



Poverty in Scotland 2014: The independence referendum and beyond

Summary Briefing (updated August 2014)

Poverty in Scotland 2014 is a unique publication drawing together the expertise of academics, anti-poverty campaigners and other experts both in Scotland and internationally. It seeks to inform the terms of debate in the run up to the independence referendum, providing the latest facts and figures, setting out the anti-poverty cases of the Yes Scotland and Better Together campaigns, and exploring how other regions and nations have sought to tackle poverty and inequality within a variety of constitutional settlements and in the context of demands for further autonomy. It is published by the Child Poverty Action Group (CPAG), in association with The Open University in Scotland, Glasgow Caledonian University and the Poverty Alliance and with the financial support of the Scottish Council for Voluntary Organisations (SCVO).

Key Facts and Figures

(unless otherwise stated all chapter and table references are from *Poverty in Scotland 2014*.)

Measuring poverty

(see Chapter 3 pp44 – 51, Chapter 5 p87,p90, Chapter 7 p127 -134. Latest 2012/13 figures from Table A1 <http://www.scotland.gov.uk/Resource/0045/00454875.pdf> and <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201213> Table 2.2db)

People are considered as living in poverty if they live in households with less than 60% of median household income. This is the key measure used by UK and Scottish government, and by the EU. Using this measure, and *after housing costs*ⁱⁱ are taken into account, the latest (2012/13) official data shows:

- A single person is in poverty if they are living on less than £130 per week
- A lone parent family with two children (aged 5 and 14) are living in poverty if they are living on less than £269 per week
- A couple with two children (again aged 5 and 14) are living in poverty if they are living on less than £364 a week (i.e. £13 each a day – not a lot to cover food, fuel bills, household goods and transport, never mind school trips, family visits and leisure activities))
- **One million people in Scotland live in poverty (19% of the population).**
- **220 000 children in Scotland still live in poverty (22% of all children).**
- Despite an improving position relative to other European countriesⁱⁱⁱ poverty in Scotland, and across the UK, is **significantly higher than in many**

countries. Using the measure used for international comparisons, based on income before housing costs are taken into account, 150 000 children in Scotland live in poverty - 15% of all children. In Denmark just 10.2% of children live in poverty whilst in Norway 9.4% do^{iv}.

Is poverty rising? (see Chapter 5 Table 5.1 and p96 and Chapter 7 table 7.1)

Real progress has been made in reducing the numbers of people living in poverty, specifically among children (falling by 160 000 between 1996/97 and 2011/12, a 44% fall in total) and pensioners (down by nearly two thirds since 1996/97). These trends follow dramatic increases in poverty between 1979 and the mid 1990's and reflect the success of a range of specific policy interventions. A continued fall in poverty between 2009/10 and 2011/12, despite the economic downturn and wider austerity measures, has reflected the fact that as median incomes fell the incomes of low incomes households were protected, at least in part, as a result of previous investment in benefits and tax credits and their uprating in line with inflation. This protection has now been removed with cuts to benefits and the way in which they are uprated. Independent modeling now forecasts that, as a result, **there will be massive rises in poverty in the coming years. In Scotland alone up to 100 000 children will be pushed into poverty by 2020^v. The latest 2012/13 figures already show an increase in child and whole population poverty^{vi}.**

Is inequality reducing? (Chapter 6)

A key theme emerging in previous editions of *Poverty in Scotland* was that policy was ignoring the wide gap between rich and poor, failing to take account of the link between high levels of inequality and poverty. **Since 2007** the SNP government in Scotland has set a 'high level solidarity purpose target' to reduce income inequality in Scotland by 2017. However **as yet income inequality has not fallen**, and recent and projected trends suggest that without substantial policy changes it is unlikely that income inequality will reduce dramatically (p111).

Who lives in poverty? (Chapter 7)

Alongside children, certain groups of people are at particular risk of poverty. These include lone parents, people who are not working, people affected by disability and people from some minority ethnic groups. The scale and intensity of poverty also varies with place. Glasgow still has a disproportionate share of Scotland's poverty. However, large numbers of people in poverty live in areas with lower overall concentrations of poverty. More people are income deprived in Edinburgh than in any other local authority area except Glasgow and North Lanarkshire. Poverty is also prevalent in rural Scotland, particularly in relation to the material deprivation of older people. A local child poverty map published by End Child Poverty found almost every Scottish local authority contains wards where more than 1 in 5 children live in poverty^{vii}.

What causes poverty? (Chapter 4)

Individual behaviour is found to be of limited value in explaining the extent of poverty in Scotland. Neither can poverty be reduced to the status of a

straightforward economic outcome – even when Scotland’s economy grows poverty remains widespread. In fact **a combination of social, political and economic factors and choices drive the nature and extent of poverty**. The key drivers of poverty are inequality, low pay, inadequate benefits, poor quality work opportunities and lack of support for those with caring responsibilities, ill health or effected by disability.

What is life like for people living in poverty? (Chapter 8)

A lack of money leads to the threat of falling into debt, choosing between necessities, going without basics, frequently being caught up in a cycle of ‘dead-end’ jobs, and being unable to save. For children it means, for example, having less access to safe play space (table 8.11), and being less likely to participate in arts and drama, sports or other outdoor activities (Table 8.12). Whilst financial inclusion policies have led to improvements in access to basic financial products **well over a third of households with incomes of less than £20k still have no savings** (Table 8.1). These households are also **less likely to have the means to fully participate in society** more generally, for example around **half still having no home internet access** and over half having no car available to them (8.2). What’s more they are far **more likely to be living in fuel poverty**, spending a disproportionate level of already inadequate income on basic energy bills (8.3).

Not surprisingly **poverty means lower levels of mental wellbeing, shorter life spans and more years of ill health**. Women in the lowest 20% of household incomes are twice as likely, and men over **three times as likely, to have a ‘possible psychological disorder’**, than those in the highest 20% and men in the 20% poorest households are **eight times more likely to assess their general health as ‘bad or very bad’** (24% of them doing so) than those in the top 20% (3%) (see Table 8.5). What’s more men living in the most deprived areas have a **life expectancy eleven years shorter** than those in the 20% least deprived areas of Scotland (Fig8.1) and women from the most deprived areas can expect to spend 24 of their 77 years ‘not healthy,’ compared with women in the least deprived areas who spend 14 of their 84 years ‘not healthy’ (see p145) .

Poverty, inequality and the referendum

Poverty in Scotland 2014 highlights the increasing degree to which poverty and **issues relating to social welfare have become central to the debate around Scotland’s constitutional future**, reflecting both recent reaction to current UK welfare ‘reforms’, the role the welfare state has played in binding the UK together, longstanding distinctions in approaches to welfare provision in health, education and social services and increasing divergence in the degree to which the principles underpinning the post 1945 welfare state remain key to the provision of public services. Against this backdrop the **Better Together** case (Chapter 10), argued by Professor Jim Gallagher, is that the UK ‘social union’ alongside the political and economic union , offers the best platform for solidarity to be maintained with ‘the common risks of everyday life’ ameliorated by ‘pooling

resources across a wider community.’ What’s more, it is argued, devolution provides education, health and housing levers that could already be used to greater effect to tackle poverty if the ‘capacity to imagine things can be better and the political will’ were there. On the other hand Cailean Gallagher argues for **Yes Scotland** (Chapter 11) that rather than pooling resources for common benefit the current Union works to ‘pull the wealth from the people who produce it’ reinforcing poverty and inequality. Scotland has both the economic and fiscal capacity to eradicate poverty, it is argued, and tax and welfare should be located in Scotland to better align with devolved Scottish policy areas, where the fight against poverty is, it is claimed ‘at the heart of our politics’.

International perspectives

Poverty in Scotland 2014 draws on **international perspectives** to understand how other regions and nations have sought to tackle poverty and inequality within a variety of constitutional settlements and demands for further autonomy.

A chapter on **Germany** analyses how a federal system has attempted to maintain common living standards at the same time as decentralising power. It highlights how federal law and some financial support has encouraged regional *Länder* to introduce sufficient childcare to decrease poverty levels, yet strained resources are producing a postcode lottery of provision. In **Canada** it appears that whilst provincial autonomy opens up space for positive anti-poverty policy development, without strong national commitment and co-operation there is a risk of families falling through the net in provinces with less developed social welfare infrastructure. A chapter on poverty and social security in **Belgium** is a reminder that generous social security and federalism are not necessarily happy bedfellows. Contributions from **Catalonia** and the **Basque country** highlight the very different responses to poverty and inequality that can develop alongside demands for greater autonomy /independence, with evidence from Catalonia suggesting ‘political self-determination is not intrinsically socially progressive’ whilst the Basque country has used its devolved powers to develop ‘a public income guarantee scheme’ and a ‘more robust and ambitious anti-poverty policy’ than either other regions, or the central Spanish government. The **Nordic** countries attract considerable international interest as having a model that creates conditions for a flexible and competitive economy alongside adequate welfare provision and low levels of poverty. However Nordic countries are not without their problems and, focussing on responses to very varied rates of youth unemployment across the region, Chapter 11 shows how lessons can be learned from traineeship programmes in Denmark and Norway, whatever the outcome of Scotland’s referendum. Finally it is argued that Scotland can ‘learn most from what **Ireland** did not do’ Chapter 26 highlighting how ‘Employment will never be the only route out of poverty, Irish experience show that income supports or social transfers are crucial. Maintaining public support for adequate income supports is vital’ (p286)

Principles for a more equitable Scotland

Section Five of *Poverty in Scotland 2014* presents principles across a range of issues that have been identified as necessary for a strong, cohesive and more equal Scotland, whatever the outcome of the independence referendum.

Taxation (p184,pp217-222): key powers relating to VAT and income tax and their potential role in tackling inequality and poverty are currently reserved forming a strong strand in arguments in favour of independence. At the same time however others have explored elsewhere how existing devolved powers might be used to tackle inequality more effectively, for example by reducing council tax for lower council tax bands and increasing it for higher bands^{viii}. In Chapter 17 it is argued that progressive forms of income tax focussed on the highest earners can have a marked impact on income inequality.

The labour market (pp210-215): The structure of the labour market plays a large part in the generation of poverty. Chapter 15 challenges a political consensus that fails to challenge the ineffective regulation of the labour market that is a key factor behind disproportionate levels of low wage employment, underemployment and falling wage share. More must be done at every level to invest in jobs, services and quality labour activation policies as well as understand better the impact of a weak labour market on disadvantaged groups. Increasing the national minimum wage, and extending the living wage, are also required whilst ‘the best and most efficient way to increase wages would be for collective bargaining coverage to grow to Nordic proportions.’

Universalism (pp188-195): Universal services and benefits are increasingly challenged yet Chapter 13 draws on comparative material to demonstrate how universal benefits achieve better outcomes for all, with the poor less stigmatised, higher take-up achieved, gender equality improved and economic efficiency increased. It is, the international evidence suggests, not because high performing states are successful that that have generous strong universal welfare states but the reverse, ‘inclusion and cohesion are the fundamentals for success.’

Local approaches(pp196-203) Where local anti-poverty strategies are well developed there is evidence of innovation and impact, but despite anti-poverty objectives forming part of national priorities for local authorities and their partners, Chapter 14 identifies that the increased decentralisation of anti-poverty policy in Scotland poses real risks for those living in areas where resources or political will are lacking. More action is need to ensure tackling poverty is seen as ‘core business’ at local as well as national level and that every resource allocation is evaluated for its impact on poverty and inequality.

Participation (pp204-209) Chapter 14 presents clear evidence that involving people with direct experience of poverty can, and must, play a key role in the

development of anti-poverty policy. However such participation requires ring-fenced resources and greater legislative support to ensure the 'democratic deficit' in the relationship between poorer communities and government is genuinely addressed.

Gender equality (229-235): There have been significant developments in terms of recognising and tackling inequalities and creating gender equality, but much remains to be done to ensure equality aspirations translate into actual policy. A stubborn gender pay gap endures, key training schemes disproportionately benefit men and there is 'evidence of failure of government at all levels in Scotland and the UK to develop effective equality impact assessments...and meaningful equality outcomes.' Looking forward, Chapter 19 points to other states and regions that have taken bolder steps within their budget processes to promote gender equality.

Inclusion: asylum seekers and refugees (pp223-235): Poverty has become an almost automatic outcome of the asylum process but Chapter 11 argues that this does not have to be the case. Removing policies and practices that produce negative outcomes should be the guiding principles, building on the more positive policy discourse in Scotland. Action to ensure asylum seekers have the right to work, further work on skills recognition and early language support are all identified as areas for positive action.

Conclusions

In a concluding chapter it is argued that whilst Scotland has undergone significant change since the first editions of *Poverty in Scotland* in the early 1990s it remains a highly unequal country. The full powers of the existing devolution settlement have yet to be deployed in addressing inequality and poverty, but it is also argued that the tone of debate in Scotland, in 'no small part due to the independence referendum,' is positively different from that taking place elsewhere in the UK, with notions of 'welfare' regaining some of their more positive meanings and connotations. Whatever the outcome of the referendum the debate on the constitutional future has provided forum and opportunity to explore the makings of a new approach to tackling poverty and inequality, with the contributors to this book opening up new ways of thinking about the issues as well as learning from other countries that other ways of doing things are possible.

ⁱ *Poverty in Scotland 2014* is available from http://onlineservices.cpag.org.uk/shop/policy_books.

ⁱⁱ Government measures for tracking progress on poverty use a *before house costs* measure. *After housing costs* measures give a better indication of disposable income, better reflecting lived experience of poverty.

ⁱⁱⁱ See comparison with *Poverty in Scotland 2011* p70 Fig 5.3

^{iv} International comparisons are for 2011 on a before housing costs basis under which 15% of Scotland's children live in poverty. *Poverty in Scotland 2014* see Chapter 5 Figures 5.3, p90 and 5.6, p94

^v *PiS 2014* p13/14 Figures drawing on <http://www.ifs.org.uk/bns/bn144.pdf> (p27 table B.2 Column 1) The proportion of children living in relative child poverty (after housing costs (AHC)) is forecast to increase from 19.6% in 2011/12 to 26.2% in 2020 - between 50 000 and 100 000 additional children pushed into poverty by 2020. Using the government's preferred 'before housing costs' measure the forecast increase is from 14.8% to 20% - around 50 000 more children in poverty.

^{vi} Table A1 www.scotland.gov.uk/Publications/2013/06/2493/0

^{vii} [http://www.endchildpoverty.org.uk/images/ecp/130212%20ECP%20local%20report%20final\(2\).pdf](http://www.endchildpoverty.org.uk/images/ecp/130212%20ECP%20local%20report%20final(2).pdf)

^{viii} E.g. D Bell, D Comerford and D Eiser in *The Economics of Constitutional Change*, ESRC, 2013