis—about the collaborative, inclusive economy. We know that those in the workforce who are better remunerated are better motivated and feel more included, and they will inevitably give more back to their employer, making their workplace more productive. That is an important part of our agenda, having set up the accreditation scheme.

Scotland comprises a significantly higher proportion of those people across the UK who have been accredited than our population share would suggest. The Living Wage Foundation is very happy with the work that we are doing here in Scotland, and we can reflect on the fact that, of the four UK nations, we have the highest proportion of the workforce who are paid at least the living wage. We can also consider the work that we are undertaking as an Administration to ensure that the living wage is paid in the adult social care sector. There has been an announcement on our ambitions to expand early years learning and childcare, and there is a pledge to ensure that those who work in the private and third-sector elements of early years childcare are paid the living wage. Clearly, those in the public sector already are, through local authorities.

A range of work is under way. I assure you that it is important to the Scottish Government, having established the accreditation scheme, to continue to promote it. Everyone in the Parliament has a role to play in that regard, and everyone who has already signed up as an accredited living wage employer has an important role. I will not name them—not least, to be candid, because I cannot remember the name of the particular company that I have in mind, which is most remiss of me, but it is a law firm based in Glasgow that is an accredited living wage employer. I will write to the committee about that company, because it deserves credit for having undertaken the activity. It arranged a seminar, working with its clients to do exactly what I just said—to spell out the benefits to it of becoming an accredited living wage employer. The more organisations that can do that, whatever sector they are in, the better.

Richard Leonard: I have a quick supplementary question. You have mentioned childcare, and in the strategy, you talk about having an additional 20,000 jobs by 2020 in order

to provide the childcare that we need. What progress have you made in that regard?

Jamie Hepburn: We have set out the investment that will be required to start to roll out the training that will need to be provided. We published that information as part of the budget process in December 2016, and we can provide details to the committee. That relates to the training element; clearly, there needs to be capital investment as well. We have also set out the capital investment that will be required and, again, we can provide the details to the committee.

The Convener: Bill Bowman has a follow-up question.

Bill Bowman: Before I ask my question, I want to go back to something that the minister might have said earlier on.

Jamie Hepburn: I might not have said it, too. *[Laughter.]*

Bill Bowman: We have had some difficulty in getting concrete examples—as opposed to what we might call academic ones—of benefits coming from good management of gender pay issues. I think that you said that you perhaps had an example of a share price increase arising from good gender pay activity. If you were able to provide us with anything on that, that would be helpful.

Jamie Hepburn: Yes, I can. I should say that my own perspective is that academic examples are still concrete ones. Perhaps you were suggesting that academic examples might be anecdotal, which is not the case.

Bill Bowman: No—I just meant that if we go to a company, we can give the example of another company that did something and its bottom line or staff turnover changed in a particular way.

Jamie Hepburn: The information that I have and will provide to the committee relates to Fortune 500 companies.

Bill Bowman: Okay, thank you.

Jamie Hepburn: Not that I want to distort market behaviour, of course, convener, but, if anyone has any stocks and shares, they might want to reflect on where they are investing.

Bill Bowman: Why? You are not a financial adviser. Shares go down as well as up.

Jamie Hepburn: I am aware of that. I am also not much of a shareholder, but we can all look at one another's declarations of interest, Mr Bowman.

Bill Bowman: That is why they are declared.

Jamie Hepburn: Yes, indeed.

Bill Bowman: John Mason spoke about how some of the enterprise agencies manage their account managed companies and treat gender pay issues. Will you give us your view on whether the enterprise networks or agencies themselves should be scored on their performance in promoting gender diversity with the companies that they support?

Jamie Hepburn: Could you reiterate the last part of your question, please, Mr Bowman?

Bill Bowman: We hope that the enterprise networks themselves are encouraging good gender pay practices. Can you measure and score their performance in doing that in some way, to see how well they are carrying that out?

Jamie Hepburn: We can certainly demonstrate their individual performance in reducing their own pay gap, to go back to a question that was asked earlier. That is very straightforward.

In terms of the companies that they work with—

Bill Bowman: Using it as a means of encouraging them, from your perspective—

Jamie Hepburn: Do you mean encouraging the employers that they engage with?

Bill Bowman: Yes—the enterprise agencies themselves.

Jamie Hepburn: Sorry—I would like to clarify again: do you mean the employers that they seek to engage with, rather than their own performance?

Bill Bowman: Yes.

Jamie Hepburn: I suspect that we would need to look at the information that they gather. One issue is what might be reported going forward in relation to the statutory requirement that has now been established by the UK Government. Meeting that requirement will capture only some of the information, but we can certainly consider that and see how we might be able to achieve what you are looking for.

The Convener: Andy Wightman has a question.

Andy Wightman: I want to talk about the things that you are considering doing—though perhaps not concretely at the moment—to tackle and reduce the gender pay gap. I am thinking particularly of the two initiatives that you have: the Scottish business pledge and the fair work framework.

In its evidence, Close the Gap says that

“There is no evidence that the Scottish Business Pledge has changed employer practice on equal pay”,

and that

“The gender equality element of the Pledge describes achieving a ‘balanced workforce’. Close the Gap is not aware of this indicator being used anywhere else in the world”.

Indeed, Close the Gap regards the indicator as “meaningless”.

On the fair work framework, Close the Gap says that

“the focus on women’s experiences of the labour market, and what fair work means for women, is minimal”

and that

“It is difficult to see how the framework in its current form will enable employers to operationalise fair work for women in Scotland.”

Are those comments fair? What else are you considering doing to reduce the gender pay gap?

Jamie Hepburn: The assessment of the commitment in the business pledge as “meaningless” is unfair.

Andy Wightman: I do not think that Close the Gap is saying that the commitment is meaningless; it is specifically talking about the measure—achieving a “balanced workforce”—and saying that that is meaningless in terms of headline workforce numbers, because it does not do anything to reveal or tackle the gender pay gap.

Jamie Hepburn: Close the Gap might feel that, although, if I remember correctly, inherent to the pledge is that there must be meaningful effort to achieve a balanced workforce. An organisation cannot just say that 50 per cent of the workforce is female and 50 per cent is men; the balance has to be across the different levels of the workforce. We know that that can have an impact on the gender pay gap. The committee has probably gathered enough evidence to suggest that that would be the case.

On measuring effectiveness, I go back to the point that we seek to measure the impact of the business pledge. That will be taken forward this year and will allow us to draw out the difference that it is making on the ground. Given our powers as an Administration, it is a voluntary scheme. It is a system of progression: when organisations up to the pledge, they commit to making progress against all its requirements, but not necessarily simultaneously—change might take place over a longer period of time. We are committed to measuring that, and the information will be available for the consumption of the committee and others who have an interest.

On the question about the focus of the fair work framework, the committee has had evidence from one of the co-chairs, who refuted that perspective and said that the convention is taking that area seriously. Although we established and fund the

convention—and the framework—as a critical element of our commitment to fair work, one of its strengths is that it sets its own priorities and agenda, which allows it to challenge us as an Administration. Ultimately, the point is one for the convention to reflect on. I have committed to reflect on the committee’s findings and recommendations as a result of this inquiry. My expectation is that the convention will do likewise—I would be surprised if it did not.

Andy Wightman: Is the Scottish Government considering anything else in this area?

Jamie Hepburn: In terms of closing the overall gender pay gap, we are undertaking a range of activity, some of which is longer term. We recognise that the gender pay gap is symptomatic of cultural and attitudinal issues, including assumptions about what we expect of women and men, not just in the workplace but in society. Those things have an impact on the labour market, and the process starts early in a person’s life. Our early years work, the developing the young workforce arrangements, commitments to do better on gender equality in the modern apprenticeship frameworks and the Scottish Further and Higher Education Funding Council’s gender action plan are approaches to break down the structural barriers that arise from assumptions that are probably ingrained in all of us. Even though we are all determined to tackle the gender pay gap, we are susceptible to assumptions, because they are so ingrained in society. We need to wind that back to make a difference over the longer term.

For the immediate term, I have laid out the work that we are undertaking on returnerships and encouraging women to be involved in entrepreneurial activity. Our practical measures to promote the living wage benefit women more than men, because more women happen to be in low-paid work. That is a longer-term challenge for us.

We are doing things in the here and now and undertaking activities to try to deal with the issue over the long term.

12:00

Andy Wightman: You noted that the committee has heard evidence about the potential value of a national strategy to tackle the gender pay gap, about which you said that you had an open mind. You may not wish to add to those comments now, but it seems clear from what you have said that there are a number of areas of Government policy—not just at the Scottish level but at the UK level—that need to be joined up to tackle the gap in the long term.

Jamie Hepburn: My perspective is that the work that we are undertaking is not disjointed, but

if the committee's inquiry takes the view that there is more to be done to join it up better, it is incumbent on me to reflect on that and either agree or disagree. I am not going to commit now to an approach, but I am open to considering the issue.

Andy Wightman: Thank you.

The Convener: Thank you very much, minister. I suspend the session. We will reconvene in private.

12:01

Meeting suspended until 12:10 and continued in private thereafter until 12:22.

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