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Convener

Finance and Constitution Committee

The Scottish Parliament

Edinburgh

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Derek Bruce,

I am writing to provide you with additional information on a number of issues raised with me at recent evidence sessions with the Finance and Constitution Committee. I have set out further detail on gender pay and the Personal Allowance spillover below. On VAT, a letter from the Chief Secretary to the Treasury, responding to my request to postpone Scottish VAT assignment, is expected in advance of the UK government budget. I will update the Committee when I receive the letter.

Gender pay

At the evidence session on 8 May, I stated that I would provide further detail to the committee on the actions that we have been taking forward to reduce the gender pay gap in Scotland through our [Fairer Scotland for Women: Gender Pay Gap Action Plan](#).

The action plan takes a whole system approach to address labour market inequalities faced by women and aims to tackle the root cause of occupational segregation and stereotyping which restrict career choice and opportunities for girls and keeps women in low paying sectors and jobs. The plan has over 50 actions relating to Early Years and Childcare, School, Further & Higher Education, Training, Employability, Social Security, Employment, Procurement and Economic Development. These actions build on existing work such as expanding free childcare provision; tackling gender stereotyping and encouraging girls to consider a wider range of careers through the Skills Development Scotland and Scottish Funding Council Equality Action Plans. The plan also supports our Fair Work ambition, including by encouraging collective pay bargaining in lower paid sectors dominated by women and by implementing Fair Work First criteria which includes action to tackle the gender pay gap.

Specifically we have also;

- Funded 22 projects with a collective value of £800,000 from the Workplace Equality Fund in 2019/20 which supports employers to deliver innovative solutions to overcome workforce inequalities, including pay gaps.
- Funded Timewise to conduct a feasibility study for a 'What Works Centre for Fair Flexible Work' in Scotland which aims to design, test, scale and embed new approaches to

increasing the availability of flexible working allowing more women to access quality flexible jobs.

- Launched a refreshed [Scottish Business Pledge](#) that has taking action to address gender pay gaps as a core element.
- Published case study research to provide best practice to businesses on the benefits of reducing gender pay gaps [Employer Methods](#)
- Established a cross portfolio Ministerial Working Group to show leadership in implementing the Fair Work, Gender Pay Gap and Disability Employment Action Plans led by the Minister for Business, Fair Work and Skills.

This activity illustrates some of the key actions Scottish Government are progressing to reduce the gender pay gap. A progress report on the actions within the plan will be published in Spring 2020 and I will make a copy available to the committee.

Personal allowance spillover

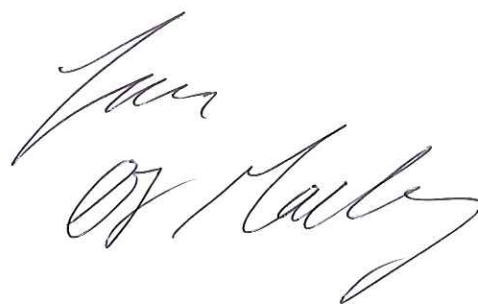
As I noted at the session on 2nd October, I have been unable to make progress with the Treasury since you received the letter from the previous Chief Secretary on 30th May.

HM Treasury has not met Liz Truss's commitment to consider the Scottish Government's analysis of the issue and I have had no confirmation of HM Treasury's view on whether it believes a transfer of funding is due.

As you know, I disagree with the previous Chief Secretary's conclusion that inflationary increases do not constitute spillover effects. In my view, all increases to the Personal Allowance represent spillover impacts. Guidance jointly agreed by the Scottish Government and HMT notes that "policy decisions in relation to personal tax that are not fully captured by the block grant adjustment mechanism" would be considered direct effect spillovers.

In addition, provisions in the Welsh Government's Fiscal Framework explicitly cite increases in the personal allowance as an example of a direct effect spillover. I do not see why this principle would not apply in the context of the Scottish Fiscal Framework.

As I noted at Committee, I accept that the UK Government is very busy at this time but we need a satisfactory conclusion to give us certainty. Once we have HM Treasury's view I will consider next steps and keep the Finance and Constitution Committee informed.



DEREK MACKAY