



# Scotland narrative



2023

## The Gender Index overview for Scotland, 2023

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### Key findings:

- For 2022/3, 19.4% of all incorporations in Scotland were female-led accounting for 4.2% of all UK female-led incorporations and just under 1% of all UK incorporations.
- Women's engagement with enterprise is not limited to women-owned companies; women are also involved in the ownership of family companies which involve 'mixed ownership'. In Scotland, 18.3% of all companies are mixed-led compared to the UK average of 16.30% This is a slight decrease from 2022, where this proportion for Scotland was 18.4%.
- For 2022/3, there were 228,477 active companies in Scotland of which 36,210 or 15.8% were women-owned.
- In Scotland, only 10.8% of 'high-growth' companies are female-led, equating to only 85 companies. This is however the second highest proportion across the UK, after Wales (12.1%).
- 25% of active, women-owned enterprises accessed external capital in Scotland in 2022/3 – while this share is higher than the UK average, it equates to only 3.9% of all companies in Scotland.
- In Scotland, we find that 19.2% of younger women-led companies (Millennials and Gen Z) secure external capital compared to 14.2% for Generation X and 12% for Baby Boomers.
- In Scotland, amongst all minority-led companies, 18.6% are female-led.
- Among all female-led companies, minority-female-led companies account for 22.9% which equates to 3.5% of all companies in Scotland. This is much lower than the UK average of 6.6%.
- Of all ethnic minority-led companies able to secure external financing, 16.9% are female-led in Scotland.
- In Scotland, only 2 female-led ethnic minority companies (8%) secured external financing under the EIS scheme; below the UK average of 13.1%.

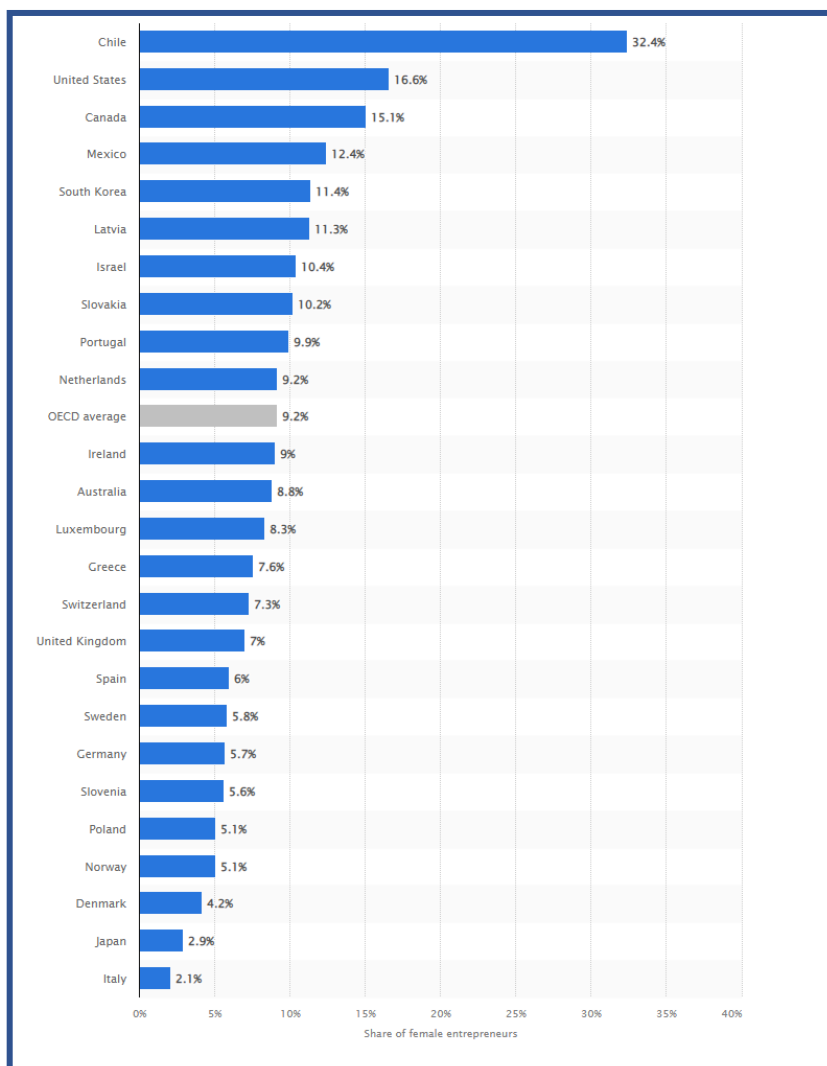
## Introduction

According to BIS, it is estimated that in the UK, women-led SMEs contribute about £85 billion to economic output (Irvine et al., 2022). However, newly incorporated woman-owned companies make up one in five in Scotland (TGI, 2023) and the Covid-19 pandemic impacted female entrepreneurs more adversely than their male counterparts (Stephan et al., 2020).

Based on analysis of Gender Index data 2022-23, all findings highlight significant multi-faceted and dimensional gender gaps across multiple aspects of business ownership and entrepreneurial growth in Scotland and in the UK. These indicate that, as founders of entrepreneurial companies, women experience unequal access to the resources required to set up, sustain, and grow their companies. This is particularly marked for ethnic minority women-led companies.

As shown in Figure 1 below, this picture is, however, similar across OECD countries. The share of female entrepreneurs in OECD countries was less than one in five in 2020 except for Chile which highest share of female entrepreneurs among the OECD countries (32.4%). The UK had a share of 7% which is below the OECD average of 9.2%. In comparison, Canada has 15%, South Korea has 11% and the Netherlands has a 9% share (Statista, 2023).

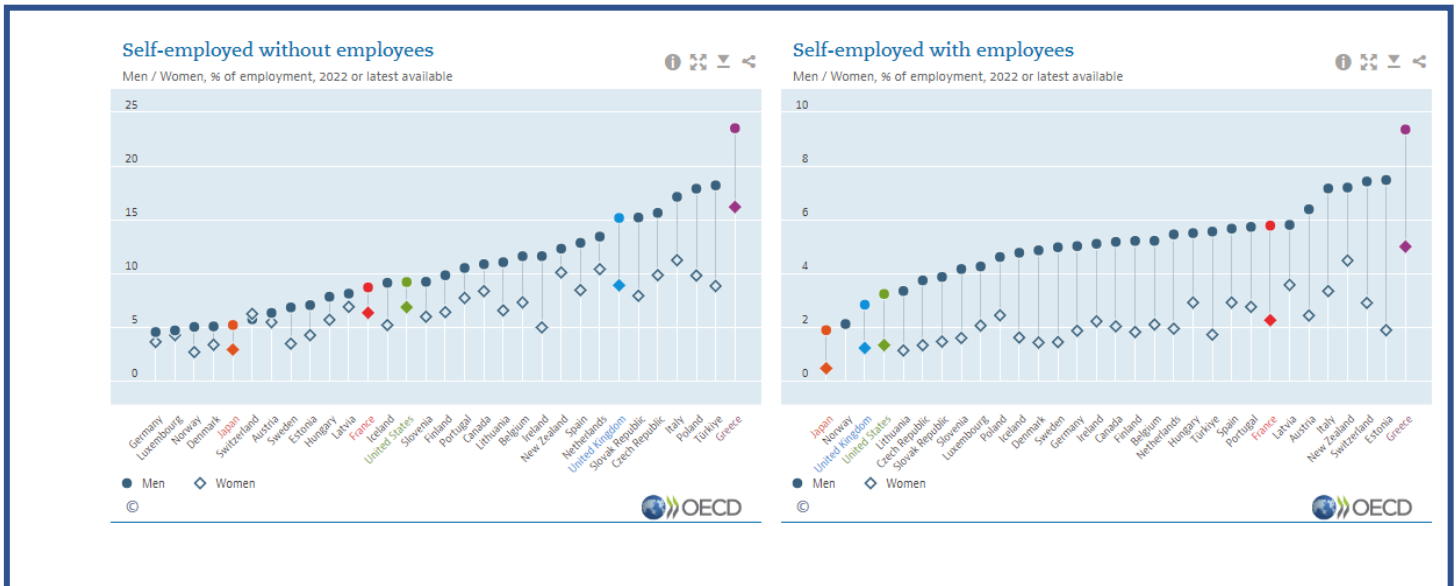
**Figure 1. Share of female entrepreneurs in OECD countries in 2020**



## Gender Gap in Business Ownership

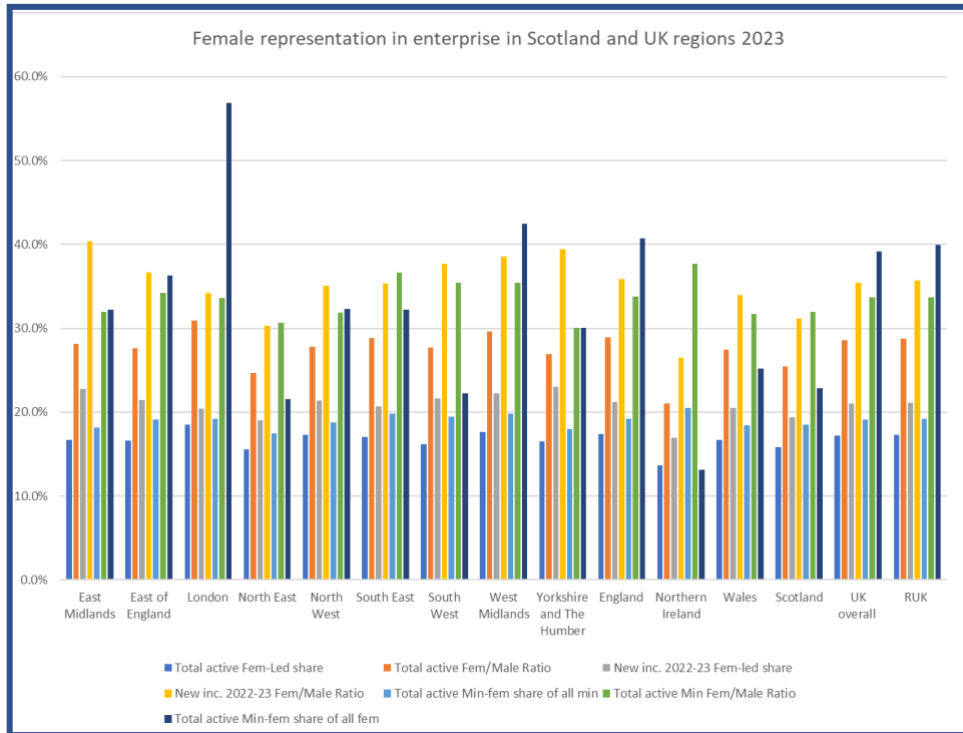
Women are under-represented among the population of global entrepreneurs. Women are less likely to own companies either without or with employees (Figure 2). The gap between women-owned and male-owned companies is persistent across all OECD countries (OECD, 2022) (See Figure 2).

**Figure 2. Women representation in entrepreneurship, OECD**



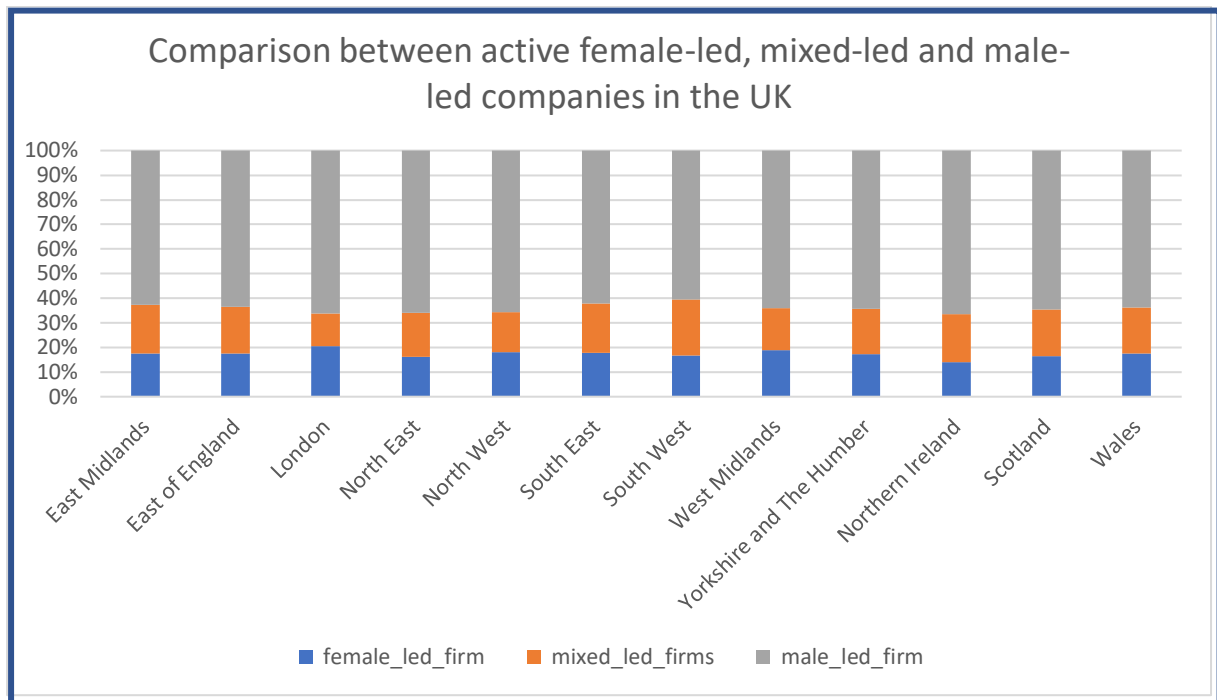
Female representation rate in active companies in Scotland is one of the lowest among UK regions. The Gender Index data shows a clear gap where only 15.8% of companies are female-led. As Figure 3 further shows, deaths notwithstanding, as compared to the stock of total active companies, new incorporation rates were better among females with a slight improvement further between 2022 and 2023. This is consistent across UK regions and translates to a Female to male ratio of 31% in new incorporations compared to 25% in the total stock of active companies. This means that for every one female business, there are four male-led companies in Scotland, but for every three female incorporations in Scotland in 2023, there were 10 male incorporations. This translates to a 5% growth in female led companies compared to a 1.5% growth in male business. Still, while female growth rates are higher, with these rates, it would take around 40 years to approach gender parity in the stock of active companies. Figure 3 further suggests that female representation within minority communities in Scotland is higher than in Scotland as a whole; for every one minority female business there are three minority male companies compared to one to four in the wider Scots population.

**Figure 3: Women’s representation in enterprise in Scotland and UK regions, 2023**



Women’s engagement with enterprise is not limited to women-owned companies; women are also involved in the ownership of family companies which involve ‘mixed ownership’. In Scotland, 18.3% of all companies are mixed-led compared to the UK average of 16.3% . There is a slight decrease from 2022, when this ratio was 18.4% in Scotland (TGI, 2023) (Figure 4).

**Figure 4. The gender gap in active new companies in the UK, TGI 2023**



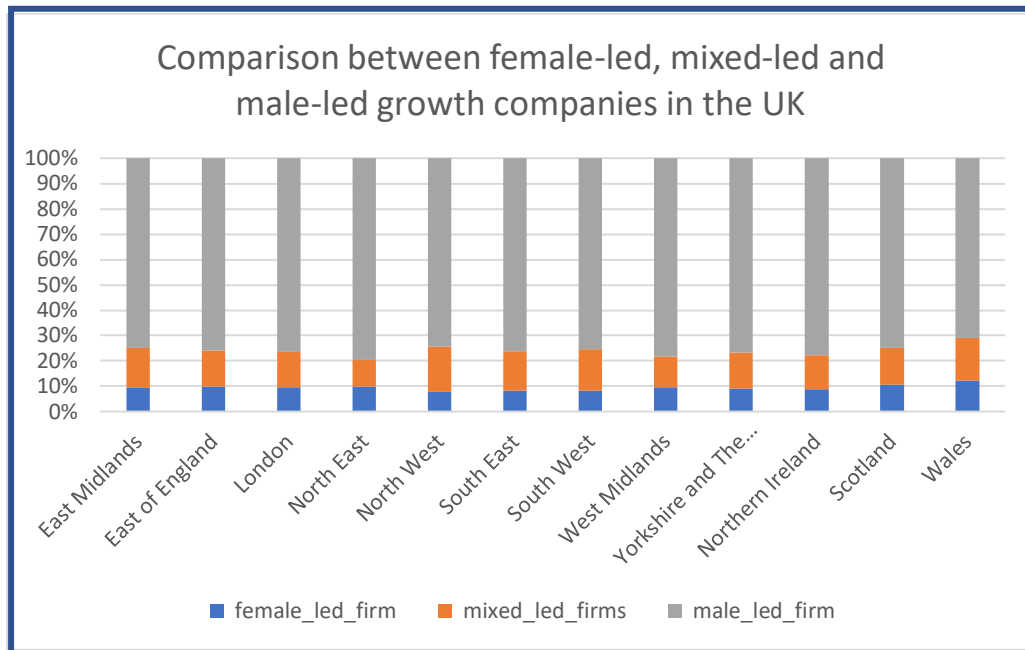
This slight improvement could be explained by push factors such as females being more likely to be made redundant due to the Covid-19 pandemic or the job scarcity in the labour market. According to GEM 2022, women in upper-middle income countries showed the largest pandemic impact on business exit with a 74% increase from 2019 to 2021, compared to 34% for men.

Overall, women have been more vulnerable to Covid-19-related economic effects. Covid had a disproportionately greater negative impact on women’s physical, mental, and economic health and wellbeing. This suggests that the reasons why more women decided to set up new companies in such a challenging context are likely to be a result of ‘push’ rather than ‘pull’ factors, that is, the lack of opportunities in the labour market. Figures show that female redundancies in the UK stood at 178,000 between September and November 2020 - 76% higher than the peak of the previous financial crisis, whereas the figure for men was only 3% higher. At the same time, women took on more caring responsibilities – the Rose Report Progress Update (2022) reveals that women entrepreneurs spent twice as long on caring responsibilities during the pandemic as their male counterparts, meaning that they have less time and resources to engage in their venture and that companies are less likely to recover from challenges.

## Gender Gap in Growth & Securing External Investment

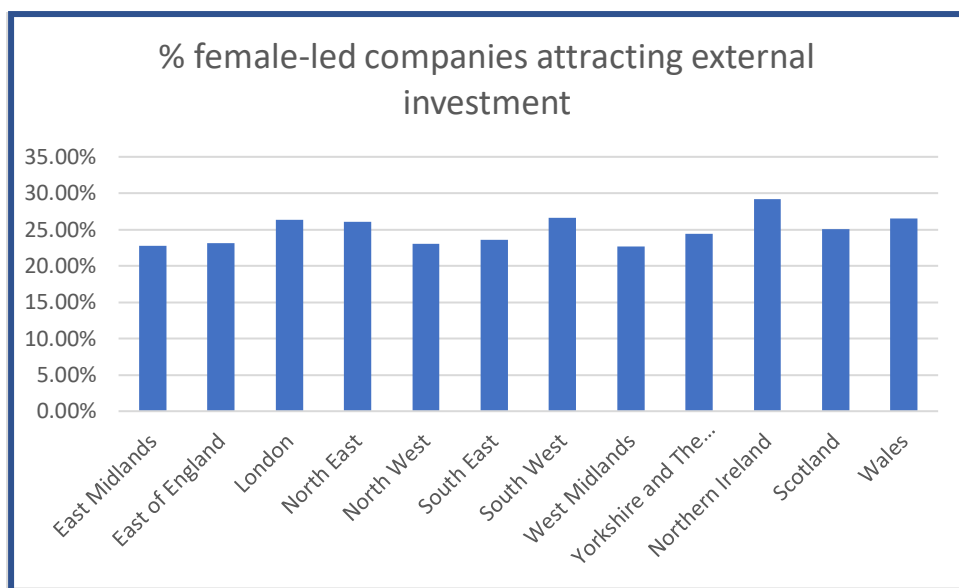
In Scotland, 10.8% of ‘high-growth’ companies are female-led, that is only 85 companies. This is however the second highest across the UK, after Wales (12.1%) (Figure 5).

**Figure 5. The gender gap in growth companies in the UK, TGI, 2023**



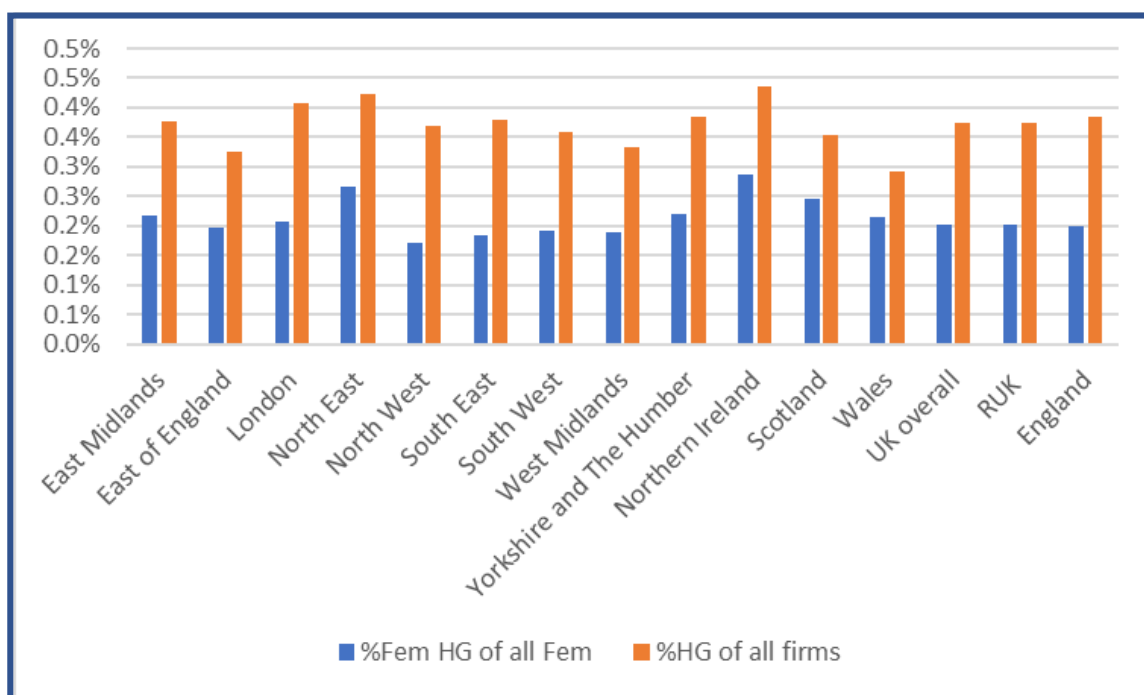
In terms of accessing start-up funding, 25% of active, women-owned enterprises accessed external capital in Scotland in 2022/3 – while this share is higher than the UK average, it equates to only 3.9% of all companies in Scotland (TGI, 2023) (Figure 6).

**Figure 6. The proportion of women-owned companies attracting external investment out of all women-owned companies, TGI, 2023**



Across the UK, only around 0.4% of all companies would classify as High Growth companies. Among female-led companies, however, only 0.2% of all female-led companies are high growth which is around 50% of the national average. Scotland however has the third highest share of female-led high growth companies among UK regions with the female rate at 70% of the Scottish high growth rate, only second to Wales’ 74%. This suggests that the incidence of female high-growth companies in Scotland does not compare too adversely to the male proportion of high-growth companies as compared to other UK regions (Figure 7).

**Figure 7. The proportion of women-owned High Growth companies as compared to the proportion of all High Growth companies in the UK, TGI, 2023**

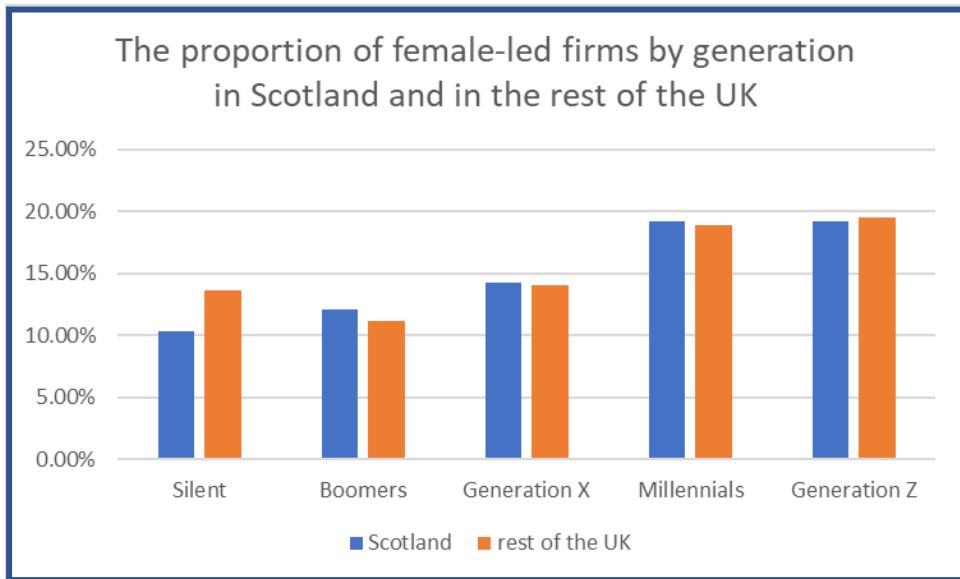


It is also somewhat promising that in Scotland, we find that 19.2% of younger women-led companies (Millennials and Gen Z) secure access to external capital compared to 14.2% for Generation X and 12% for Baby Boomers (TGI, 2023). Although the number of Gen Z-led new companies securing external capital (1.9%) is much lower than Gen X (50.5%) and Boomers (27%), their success rate seems to be higher.

These figures suggest, possibly, that younger generations may benefit from participation in entrepreneurship-related programmes at different stages of education, from primary schools to universities. Exposure of younger generations to entrepreneurship can foster not only entrepreneurial mindsets but a better understanding of how to finance a new venture. However, these numbers must be taken with caution as, among Generation Z, only 20.1% of newly incorporated companies in Scotland are female-led, still showing a gender gap.



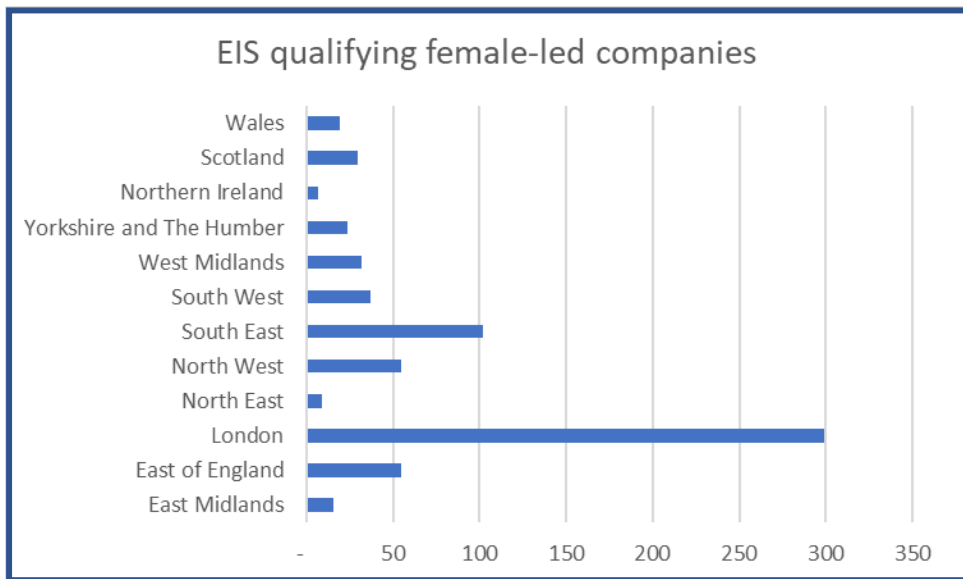
**Figure 8. The proportion of woman-owned companies by generation in Scotland and in the rest of the UK, TGI, 2023**



As observed in Figure 8 above, in Scotland, the Silent generation, and to a lower extent, Generation Z, comprise a lower proportion of female-led companies than the rest of the UK. Conversely, Scotland’s Boomers, Generation X, and Millennials have a higher proportion of female-led companies than the rest of the UK. In terms of absolute numbers, however, Generation X is the most represented generation in entrepreneurship in Scotland, as in the rest of the UK.

Figures also suggest that in 2022/3, 30 active EIS-qualifying female-led companies in Scotland secured external finance, the same number as in 2021/2022 (Figure 9). In 2023, 10.75% of all active EIS qualifying companies in Scotland were female-led. Scotland has a higher proportion than East Midlands (7.80%), North East (8.18%), South West (9.39%) and Yorkshire and the Humber (9.68%) but a lower fraction than Wales (15.83%), and overall, UK (10.98%), RUK (10.99%) and England (10.89%).

**Figure 9. The overall number of active EIS-qualifying woman-owned companies that secure external capital, TGI 2023**



### Conclusion

The underrepresentation of women in entrepreneurship has a direct impact on the economy and there is a need to rebalance the entrepreneurial ecosystem by promoting inclusive entrepreneurship for all under-represented groups. Growth should not be the sole measure of success for entrepreneurial policies and for the vibrancy of entrepreneurial ecosystems. Fostering stable and future-proof small and medium enterprises (SMEs) is healthy for rebalancing economies (e.g., ‘Mittelstand’ in Germany, Austria, and Switzerland). Female-led companies show resilience and contribute to a sustainable economy. There is a need to harness the potential of women and ethnic minority individuals and their social, and economic contributions to local communities and to Scottish society as a whole.

While indications of progress in female enterprise are welcome, reported growth rates are relatively very small relative to the scale of the extant gender gap. Importantly, the interpretation of figures on an annual basis must be treated with caution. Entrepreneurship is impacted by external factors and broader macroeconomic, social, and societal contexts. These contexts significantly impact economic activities, including labour market dynamics, business ownership, and employment. Results should thus be contextualised. Also, data should consider longer periods of time, particularly to observe the sustainability and resilience of woman-owned companies and their continuous contributions to job and wealth creation in diverse regions including rural areas.

In conclusion, the Gender Index data clearly shows that there is a need for improving gender balance in entrepreneurship in Scotland and the UK.

## References

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