



## **Finance and Public Administration Committee Pre-Budget Scrutiny Call for Views on Managing Scotland's Public Finances**

**August 2024**

### **About us**

The Scottish Women's Budget Group (SWBG) is an independent analysis and campaign group that aims to promote gender analysis in public policy and public finance decisions through budgetary processes. SWBG brings together a wide range of women from across Scotland who have an interest in women's equality and want to achieve better gender equality in our society. We have focused on encouraging active gender analysis in the Scottish Budget process since 2000.

### **About the Call for Views**

The call for views will form the basis of the Committee's pre-budget scrutiny for 2025-26. The focus of the Committee's pre-budget scrutiny is the following three areas:

- progress on the Scottish Government's public service reform programme.
- the Scottish Government's approach to taxation - including what its draft tax strategy should include and how potential behavioural responses impact business and individuals.
- how the Scottish Government is using its capital expenditure to achieve innovation, productivity, and growth.

On 22 May 2024, the First Minister set out his four priorities to guide the Scottish Government's decision-making on policy and the budget.

He said his four priorities are:

- Eradicating child poverty
- Growing the economy
- Tackling the climate emergency
- Delivering better public services.

As part of the inquiry, the Committee will consider whether these are the right priorities for the Scottish Budget 2025-26, and potential alternatives.

**1. Are these the right priorities for the Scottish Budget 2025-26 and, if not, where should the Scottish Government focus its attention?**

The Scottish Women's Budget Group (SWBG) considers that these priorities are important and interlinked. For example, we would argue that it is not possible to grow Scotland's economy without improving public services, and that public services have a role to play in eradicating child poverty and tackling the climate emergency. Because these priorities are interrelated, this should facilitate the development of a more joined-up and effective policymaking process, which should result in better outcomes. However, these priorities are also quite vast in scope, and therefore open to interpretation in relation to which policy solutions should be put forward, and how the Scottish Budget will align with these. We question how much these priorities will effectively tackle inequalities generally, and gender inequality specifically. The Scottish Government must use gender budgeting approaches to identify, develop and implement any actions in support of these priorities. We recommend the Committee to scrutinise whether the Scottish Government uses gender analysis as part of the development of programmes, policies and budgets in support of these priorities.

**2. What taxation and spending decisions should the Scottish Government take to make most progress against each of the First Minister's four priorities, within the current financial climate?**

**Spending decisions**

In previous briefings to MSPs, SWBG has argued that it is essential to understand how gender inequality impacts on each of these priority areas if we are to design interventions that can address and eradicate gender inequality. Additionally, we contend that a gender analysis of these areas can show the ways in which these priorities are interrelated, which in turn facilitates the alignment of budgets with policy interventions, working coherently to achieve the government's priorities.

For example, we argue that care is a cross-cutting issue. Investment in the sector can help drive progress on each of the government's priorities.

Scotland's social care sector is in a critical state and needs urgent investment: services are understaffed<sup>1</sup> with recruitment and staff retention difficult at current pay levels<sup>2</sup>; people are unable to receive the care packages they need; and wider unmet needs are

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<sup>1</sup> <https://www.careinspectorate.com/images/documents/6905/Staff%20vacancies%202021.pdf>

<sup>2</sup> <https://healthandcare.scot/stories/3646/health-social-care-wages-budget>

likely to be extensive, resulting in additional caring pressures being pushed towards unpaid carers and the NHS.

Prioritizing investment in care and ensuring investment in the public sector addresses the structural issues related to paid and unpaid care are key from a gender equality and poverty perspective. The Scottish Government's own figures suggest unpaid care is currently saving £13.1 billion per year<sup>3</sup>, while the economic and health situation of unpaid carers (the majority of which are women) is overlooked and unrewarded, with many living in, or being on the brink of, poverty<sup>4</sup>. Additionally, investing in social care is also a key requirement if the Scottish Government are to grow the Scottish economy. Our recent modelling showed that investing specific levels in social care would generate about 43,000 new jobs created by the increase in care workers. In addition, 8,000 jobs would be generated through indirect jobs in industries supplying the care sector, as well as over 24,000 jobs through induced employment due to newly employed workers spending in the Scottish economy<sup>5</sup>. Furthermore, investing in the care sector would help the Government fulfil its commitments to end non-residential social care charges. Our work with Glasgow Disability Alliance has highlighted the impact that charges for non-residential social care are having on disabled households. There appears to have been no consideration of how this policy impacts on households with children despite them being identified as a priority group in relation to addressing child poverty.

Childcare is another area within care that contributes to meeting Scotland's child poverty targets and growing the Scottish economy. Lack of affordable and accessible childcare is a major barrier to women being able to take on work, or to move to better paying, more secure work.

Our recent [childcare survey](#) found that for 55% of the women who responded the challenges of managing childcare were impacting their ability to do paid work. This figure increased to 67% for single parents and 71% for disabled women. While 4% of respondents stated that they had given up work, which increased to 10% for women from minority ethnic communities.

*"We cannot currently afford any extra childcare costs; I have had to decline extra working hours because childcare would not be covered by the extra pay". (Survey respondent, Childcare Survey, 2023)*

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<sup>3</sup> <https://www.gov.scot/publications/national-carers-strategy/pages/2/>

<sup>4</sup> <https://opfs.org.uk/policy-and-campaigns/policy-research/living-without-a-lifeline/>

<sup>5</sup> <https://www.swbg.org.uk/content/publications/Towards-a-transformative-universal-adult-social-care-support-service-for-Scotland.pdf>

In addition, the survey revealed that the implementation of funded ELC policy lacks flexibility. For example, women working evening shifts explained that the funding does not cover evening childcare. For these women, often working in hospitality, retail, or the care sectors, this increases their risk of experiencing poverty (and consequently their children are at increased risk too).

The answers to our childcare survey and others expose the extent to which the current system does not fully support parents and penalises women who are more likely to reduce their working hours to manage childcare responsibilities and/or to absorb the financial costs linked to it.

Further evidence about the links between child poverty, growing the economy and investing in our public services comes from Flexible Childcare Services Scotland, an organisation created in response to parents being unable to take up employment or education offers due to a lack of high quality, flexible, accessible and affordable childcare services. Starting as a pilot project in Dundee, it scaled up to its current form, with seven settings across Scotland.

The results of a recent survey distributed amongst service users showed that:

- 77% of parents using the service said that flexible childcare options helped them work more.
- 48% said that their household income had increased by 0-£2,000 per year.
- 12% it increased by £2,000 - £5,000 per year.
- 21% said their household income had increased by £5,000 + per year.

In addition, the survey showed that more than half of the families using the service fall within the 'priority groups' identified by the Scottish Government as part of their efforts to deliver Scotland's legal child poverty targets. This evidence shows how the development of services within the care sector (including childcare) can help achieve the Government's priorities of eradicating child poverty and growing the economy.

Investing in the care sector can also help Scotland meet their climate targets. Women's Budget Group research shows that the average job in health and care produces 26 times less greenhouse gas emissions than a manufacturing job, over 200 times less than agriculture jobs and nearly 1,500 times less than a job in oil and gas<sup>6</sup>.

Finally, investing in care can improve Scotland's public services. Research by the Nuffield Trust, the Health Foundation and The King's Fund in England shows that social care is a vital support to other public services like the NHS. Their evidence shows that greater

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<sup>6</sup> <https://wbg.org.uk/wp-content/uploads/2022/11/A-Green-and-Caring-Economy-Report-FINAL.pdf>

availability of nursing and residential care is associated with fewer hospital admissions and readmissions, fewer delayed discharges, reduced length of stay, and reduced expenditure on secondary health care services. Their evidence also shows that interventions like re-ablement have the potential to prolong people's ability to live at home and reduce or even remove the need for care<sup>7</sup>. However, delayed discharges from hospital caused by social care increased by 84% between 2010 and 2017. To ensure that social care supports other services such as the NHS, it must be properly funded so that those services can fully benefit<sup>8</sup>.

Through public sector investment there is a need to ensure that the principles of the Christie Commission are embedded. In doing this it is essential that the system is designed in a way that encourages further integration including of budgets so that when investment by one sector leads to a saving in another, this is seen as a benefit to individuals, communities and the public sector as a whole.

## **Taxation decisions**

The Scottish Women's Budget Group has repeatedly argued for increasing accountability and transparency in fiscal planning<sup>9</sup>, for budgets to be outcome-focused and to advance gender equality. We see taxation as a key part of the Budget process, and as such, it should be used to support the outcomes that the government aims to achieve, including Public Sector Reform (PSR). We recognise that taxation can have an impact on individuals and businesses. However, we contend that using that prism to look at taxation risks missing sight of the bigger picture, that is, how good taxation can support public services, and the positive impact that public services can have on individuals and businesses, for example, through public transport, social housing and skills developed in schools, amongst others.

Taxation can play an important role in tackling inequalities. Regressive taxes place greater pressure on those on lower incomes. According to data from the Office of National Statistics, households in the bottom quintile pay 4.6% of their income on Council Tax, whereas those in the top quintile pay just 1.4% of their income on this tax<sup>10</sup>. If we are to achieve greater (gender) equality outcomes, we should see stronger commitments to reform Council Tax into a progressive form of local taxation instead of freezing Council

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<sup>7</sup> <https://www.nuffieldtrust.org.uk/sites/default/files/2021-10/social-care-briefing-final.pdf>

<sup>8</sup> <https://www.nuffieldtrust.org.uk/sites/default/files/2021-10/social-care-briefing-final.pdf>

<sup>9</sup> <https://www.swbg.org.uk/content/publications/Analysis-of-Scottish-Budget-24-25.pdf>

<sup>10</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/adhocs/12425taxesasapercentageofgrossincomedisposableincomeandexpenditureforallindividualsbyquintilegroupsscotland2018to2019>

Tax rates. Analysis by IPPR last year showed that if the money spent on covering the cost of freezing council tax would have been used to increase the Scottish Child Payment to £34.50 a week, this would have lifted 10,000 children out of poverty<sup>11</sup>.

Taxation is also a key tool at the Scottish Government's disposal to generate part of the investment required to increase the resilience and sustainability of Scotland's public services. Fair tax reform must be at the core of the First Minister's policy programme.

The Scottish Government have taken some steps in this area through the Scottish income tax system, but further reform is needed to finance public investment and reduce poverty, supporting a more prosperous economy for all. This reform must put gender equality at its heart, addressing the imbalance within our current system head on, by, for example, exploring the introduction of wealth taxes within the current devolved setting and/or by addressing local taxation.

### **3. What are the potential impacts of focusing budget decisions on these four priorities on those groups of society who traditionally experience inequality?**

Focusing budget decisions on these four priority areas might further disadvantage groups of society who traditionally experience inequality unless equalities and gender considerations inform the design of policy interventions and budget setting processes (including the role of taxes in achieving policy priorities). Later in the submission we provide an example of how capital projects might not always work for different groups, with women for example not seeing the benefit of some new active routes in Scotland as these do not recognise the type of trip chaining (undertaking multiple duties linking journeys together to cover care responsibilities) that women are more likely to make due to their primary role as caregivers.

Our recent briefing ahead of the debate on eradicating child poverty highlighted why children's poverty is intrinsically linked to women's poverty, and how policy interventions need to be informed by intersectional gender analysis to avoid gender neutral interventions that can disadvantage women. In 2004 Diane Elson and Alisa McKay carried out an analysis of the New Deal for Lone Parents and found that while participation rates for men and women were not much different, the factors which impacted on their ability to participate in the labour market were heavily gendered. 'Female lone parents tend to have younger children and are much more likely to be never married or divorced, to have less education and training and less labour market experience than male lone parents,

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<sup>11</sup> <https://www.ippr.org/media-office/10-000-children-left-in-poverty-by-ineffectual-council-tax-freeze-ippr-scotland-says>

majority of whom had become lone parents after the death of their wives and have older children'<sup>12</sup>. The design and delivery of the New Deal failed to recognise these gendered differences which meant that the programme had limited impact.

SWBG continues to call for the use of intersectional gender budget analysis to support the budget decision-making process. In scrutinising the forthcoming Draft Budget this Committee must consider and seek to reveal the equality dimensions of decisions made, particularly where funds are frozen or cut to reveal potential impacts or unintended consequences.

In addition to this, we want to reiterate our calls for greater investment in the Care economy. Increasing investment in the sector can:

- Resolve the issue with chronic low wages that disadvantages a majority female workforce.
- Grow the economy by creating more and better paid jobs.
- Improve the availability of social infrastructure, such as adult social care and childcare, so that women who are currently “economically inactive” or who work part-time due to having caring responsibilities can fully participate in the labour market.
- Improve children’s outcomes by facilitating women’s participation in the labour market as well as access to better paid jobs.
- Help Scotland meet its carbon emission targets in a way that tackles inequalities by addressing the chronic underinvestment in the care sector.

## **Public service reform**

**In December 2023, the Scottish Government said in the first three years of its ten-year reform programme it must have made progress in a range of areas, including:**

- **agreeing a common vision and a clear set of goals for reform,**
- **developing a programme of work across the public services system to support long-term reform,**
- **ensuring strategic investment to sustain capacity for reform and disinvestment in areas that don’t align with its vision and objectives,**
- **removing, wherever possible, any identified barriers to reform,**
- **that reform actions are making progress against more qualitative indicators of change, improvement, and success.**

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<sup>12</sup> <https://www.caledonianblogs.net/wise/2022/05/12/ailsa-mckay-memorial-lecture-presentation/>

#### **4. What progress has the Scottish Government made against these specific goals in relation to public service reform?**

In November 2023, the Scottish Government acknowledged the need for public bodies to better work together, and to make changes in the way their services are delivered. As part of these changes, the Scottish Government also stated the need to reduce the workforce<sup>13</sup>. From this perspective, we are concerned that PSR is being purely framed and pursued as a cost-saving exercise, and the impact that this could have on people, and women specifically, as public sector employees and users of public services. In 2023, over 60% of people in employment in the public sector in Scotland were female, compared to 44% in the private sector<sup>14</sup>. In Local Authorities, female workers make up over 40% of the workforce, with this figure being over 70% in some councils such as Clackmannanshire. This makes PSR a gendered issue, and therefore we welcome the committee's focus on PSR. Additionally, this call for views offers an opportunity to talk about the principles and values that should underpin PSR, allowing us to look at the role of basic universal services, and how PSR can be used to grow the economy.

The Commission on the Future Delivery of Public Services in their report published in June 2011 acknowledged that it did “not regard public services as a drag on economic progress”. It also identified four key objectives that should shape a programme of reform:

1. That public services are built around people and communities.
2. That public service organisations work together effectively to achieve outcomes.
3. That public service organisations prioritise prevention, reducing inequalities and promoting equality; and
4. All public services constantly seek to improve performance and reduce costs, and are open, transparent and accountable.

While progress has been made, and some organisations might be able to provide examples of good partnership working to achieve outcomes, there is more to be done to meet the ambitions for public sector reform envisioned by the Christie commission.

The findings included in the most recent report of the Accounts Commission demonstrate the extent of this challenge. The report draws attention to the financial challenges faced by the Integration Joint Boards (IJBs) in the current financial year, and the impact that

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<sup>13</sup> [Public sector workforce will have to shrink - Shona Robison - BBC News](#)

<sup>14</sup> <https://www.gov.scot/publications/economic-overview-public-sector-scotland/>



deepening health inequalities, workforce challenges and lack of service integration is having on them. The report shows that:

1. IJBs are failing to meet increased demand for services and there is a growing level of unmet and more complex needs. There is also variability in how much choice and control people who use services feel they have.
2. Unpaid carers are increasingly relied on as part of the system but are also disproportionately affected by the increased cost-of-living crisis.
3. There is a lack of collaboration and systematic shared learning on improvement activities.
4. Current commissioning and procurement practices are driven largely by budgets, competition, and cost rather than outcomes<sup>15</sup>.

Due to the gendered delivery of care (both paid and unpaid) these findings are of particular concern to SWBG and highlight the need for gender analysis in policy development and delivery.

While budget pressures are understandable given the impact of recent inflationary problems and the challenges of the Scottish Budget, the report makes it clear that service users need to be part of the conversation to ensure the sustainability of care services. This approach is the only option if Scotland is to have public services that are “built around people and communities”, with an aim to reducing inequalities.

Last year, we asked the Cabinet Secretary for NHS Recovery, Health and Social Care if the Scottish Government had any plans to carry out a review of the integration of health and social care through the Integration Joint Boards to ensure

- 1) there is equitable delivery across local authorities and
- 2) to evaluate what difference the integration model of Health Boards and Local Authorities has made to the quality and sustainability of care services.

Based on the findings of the Accounts Commission, we would like to reiterate the need for the current model to be reviewed, and for any future plans on the integration of health and social care to be co-designed with service users.

In addition to this, the SWBG considers that it is important to interrogate the meaning of efficiencies and effectiveness as part of PSR. While budget pressures might have pushed PSR to the top of the policy agenda, this cannot be its only driver. Before implementing any policies aimed at increasing efficiencies in the public sector, policymakers must

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<sup>15</sup> [https://audit.scot/uploads/2024-07/nr\\_240725\\_ijb\\_performance\\_analysis.pdf](https://audit.scot/uploads/2024-07/nr_240725_ijb_performance_analysis.pdf)

ensure the availability of data to consider the broader impact of this on (an ageing) population. For example, if “efficiencies” translates into cuts to public services, policymakers must interrogate the likely effects, costs and “effectiveness” of this on the population, on the potential rise of sickness levels, disabilities, levels of unpaid care, and how this might interact with widening inequalities (including gender inequality).

**5. Are there any improvements that can be made to achieve faster progress with public service reform and improved outcomes?**

**6. Taking account of the Scottish Government’s recently published Public Sector Pay Policy 2024-25, what are the implications of its multi-year framework, which offers pay metrics above forecasts levels of inflation, on public sector bodies and on the Scottish Budget for 2025-26 and for the subsequent two years. Link: Public sector pay policy 2024 to 2025 - gov.scot ([www.gov.scot](http://www.gov.scot))**

Pay policy in Scotland has meant that many public sector workers receive higher wages than in the rest of the UK. The Scottish Government commitment to the payment of the real living wage as part of their fair work agenda have helped those employed in the public sector, particularly those on lower incomes. However, there is still an issue with real term falls in pay since 2010 as a result of austerity and most recently high levels of inflation, which according to the ONS has resulted in food prices rising 30% between October 2021 and October 2023.<sup>16</sup> In our recent survey 71% of women employed in the public sector told us they felt worse off than they did a year ago.

In their publication ‘Scottish Government Public Sector Pay Policy 2024-2025’, the Scottish Government indicated that ‘the Pay Policy sets the overarching framework and public bodies have the flexibility to draw up their own pay proposals which consider workforce planning and local pay issues such as recruitment and retention, equality, and the impact of the low pay measures on other staff. The pay negotiation principles within the Pay Policy actively encourage employers to consider their own staffing profile, local evidence, views of staff and unions, and equality issues in framing their pay proposals.’<sup>17</sup>. However, preliminary analysis of this year’s councils’ budget papers shows that Local Authorities have instigated recruitment freezes. This approach does not seem to consider

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<sup>16</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

<sup>17</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2024/05/scottish-government-public-sector-pay-policy-2024-25/documents/scottish-government-public-sector-pay-policy-2024-25/scottish-government-public-sector-pay-policy-2024-25/govscot%3Adocument/scottish-government-public-sector-pay-policy-2024-25.pdf>

the likely impact of these freezes on the delivery of public services, whether this is sustainable, or how it aligns with the well-being economy and fair work agendas.

Given the public sector's largely female workforce, the likely impact of these 'cuts' will also be 'gendered', affecting women's employment prospects.

## **Taxation**

**The Scottish Government plans to publish a draft tax strategy alongside its Medium-Term Financial Strategy.**

**It established a Tax Advisory Group which first met in July 2023. Its purpose includes providing advice on:**

**“the development of a tax system that is fit for purpose, delivers sustainable public finances and supports high quality public services and a flourishing economy”, building on the Scottish Government's Framework for Tax 2021.**

**The Scottish Government said:**

**“We want to build a tax system that works for everyone in Scotland, while allowing us to continue to deliver high-quality public services and keep our finances on a sustainable footing”.**

### **7. What elements should a new draft tax strategy include to achieve such a tax system?**

In his book *An Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith set out the four principles for a good taxation system: fairness, certainty, convenience and efficiency.

We would add that, in line with gender budgeting principles, a tax strategy should also be:

- Transparent: parliament, civil society and the public should have accessible information about tax decisions.
- Participative: there should be meaningful engagement in the development of a tax strategy.

- Outcome-focused: a tax strategy should be clear about how it will support the implementation of policies and the delivery of services to achieve the Government's goals as set out in the National Performance Framework.
- Advances equality: the strategy will support the development of a progressive tax system that puts gender equality at its heart, addressing the imbalance within our current system head on, by, for example, exploring the introduction of wealth taxes within the current devolved setting and/or by addressing local taxation

For a tax strategy to work, people need to be part of any conversations about tax, discuss the strategy's aims and how this links with the Government's priorities and objectives. In addition, it is crucial that any tax strategy acknowledges (and works to tackle) the most crucial challenges that the country will face in the coming decades, notably:

1. The demographic challenge and ageing population.
2. Health inequalities.
3. Climate change

From a feminist economist perspective, the role that care has, and will continue to have, in managing these challenges is a crucial aspect that must inform a future strategy on tax to rectify the current overreliance on unpaid care, which is one of the root causes of gender inequality. The undervaluation of care also explains why women contribute less than men to the public purse through income tax. SWBG has long called for this to be corrected by offering better pay deals to care workers.

A final point to make about the elements that should be included in a tax strategy is one about the assumptions used to make future projections. The Scottish Fiscal Commission in its Fiscal Sustainability Report published in March 2023 set out a comprehensive picture of Scotland's long term fiscal sustainability. We agree that these projections should serve as a base to design strategies and policies, including a tax strategy. However, we would dispute some assumptions. The report does not acknowledge the impact of unpaid care on future spending projections. While we understand why (projections are made based on current levels of spend) we argue that modern Scottish society cannot continue relying on unsustainable levels of care. A new tax strategy must aim to correct this and meet the aspirations of the Scottish Government's commitments, including the development of a National Care Service.

## **8. How should a new draft tax strategy address potential impacts of behavioural change on individuals, businesses, and the overall tax take?**

A briefing by the World Bank titled 'Behavioural Insights for Tax Compliance' includes an example from a field experiment in the UK where referencing the average number of

people who pay their tax on time led to an increase in the payment of declared tax liabilities of 5.3%. However, feelings of ‘unfairness’ motivated by the perception that ‘others’ don’t comply with their tax obligations resulted in a reduction in people’s inclination to pay their own taxes. One lesson we can draw from this is that the way the tax debate is communicated and framed will be crucial to increasing people’s willingness to engage with it. This is the reason why we argue that the tax strategy should follow a participative approach and work with citizens to clearly and transparently address the arguments in relation to how changes in taxation can support Government objectives and address the challenges that Scotland will face in the future. There is evidence that greater fiscal transparency leads to greater tax compliance<sup>18</sup>. The Scottish Government should reflect on the opportunities that increasing transparency in taxation and more broadly in the budget process could bring for the success of the strategy.

We further reiterate our concern to frame the debate on tax as an ‘impact to individuals and businesses’. Good taxation can support public services, and this provides benefits for individuals and businesses, for example, through investment in public transport, social housing and education programs, amongst others.

### **9. What actions should the Scottish Government take to grow the tax base and increase labour market participation, productivity, and Scotland’s economic growth?**

As stated above SWBG believes that a transformative approach to investing in care is needed and alongside delivering better care this would increase the workforce and tax base. Our briefing published in January 2023 “Towards a Transformative Universal Adult Social Care Support Service for Scotland” outlines the path for greater investment in new adult social care services in Scotland. This briefing proposed two scenarios, both recommending higher pay rates for workers and a larger workforce and ensuring an increase in the number of people receiving care support. For example, regarding employment creation, this ranges from 20,400 jobs in the core scenario and 75,900 in the transformative scenario. In addition, these new jobs and higher incomes would generate direct and indirect tax revenue estimated to yield about £1.5bn annually in 2022-23 prices<sup>19</sup>

In addition to investing in adult social care, SWBG would like to see greater investment in Early Learning and Childcare (ELC).

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<sup>18</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0161893820300910>

<sup>19</sup> <https://www.swbg.org.uk/content/publications/Towards-a-transformative-universal-adult-social-care-support-service-for-Scotland.pdf>

The long-standing problem of lack of flexibility and affordability of childcare in Scotland compounded by the challenges created by the cost-of-living crisis is putting families' finances, and particularly women's, under further pressure. In our latest webinar on childcare titled "[Is investing in childcare worth it?](#)", Peter Huber, Senior Economist at WIFO, showed the positive impact of Vienna's decision to invest in childcare on women's participation in the labour market. These impacts are:

- Increase in participation rate of women aged 20-29 by 1.5%
- Increase in employment rate of women aged 20-29 by 1.2%
- Increase in hours worked of women aged 20-29 equivalent to 0.7 hours/per woman
- Reduction in women in overqualified employment by -0.8%.

Vienna's policy evaluation showed higher effects among:

- Single mothers (substantially)
- Women with children under 3 (moderately)

From a macroeconomic perspective, the investment in Vienna's kindergarten model clearly increased employment and Gross Value Added.

We believe that investment in the care economy is essential to grow the tax base, to fight child's poverty and to grow the economy by putting money into women and families' pockets.

## Climate Emergency

**10. The First Minister said that growing the economy will also be achieved through tackling the climate emergency by investing in green energy and infrastructure. What steps should the Scottish Government take, in its Budget for 2025-26, to grow the economy in this way?**

Tackling the climate emergency offers an opportunity to invest and grow the economy in a way that also tackles existing inequalities. Steps taken in the Budget 2025-26 need to seize the opportunity and ensure that gender and equalities analysis is built into the decision-making process from the outset.

Throughout this response we have highlighted why investing in the care sector can help Scotland meet their climate targets while tackling inequalities by addressing the chronic underinvestment in Scotland's care sector.

Other opportunities to grow the economy while tackling inequalities and climate change could come from the transformation of Scotland's public buildings and transport systems. Investment to retrofit non-domestic buildings, such as hospitals, libraries, local government offices, etc., and greening of heating systems (e.g. heat pump installation), would help lower utility bills of public buildings, and control costs by public authorities. This investment would support the sustainable delivery of public services of which women depend on the most<sup>20</sup>. It would also pave the way for the development of a skilled workforce that could undertake the challenge of decarbonising domestic buildings while tackling the issues of gender occupational segregation that characterise the construction industry. Additionally, the availability of a better trained workforce would help tackle some affordability issues linked to the rollout of retrofitting programmes<sup>21</sup>. Overall, this would help Scotland achieve its net zero emissions target by 2045.

Additionally, decarbonising Scotland's transport systems could yield economic and social benefits. In their report 'A smoother ride', The Urban Transport Group provides evidence in relation to how capital and revenue funding can deliver a larger, more efficient bus network with higher levels of patronage, and lower operating costs<sup>22</sup>. However, when transitioning to a net zero transport system, intersectional gender considerations need to be built into the planning process to understand how public spending might be working to tackle or entrench existing inequalities and poor access to travel. This includes considering the investment levels of different modes of travel. As is well documented by the Scottish Government in the Equality and Fairer Scotland Budget Statement, women are more likely to travel by bus. Yet, recent policy announcements have focused on reducing peak time train fares – there is no publicly available Equality Impact Assessment for this proposal, so it is unclear how inequalities in access to transport mode have been considered within the budget spend allocation<sup>23</sup>. In the following question we highlight gendered aspects to active travel spending for further consideration.

## Capital Expenditure

### **11. Given the limited capital budget available, in which areas should the Scottish Government prioritise its capital spend in the Scottish Budget 2025-26 to deliver increased productivity, innovation, and growth?**

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<sup>20</sup> <https://www.wbg.org.uk/publication/the-gendered-impact-of-the-cost-of-living-crisis-on-public-services/>

<sup>21</sup> <https://www.unlocknetzero.co.uk/insight-comment/the-uk-government-must-increase-investment-in-upskilling-for-the-housing-sector-to-implement-retrofit-and-drive-net-zero>

<sup>22</sup> <https://www.urbantransportgroup.org/system/files/general-docs/UTG%20Report%20-%20A%20Smoother%20Ride%20-%20Capital%20Investment%20FINAL.pdf>

<sup>23</sup> <https://www.swbg.org.uk/content/publications/Analysis-of-Scottish-Budget-24-25.pdf>

Given the current challenges with capital expenditure, which is set for a real terms fall of 20% over a five-year period<sup>24</sup>, and the impact that some capital budgets could have on women and equality more broadly, we agree that this is an important area for the committee to focus on as part of their pre-Budget scrutiny.

Through our work with North Highland Women's Hub, we know about the impact that the lack of capital spending has had on Caithness, which translates into insufficient infrastructure to deliver new health services in the area. This impacts on the accessibility of health services and the distances people need to travel.

Our Women's Survey in 2023 showed that investment in active travel infrastructure currently does not meet women's needs. 59% of respondents to the survey felt questions on access and safety of cycle routes were not applicable to them, 34% of respondents felt the same for walking and wheeling routes. Of those who did use this infrastructure we found that:

- 40% of women who cycled were dissatisfied or very dissatisfied with access to cycle routes
- 53% of women responding to the survey were dissatisfied or very dissatisfied with safety on cycle routes
- 38% of respondents felt the same about safety on walking or wheeling routes.

These figures show that women often did not see the benefit of this investment as the way in which these projects are designed and delivered do not take into account caring responsibilities and/or do not take people to the places they need to go to in their local areas. This needs to be an aspect of capital spending that needs to be considered so that spending meets the needs of different groups of people:

*'There are "nice" cycle routes but a lack of safe practical routes between shops, train stations & home etc.'*

*'No segregated cycle lanes anywhere I need to go. Nothing that connects me to even simple places like post office, shops, etc. Some cycle lane for leisure, but not far'.*

Additionally, when considering the impact that capital spend has on people's lives, it is important to use a gender budgeting approach to interrogate why governments decide to fund some projects over others. For example, the Scottish Budget 2024/2025 prioritised road building. However, there is nothing in the budget documentation explaining why this

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<sup>24</sup> <https://spice-spotlight.scot/2024/05/29/the-scottish-governments-capital-budget/#:~:text=What%20is%20the%20capital%20budget,3.9%20per%20cent%20annual%20decrease>



area was more important than, for example, investing in social housing, or what process policymakers followed that allowed them to reach this decision. Including this information and any other evidence supporting budgetary decisions is key to enhancing transparency within the budget process, and most importantly, it's crucial to show whether budgets address inequality, including gender inequality.

We ask the Committee to recommend that the Scottish Government uses gender analysis as part of any capital projects.