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Poverty and Inequalities in Scotland Ten Years of Devolution

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Conclusions

It is questionable how far the devolved institutions in the UK are able to deal with the complex nature of the inequalities given their limited powers. Anti-poverty policies in Scotland have evolved in response to the changing political and economic climate but so far have been determined principally by the political ideology of the UK government. How far the current minority Scottish National Party government will be able to implement a new approach remains to be seen¹⁰.

Key questions for debate

- Can income inequalities in Scotland be addressed effectively given current devolved powers?
- What measures are required (and possible) to distribute wealth and income more equally across Scotland?
- Are income maximisation measures sufficient to reduce poverty and income inequality in Scotland?



About the authors

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“ This paper examines the impact of Scottish devolution on poverty and income inequality for particular groups in Scottish society.”

Key Points:

- Scotland has held a range of devolved powers since 1999. While responsibility for employment policy and social security policy are reserved by Westminster, the Scottish Government has control of health, education and training, local government and housing and regeneration policy.
- The income of the richest 10% of people in Scotland is approximately the same as the total income of the poorest 50%. In addition, almost half of those living in low income households are working age adults without dependent children. A significant proportion of these adults are in work.¹
- A new approach to social inclusion and anti-poverty policy is being adopted by the Scottish Government, with a change of focus to reducing income inequality and a new language around fairness and cohesion. A target has been set which seeks to 'increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017'.
- The inclusion in policy of those in the third lowest income decile implies a commitment to increasing the incomes of pensioners and lower paid workers. This in turn requires a new policy solution to meet the needs of the groups located in the third lowest decile.
- Income can be redistributed through a range of possible redistribution measures. Changes to personal taxation, supplementing welfare benefits and the importance of the public sector as an employer and a service provider are among the possible ways to address income inequalities in Scotland.

References

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Introduction

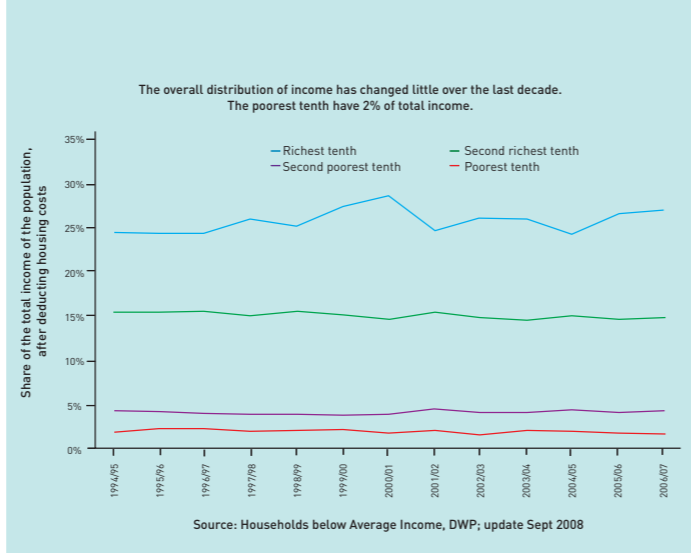
This paper examines the impact of Scottish devolution on poverty and income inequality for particular groups in Scottish society. The powers of the Scottish Parliament to influence the gap between the richest and poorest in Scotland are limited in relation to economic policy and welfare provision. However, there is scope to address health inequalities; improve educational attainment and regenerate deprived neighbourhoods.

Scotland also has a distinctive population profile - with larger families, an older population, and more people who have a disability. These factors also influence the potential to reduce inequalities and improve incomes among those who are not able to move into fairly paid secure work². This paper will outline how income is distributed across Scotland and contribute to debates on what can be done to reduce income inequality.

- a resistance to quasi-privatisation through the rejection of foundation hospitals and continuing commitment to comprehensive education; and
- the development of a more co-operative approach to monitoring public service performance and targets for local authorities, with less reliance on league tables.

Income inequality in Scotland

Figure 1: Total Income over time⁴



Current policy issues

Since May 2007 the minority SNP government has adopted a different approach to social inclusion and anti-poverty policy with a focus on inequality and new terminology around concepts such as fairness, cohesion and solidarity being introduced. Targets relating to solidarity and cohesion have been created and a range of policies is currently under development to meet these targets. Central to the Scottish Government's approach is a Concordat between national and local government which gives greater autonomy to local authorities and community planning partnerships in the implementation of policies.

The main features of the Scottish Government approach to tackling poverty are⁵:

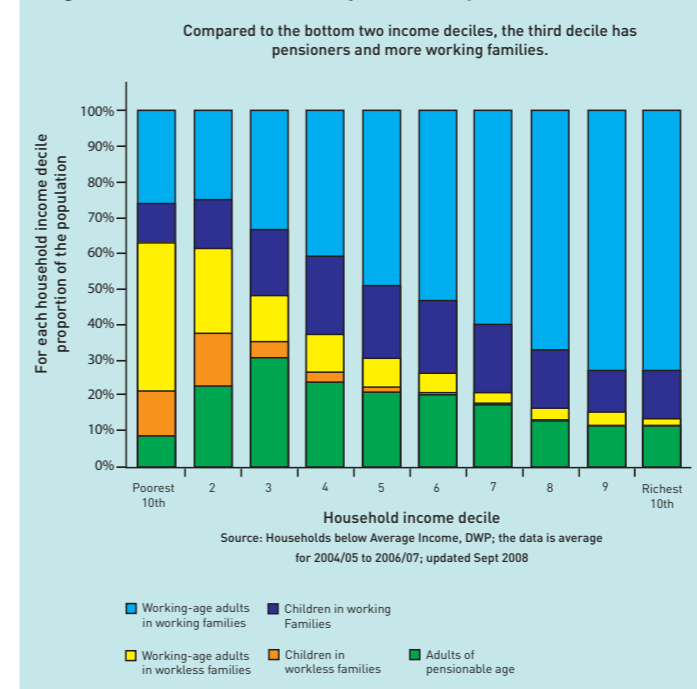
- increase incomes of those in the bottom three income deciles;
- reduce inequality of income;
- no further redistribution through taxation;
- attempt to devolve more power from Westminster on reserved matters;
- increased roles for local authority implemented through Single Outcome Agreements; and
- free school meals to be phased in for all primary school pupils.

The solidarity target is central to future debates on poverty and inequality. This aims to increase the wealth of the bottom three deciles. However, as the Monitoring Poverty And Social Exclusion In Scotland (2008)⁶ report demonstrates, the inclusion of the third lowest income decile significantly alters the profile of those who are the focus of anti-poverty measures⁷.

The broadening of policy focus to include those in the third lowest income decile presents a number of challenges for policy implementation. Those in the third lowest income decile have different characteristics to those in the bottom quintile, as it includes almost twice the number of pensioners as well as a significant number of lower income working families.

In addition, approximately one sixth of those in the third lowest decile are of working age but not in work.

Figure 2: Household Composition by income level⁸



This raises questions of how the Scottish Government will address income inequalities across these groups as they have different needs. This widening of policy focus is an example of the Scottish Government's failure to explain how inequalities will be reduced across income groups by the measures it has so far proposed. Sharing the total income in Scotland more evenly requires accepting that some groups or income deciles will have their income reduced through redistribution; but this is not a conclusion the Scottish Government has been willing to accept.

Relative Poverty in Scotland 2006-07*

840,000 (17%) people live in relative low income poverty – this includes:

- 210,000 children
- 440,000 working age adults
- 180,000 pensioners

Source: Scottish Households Below Average Income, 2006/07 published 10 June 2008.

*Relative poverty refers to the number and proportion of children in households whose equivalised income before housing costs is below 60% of median income in the same year. These figures are calculated before housing costs are taken into account

Devolution and policy

Between 1999 and 2007 the Scottish Executive followed a similar course to the Westminster Government in terms of anti-poverty policy. The emphasis was placed firmly on broader principles of social justice rather than a simple focus on poverty and low income. Labour market participation was viewed by both administrations as the main route out of poverty³.

Scotland already had some autonomy before devolution, which was extended after 1999. Control over health, education and training, local government, housing and regeneration was passed to the new Scottish Executive. Responsibility for employment policy and social security policy was reserved by Westminster.

The main areas of policy divergence between Scotland and Westminster have been:

- the introduction of free personal care for elderly people in Scotland in 2002;
- the development of a new system for funding higher education for students which has now been further developed by the Scottish National Party when it abolished the need to pay back tuition fees;

Anti-poverty Policy Development in Scotland

There are roughly four stages to the development of social inclusion and anti-poverty policy in the devolved Scotland:

- 1 **The Scottish Social Inclusion Network** was inherited from the Scottish Office; this attempted to move away from the Westminster model of policy making and was in place until after the May 2003 election.
- 2 **The Social Justice Strategy** which included a number of **Social Justice Milestones**, while similar to the UK government's Opportunities for All programme, represented the first attempt to address social issues with a distinctive Scottish policy agenda.
- 3 **Closing the Opportunity Gap (CtOG)** was launched in 2004 as a replacement for the Social Justice Strategy and drove social inclusion policy in Scotland until 2007.
- 4 **Achieving Our Potential: A Framework To Tackle Poverty And Income Inequality In Scotland** sets out the current Scottish Government's commitment to action on poverty and inequality. This is strongly linked to the Government Economic Strategy, which includes the following target: '[To] increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017'

So what can be done?

The evidence presented above highlights the complex nature of poverty and income inequality in Scotland. The direction of policy needs to be considered carefully in order to ensure that any reduction in income inequality is not at the expense of other disadvantaged groups. There are three possible ways of redistributing income across Scotland⁹:

Personal taxation

- reforms to Council Tax system
- taxation of unearned income
- targeting non-domiciles through local income tax
- corporation tax/ tax on capital flows

Welfare

- supplement welfare payments e.g. 'top-up' Child Benefit
- introduce universal free school meals
- phase out prescription charges

Public Sector

- use government expenditure to ensure all public sector employees and contracted workers receive a living wage. For example, Glasgow City Council recently announced the launch of the "Glasgow Living Wage" initially set at £7 per hour
- ensure local authority and public sector bodies act consistently with Scottish Government goals on reducing inequalities