



Poverty and Inequality Commission Priorities and Work Plan

BACKGROUND

The Poverty and Inequality Commission was set up to:

- provide advice to Scottish Government
- monitor progress in tackling poverty and inequality and hold the Scottish Government to account for its progress
- take on an advocacy role, for example, working with business and wider society to promote the importance of particular issues

The Commission in its current format will come to an end at the end of June 2019 and a new statutory Commission will be established at the beginning of July 2019. This paper sets out the work plan that the current Commission will undertake up until end June 2019 and identifies a range of issues that the future Commission may wish to explore.

The Commission's approach to its work is shaped by three main factors. These are:

1. Honesty – about the scale of the problem, the extent of ambition, level of resources and the reality of what is going to be achieved
2. Being solution-focused – the Commission's role is not just to describe the problem, data and evidence needs to lead to solutions
3. Experience – the Commission's work needs to be shaped by, and have impact for, people who have a range of different lived experiences. It also needs to be shaped and informed by people with professional experiences in relation to poverty and inequality.

In its work the Commission aims to keep a focus on people as well as numbers, recognising that some groups of people may be at higher risk of poverty or may experience poverty differently from others, and that a focus on reducing the numbers in poverty overall must not lose sight of these different experiences.

PART 1: WORK PLAN 2018-2019

The work plan is divided into three parts to reflect the three elements of the Commission's role: to provide advice, to monitor progress and hold the Scottish Government to account (scrutiny), and to take on an advocacy role.

Advice

The Commission provides advice, as requested, to Scottish Government on matters relating to poverty and inequality. These advice requests come as a formal request

from the Scottish Government. The Commission's first advice to Scottish Government was on the Child Poverty Delivery Plan and was published in February 2018.

The Commission is currently preparing advice for Scottish Government on the role of local authorities, social enterprise and the third sector in providing after school and holiday care and responding to school holiday food insecurity. It is looking at how relevant policy commitments could best be delivered in tandem to complement each other.

Future requests for advice, along with the advice itself, will be published on the Commission's website. The Commission will monitor progress on the areas covered by its advice as part of its scrutiny role. In particular, over the coming months it will monitor the Scottish Government's progress in developing an income supplement for low income families.

Scrutiny

The Commission has agreed to focus its scrutiny on four areas. These are:

- Monitoring progress with implementation of recommendations made by the Independent Advisor on Poverty and Inequality in *Shifting the Curve*.¹
- Examining the Scottish Budget to consider the likely impact of the Government's overall spending on tackling poverty and addressing inequality.
- Monitoring progress in delivering the commitments set out in *Every Child, Every Chance*², the tackling Child Poverty Delivery Plan, and the progress that is being made towards achieving the Child Poverty targets.
- Reviewing statistics on poverty and inequality in Scotland and drawing this together with evidence of people's lived experience of poverty and inequality.

This will provide a continuous programme of scrutiny throughout the year and result in four published reports. Scrutiny reports will be published on the Commission's website.

Advocacy

The advocacy part of the Commission's remit allows the Commission to develop its own work plan. In identifying the priority areas for its advocacy work the Commission has been structuring discussions around three broad themes:

1. Wealth Inequalities: What should be done to address wealth inequalities?
2. Household Income: What should be done to raise the incomes of the poorest households?

¹ <https://www.gov.scot/Publications/2016/01/1984>

² <https://www.gov.scot/Publications/2018/03/4093>

3. Household Expenditure: What should be done to reduce costs for those on the lowest incomes?

The Commission agreed that whatever priorities were identified, they would be looked at through lenses such as age, gender, disability, ethnicity, and geography, which will cut across all the priorities. It was also decided not to focus on specific issues such as tax or social security, but to look at what role these might have in addressing the priorities that are identified.

Further details of the Commission's approach to identifying its priorities are set out in part two of this paper.

The Commission has identified priority areas for its work up until end June 2019 which are set out below. Part two of this paper sets out in more detail the issues that were raised in Commission's discussions and outlines potential future priorities for the statutory Commission from July 2019.

Advocacy priorities for 2018-19

1. Wealth inequalities: Housing wealth inequalities

Evidence shows that levels of housing wealth inequality are high and are set to increase. In 2012/14, the richest 10% of Scottish households owned 42.5% of household property wealth, while the bottom 50% of Scottish households owned 5.4% of property wealth. Rates of home ownership among 25-34 year olds have been declining³, meanwhile private rents are increasing and estimates suggest that around 1 in 20 of the adult populations in Scotland could be private landlords.⁴ There are also significant inequalities in housing wealth by area, with the average house prices in Edinburgh more than twice that in North Lanarkshire.⁵

Housing wealth inequalities matter because they impact on access to and cost of housing for those on low incomes, and the passing on of wealth through inheritance which is likely to exacerbate inequalities.

There is potential for the Commission to start a debate in Scotland on these issues and to engage stakeholders in developing solutions. We have not identified any significant work going on in Scotland to look at the impact of housing wealth inequalities and what could be done to address this. The Scottish Government has powers in relation to housing and tax that could be used to address housing wealth inequalities.

³ <https://www.resolutionfoundation.org/app/uploads/2018/06/Trillion-pound-pie-web-slides.pdf>

⁴ <http://ubdc.ac.uk/news/2017/november/how-many-landlords-are-there-in-scotland/>

⁵ <https://www.resolutionfoundation.org/app/uploads/2018/06/Trillion-pound-pie-web-slides.pdf>

2. Household expenditure: Transport

The availability, affordability and accessibility of transport and the role that it plays in enabling people to access work, housing, learning opportunities and services was a particular focus in the discussions. This can include both public and private transport, and has different dimensions for urban and rural areas. Different patterns of transport access and use by women are often not taken into account in policy and service delivery. Disabled people face additional costs and barriers in accessing transport.

Discussions with stakeholders suggested this is an area that would benefit from a focus from the Commission. Transport is an area within Scottish Government powers and where there is a role for local government, private sector transport providers and community initiatives. The National Transport Strategy is currently being reviewed so there is potentially an opportunity for the Commission's work to inform future strategy.

3. Household income: In-work poverty

The issue of in-work poverty was raised frequently during the Commission's discussions. Factors such as low pay, low hours, zero hours contracts, insecure work and lack of progression in work all contribute to in-work poverty. This is a priority area for the Commission, however, more consideration needs to be given to which aspects the Commission would be best placed to focus on. There are a number of other organisations, such as the Fair Work Convention, Living Wage Scotland, and Joseph Rowntree Foundation, doing work around these issues and the Scottish Parliament Social Security Committee is also undertaking an inquiry into social security and in-work poverty. It is important that the Commission does not duplicate existing work.

The Commission would welcome feedback on where it could add most value in relation to this priority. The Commission's work on Inclusive Growth may also identify areas for future work.

Additional advocacy work

In addition to the priorities identified above the Commission has also decided to commission research looking at 'inclusive growth'. The Scottish Government is committed to inclusive growth, which it defines as 'growth that combines increases in prosperity with greater equity, creates opportunities for all and distributes the dividends of increased prosperity fairly'. The research will explore what difference the policy of 'inclusive growth' is making to policy design and delivery in Scotland, and look to learn from other countries about how inclusive growth can work in practice.

PART 2: POVERTY AND INEQUALITY COMMISSION PRIORITIES 2018-2021

In order to identify the priority areas for its advocacy work the Commission has looked at three broad themes:

1. Wealth Inequalities: What should be done to address wealth inequalities?
2. Household Income: What should be done to raise the incomes of the poorest households?
3. Household Expenditure: What should be done to reduce costs for those on the lowest incomes?

The Commission agreed that whatever priorities were identified, they would be looked at through lenses such as age, gender, disability, ethnicity, and geography, which will cut across all the priorities.

The Commission held a number of meetings and roundtable discussions with local Fairness Commissions, third sector organisations, academics, think tanks and the Scottish Youth Parliament to discuss which areas it should prioritise. It also commissioned a review of evidence about the views and experiences of people with lived experience of poverty and inequality in Scotland.

The initial findings from all this work were used to inform discussions at the Commission's public meeting in June 2018. The public meeting was attended by a mix of people with lived experience of poverty and inequality, policy makers, academics, third sector organisations and people providing services. The people who came to the meeting were asked for their views about the Commission's priorities.

The Commission secretariat analysed the feedback from all the discussions and evidence from the review and set out potential priority issues. In deciding which topics to prioritise the Commission agreed to take account of:

- The significance of the issue in relation to impact on people's lives and the number of people affected
- The extent to which other organisations are already working on this
- Whether potential solutions are within the power of the Scottish Government
- The potential for the Commission to influence action by Scottish Government or other organisations

1. Wealth Inequalities

Wealth includes property, pensions, savings and investments and physical assets such as cars or televisions. It differs from income because wealth is a stock of assets held at a particular point in time, which could be turned into money if sold, while income is a flow of money received over a period of time, such as wages for employment or benefits. Wealth can be source of income, for example through interest earned on savings or dividends from stocks and shares. It can be used to

improve living standards, to invest in opportunities such as education or businesses, and to provide financial resilience, allowing people to manage unexpected changes in income.

The meetings and round tables that were held to discuss the Commission's priorities demonstrated an interest in wealth inequalities and a sense that wealth inequalities was an area that would benefit from being explored further. There was a big focus on housing wealth including concern about the implications for young people's access to the housing market and the future impact of inheritances from the 'baby boomer' generation. There was some discussion of the balance between 'diagnosing' the problem of wealth inequalities and looking at what action could be taken to reduce wealth inequalities. It was acknowledged that a lot of the powers that are relevant to tackling wealth inequalities, for example inheritance tax and pensions, are reserved, but there was support for looking at what tools existed in Scotland to tackle wealth inequalities, such as property and land value taxes.

In addition to housing wealth, the discussions also highlighted the impact of wealth inequalities on opportunities for young people, rural wealth inequalities and issues of savings and debt. The potential for reducing wealth inequalities through profit sharing was raised; this would allow employees on the lowest incomes to benefit from businesses creating wealth. There were some discussions about what could mitigate the impact of not having wealth, such as providing access to services or establishing savings for children in low income families.

The review of evidence about the views and experiences of people with lived experience of poverty and inequality in Scotland found limited evidence relating to wealth inequalities. Where there was reference to wealth it tended to be in the context of a perception that wealthy people are hostile towards those with experience of poverty. This was often expressed geographically, with reference made to more affluent parts of towns and cities. In relation to savings, there was evidence that people with lived experience of poverty do not have access to a safety-net of savings to deal with unforeseen circumstances.

At the public meeting some participants suggested that it was important to have conversations about wealth in Scotland and talk about why inequality can be damaging for everyone. The issue of savings and having a 'fall-back' when things go wrong was also raised. Savings were seen as enabling people to take advantage of opportunities such as training or education (sometimes described as the ability to 'take risks') and being linked to a sense of security and wellbeing. There were discussions about the particular wealth inequalities that rural areas experience in relation to land ownership. The need to find ways to tax wealth came up repeatedly, particularly in relation to property and land.

Issues the Commission could look at based on the discussions and evidence

Based on the discussions at the roundtables, meetings and public meeting, and the evidence review, there are a number of issues that the Commission could look at.

1.1 Housing wealth inequalities

Housing wealth is made up of the value of all property someone owns (their main residence and any other property owned) less any debt on the property, such as a mortgage. In 2012/14, the richest 10% of Scottish households owned 42.5% of household property wealth, while the bottom 50% of Scottish households owned 5.4% of property wealth. This matters because it impacts on access to and cost of housing for those on low incomes, and the passing on of wealth through inheritance which is likely to exacerbate inequalities.

1.2 Rural wealth inequalities

Rural wealth inequalities have a specific dimension because of the impact of land ownership in rural areas. Research suggests that 432 landowners own 50% of private rural land in Scotland.⁶ This represents a structural inequality in Scotland, but also impacts on opportunities for economic participation and housing costs.

1.3 Savings

Savings can provide a crucial safety net for those on low incomes to enable them to cope with financial shocks and also to take advantage of opportunities such as changing jobs, or undertaking education or training. In Scotland more than half of households in the poorest two fifths of the population have no savings or investments and 22% were facing problem debt.⁷

1.4 Inheritance

The Resolution Foundation have argued that what someone inherits, rather than what they earn, is set to become more important in determining lifetime living standards in the years ahead. Inheritance tax revenue raised from Scottish estates rose by 31% in just three years up to 2016-17.⁸ This increase in inheritance will entrench and exacerbate existing wealth inequalities.

1.5 Profit sharing

Much of the discussion about reducing wealth inequalities considers how wealth can be redistributed to reduce inequality and raise money for services. An alternative approach raised in the discussions was to consider how the benefits of wealth creation could be shared at the point it is created through greater sharing of profits with employees.

⁶ <https://landcommission.gov.scot/wp-content/uploads/2018/03/Land-Lines-Land-Ownership-Peter-Peacock-March-2018.pdf>

⁷ <https://www.jrf.org.uk/report/poverty-scotland-2017>

⁸ <https://www.resolutionfoundation.org/app/uploads/2018/06/Trillion-pound-pie-web-slides.pdf>

2. Household Income

Discussions about household income in the roundtables and meetings looked at work and social security as the two main drivers of household income. In-work poverty and the factors that can lead to this - including low pay, zero hours contracts or not being able to get enough hours, and being self-employed - were a particular focus. There were discussions about the importance of Fair Work, and particular aspects including the Living Wage, and the importance of training and progression in work. Social security – both those aspects controlled by Westminster and the new Scottish social security powers – was also explored in the discussions. In particular some participants felt that there was a need to address the problems with Universal Credit, and others encouraged the Commission to contribute to the thinking on the Scottish Government’s development of a new income supplement. Other issues raised included the adequacy of income more widely and consideration of a minimum income standard.

The lived experience evidence review also identified in-work poverty as an important issue and identified a socio-geographical dimension to this, with a perception that whole areas are labelled, causing difficulty for people from those areas applying for jobs. The social security system was also a focus in the review, as benefits form the sole source of income for many of the most vulnerable people and families. The review identified issues around difficulties accessing the benefits system, fear of losing benefits or being sanctioned, confusion about changes, and time delays in receiving benefits. The impact of the fear and uncertainty caused by these factors is described as making people’s health issues worse. The review notes that reliability of income is as important as level of income and that some groups of people, including disabled people, are particularly vulnerable to this insecurity. More broadly the review also highlights issues of dignity, stigma and stress related to living on a low income and interacting with the social security system.

At the Commission’s public meeting many of these issues were reiterated. Uncertainties, delays and sanctions in the social security system, and particularly Universal Credit, were raised repeatedly, along with the difficulties in interactions between work and benefits. People were also keen that the devolution of some welfare powers and the establishment of a new Scottish Social Security Agency was taken as an opportunity to create a social security system in Scotland which raised incomes, ensured people got everything they were entitled to without having to apply for everything separately, and was more accessible, effective and dignified. Information, advice and advocacy were raised as particular issues, with a view that more could be done to make sure people are getting all the money they are entitled to and to help people manage through times of crisis. Participants also identified in-work poverty as an issue, reflecting the concerns raised in the round table discussions, and wanted more to be done on wages, hours, flexibility, training and skills, and progression. They particularly felt there was a role for employers in addressing this that the Commission could look at. There was a lot of interest in the idea of a universal basic income or some kind of minimum income guarantee.

Issues the Commission could look at based on the discussions and evidence

2.1 Training and Progression in work

Training and progression opportunities can enable people to progress from low paid work to better paid, higher skilled work, providing a route out of poverty and providing greater fulfilment from work. Progression can be achieved with an existing employer or by changing employer to get a better paid job. Evidence suggests, however, that many workers, and particularly women and people from minority ethnic groups⁹, remain stuck in low-paid work, and that some sectors/types of workplace offer few opportunities for progression.¹⁰

2.2 Information and advice

The right information and advice about entitlement to benefits and how to reduce costs can help people to get everything they are entitled to, manage budgets and manage through times of crisis. There is investment going into information and advice services and a commitment to a new Financial Health Check entitlement, but feedback suggests information and advice services may not always be reaching the right people at the right time.

2.3 Low pay and low hours

There are 430,000 employees in Scotland (18.4% of all employees) earning less than the living wage; women in particular are more likely to be earning less than the living wage (22%).¹¹ This is particularly concentrated in some industries, for example two-thirds of employees in the “accommodation and food” industry earn less than the Living Wage.¹² The problems of low pay can be exacerbated when hours are variable and income insecure. Even where the living wage is being paid, income can be inadequate if not enough hours of work are available or possible.

2.4 Income adequacy/Minimum Income Standard

Discussions with stakeholders identified a potential issue for further exploration around the idea of income adequacy. The Fuel Poverty (Scotland) Bill, if passed as drafted, will introduce into law a definition of fuel poverty which is calculated based on the Minimum Income Standard which is set by the Centre for Research in Social Policy at Loughborough University along with the Joseph Rowntree Foundation. This provides a potential opportunity to think more broadly about what income adequacy means and whether the Minimum Income Standard could be applied to other areas of Scottish Government policy.

⁹ <https://www.jrf.org.uk/report/entry-and-progression-work>

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/652973/The_Great_Escape_-_Report.pdf

¹¹ <https://www.gov.scot/Topics/Statistics/Browse/Labour-Market/Earnings/ASHE-SCOT-2017>

¹² *ibid*

2.5 New Scottish welfare powers

Eleven benefits are being devolved to Scotland, totalling almost £3 billion, as part of Scotland's new social security powers. There are also powers to 'top-up' reserved benefits and create new benefits. A new Social Security Agency is being established to deliver the new powers, with a commitment to develop a system based on dignity and respect. There are opportunities to look both at how the new powers are delivered and at how the top up and new benefits powers could be used.

3. Household expenditure

Discussions at the round tables and other meetings covered a number of aspects of household expenditure, including childcare, costs of school, food, fuel poverty, the cost of needing to be online to access services, high cost of credit, housing costs and transport. The cost and accessibility of transport and the crucial role that it plays in enabling people to access work, learning and housing was a particular focus. Increasing housing costs, particularly in the social rented sector, and whether housing benefit covers rent were also raised in the discussions.

The evidence review found that the ability to cover the cost of basic needs was a challenge for those on low incomes, despite a focus on budgeting. Many people struggle to access adequate food and heating, which can also have an impact on their health. Having suitable clothing and keeping it clean, along with having basic provisions such as toothbrushes and medicines was also a challenge for some. Children can miss out on social and educational participation because of costs of activities. School related costs such as school uniforms, access to computers and the internet, and school-related activities put significant pressures on family budgets. This can lead to children feeling stigmatised and socially isolated.

The review found that people use a range of strategies to manage poverty, including prioritising spending and going without, for example deciding whether to pay for heating or food, and 'trading down' by buying lower quality food and goods. Another strategy is accessing credit, with a risk of getting into debt as a result. The impact of a financial crisis, such as a cooker breaking down, was also identified as something that could drive families into a spiral of debt. The review highlights how the poverty premium can mean more expense for some households, for example through the use of pre-payment meters with higher tariffs. Some people are also unable to access services because they are required to do so online.

At the public meeting participants suggested that it was important to think about the balance between focusing on expenditure and income, as many of the issues identified in relation to expenditure were ultimately a result of people being expected to manage on inadequate incomes. The discussions reinforced many of the issues coming out of the earlier discussions and the evidence review. Housing costs, food poverty, energy costs, transport costs, childcare and out of school care, affordable credit and the exclusion faced by those who were not online were all identified as important issues. The cost and flexibility of childcare and the impact it has on

parents' ability to work was a particular focus. Some participants emphasised that the Commission needed to think about the specific rural aspects of expenditure, particularly in relation to higher transport costs. The additional costs faced by disabled people were also highlighted.

Issues the Commission could look at based on the discussions and evidence review

3.1 Childcare

Childcare covers childcare provided to babies and children age 0-5 before they start attending school, and out of school care which is provided before and after the school day and during school holidays. The cost, accessibility and quality of childcare and out of school care can be a significant issue for families and a barrier to work.

3.2 Transport

The cost and accessibility of transport and the role that it plays in enabling people to access work, housing, learning opportunities and services was a particular focus in the discussions. This can include both public and private transport, and has different dimensions for urban and rural areas. Disabled people face additional costs and barriers in accessing transport.

3.3 Digital access

It is increasingly common that services have to be accessed online and that the best deals on goods and services are only available online. This creates additional costs for people on low incomes and in some cases will mean that people are not able to access the services or goods at all.

3.4 Role of public services in reducing costs

The provision of access to public services may have a role in reducing the costs faced by households. Free access to leisure facilities, for example, can allow people to focus their budget on other costs. Conversely where services are cut or prices increased this can lead to extra costs or to people being excluded from those services completely.

3.5 Affordable credit

Many people on low incomes only have access to high cost credit, which means they can end up paying much more for goods such as washing machines and cookers and can risk ending up in spiralling debt because of the cost of repayments. Access to affordable credit can help people manage financial pressures and fluctuations in income.

Other issues

In addition to focusing on the three themes of wealth inequalities, household income and household expenditure, there were a number of other issues raised during the Commission's engagement on priorities that the Commission may also want to look at.

Public attitudes and stigma, in particular, came out strongly from the evidence review and the feedback from the public meeting. Some people on a low income feel that they are judged and stigmatised and the language used about poverty, particularly in the media, can reinforce stigma. People suggested that the Commission had a role, alongside Scottish Government and other organisations, in changing how people think about and talk about poverty in Scotland.

The impact of poverty on mental health and the sense of hopelessness that poverty could create was also raised. The stresses and uncertainties of interacting with the social security system were particularly highlighted as having a negative impact on mental health.

These are things that other organisations are looking at, but it will be important for the Commission to consider how they are addressed in the work of the Commission.

Some of the other issues identified during the Commission's engagement about its priorities are also being picked up through the other elements of the Commission's work. Food insecurity and out of school care were two of the areas identified and the Commission has agreed to provide advice to Scottish Ministers on the needs of families over school holiday periods, and how the benefits of the various existing commitments in the *Every Child, Every Chance* and other policy commitments in this area can be maximised by developing the actions in tandem. Progress in developing the new income supplement for low income families with children will be monitored as part of the Commission's scrutiny function. Universal Basic Income is an area that the Commission has been asked to provide advice on in the future, and the Commission will look at this once the Universal Basic Income pilots have been completed.

Next steps

The Commission would welcome feedback on its priorities, in particular on whether there are important areas that the Commission has missed or particular priorities the Commission should have an early focus on.

Please send your feedback to info@povertyinequality.scot