

SUBMISSION FROM POVERTY ALLIANCE

1. Introduction

1.1 The Poverty Alliance welcomes the opportunity to contribute to the Economy, Energy and Tourism Committee's scrutiny of the Scottish Government's Draft Budget 2013-14. The Poverty Alliance is the national anti-poverty network for Scotland, involving a wide range of civil society organisations and individuals working to combat poverty. This response is based on the priority issues identified by the Alliance through discussions with our members, primarily through events such as the Scottish Assembly for Tackling Poverty, the Tackling Poverty Stakeholder Forum and a range of other projects and campaigning work.

1.2 Scotland will experience an increase in a range of problems associated with growing poverty and social exclusion. By 2020, the Institute for Fiscal Studies expects child poverty in Scotland will have returned to levels last seen in 1999. The challenge for the Scottish Government, local authorities and civil society is to find ways both to mitigate the impact of the changes that will drive this increase in poverty and to work together to find ways to ensure that the predicted increases do not take place. There are a number of factors driving the increase in poverty. Perhaps central to expected increase in the number of households living on low incomes is the impact of austerity measures. This is not simply about the introduction of Universal Credit, but the impact of the wider range of welfare changes. We may also include the changing nature of the Scottish and UK economy. Alongside the expected increases in child poverty, the IFS are also predicting that the number and proportion of adults *without* children living in low income households will also continue to increase, to the point that by 2020 they will represent the largest single group living on low incomes. Some of this change is a consequence of the changed nature of our labour market, with significant numbers of workers experiencing periods of low paid, temporary employment. This is employment that does not provide a clear route out of poverty. This is the context within which the Draft 2013-14 Scottish Government should be viewed when considering its impact on poverty.

1.3 The concerns of the Poverty Alliance, of our members, cut across a broad range of areas that are included in the Scottish Budget, from issues such as economic growth and unemployment, to public health, transport and energy policy. In this submission we will focus on a number of key issues: our overall impressions of the draft Budget as one that prioritises tackling poverty; the question of economic growth and solidarity; progress on the prevention agenda and the impact of welfare reform.

2. The Scottish Budget 2013-14

2.1 It is important to note that the overall context in which the Scottish Government is setting out its plans for 2013-14 is one of a declining budget. There is undoubtedly a need for all organisations to do more with less, but it should be understood that there are limits to attempts to do this. Within these constraints the Scottish Government has made attempts to support a range of efforts that will help to address some aspects of poverty. There is, however, questions regarding the consistency of the approach as outlined in the Budget, and its relationship to the

strategic framework to tackle poverty that the Scottish Government launched in 2008, the *Achieving Our Potential*.

2.2 Given the likely rising incidence of poverty over the coming years, it is clear that it will be more necessary than ever to clearly demonstrate how the plans set out address poverty and at the very least to not add to the problem. There has been some interest over a number of years in the notion of 'poverty proofing'. This is an approach to policy making that would ensure that issues of poverty were consistently addressed in any decision making process. There is, as far as we are aware, no commitment to apply 'poverty proofing' approaches to Scottish Government decisions, and poverty proofing is not on the same statutory basis as Equality Impact Assessments. What there has been has been is a focus on 'poverty sensitive decision making' at the local level. The Scottish Government has sought to develop a better understand of how decisions at the local level can be taken to ensure that spending reductions do not disproportionately impact on the most vulnerable. Research carried out by the Poverty Alliance on behalf of the Scottish Government found a variety of approaches being taken to poverty sensitive decision making, but it was clear that the initiatives that were underway were relatively small scale and were not impacting on the overall spend of the local authorities concerned.

2.3 The UK Government decided in 2011 not to implement the socio-economic duty contained in the Equalities (2010) Act. This duty required public bodies to assess the impact of their decisions on socio-economic inequality, much in the way that they assess the impact on equalities. The Scottish Government, which was not required to implement the duty, had consulted on the matter and had decided to implement the duty in Scotland. When the UK Government decided not to implement, then the Scottish Government was no longer required to do so. We have called in the past for the Scottish Government to develop its own approach to implementing a socio-economic duty. Whilst there may be difficulties in taking such an approach in Scotland, we believe it is necessary to ensure that the poorest are not unduly impacted by spending decisions at the local or national levels.

2.4 Applying a 'poverty proofing' approach to Scottish Budget would help underpin the Scottish Government's commitment to the Solidarity purpose target. At the moment the draft Budget contains a range of references to measures which will help in some ways, as the Scottish Government states, to create a fairer Scotland. These would include, for example, commitments around the living wage, the extension of free universal nursery care, funding for regeneration, the challenge funds, or the continuation of the Educational Maintenance Allowance. These are important commitments, but it is not sufficiently clear from the Draft Budget how other areas of Scottish Government spending, for example in the areas of transport and infrastructure, contribute to the meeting the Solidarity purpose target. For example, it is clear that spending on housing, estimated to be around £750 million between 2012-15, will support up to 8,000 jobs both directly and indirectly. This is undoubtedly a good thing, but it is not clear how this spending directly impacts on addressing poverty and inequality. Poverty proofing the Scottish Budget would help us understand where our spending in making an impact on the goals of poverty reduction and social justice and where it is not. Poverty proofing would *not determine how we spend our resources*, but would help align our spending to our social goals.

We would wish to see the Scottish Government take a more robust approach to poverty proofing future budgets.

3. Promoting economic growth

3.1 There are a variety of measures included in the draft Budget that are designed to promote economic growth. There is little doubt that many of the measures will indeed stimulate economic growth. Our concern is the extent to which these measures will also support the solidarity and sustainability targets simultaneously. Economic growth that does not also contribute to the solidarity target could potentially contribute to problems in the future. It is quite clear that economic growth does not necessarily lead to reductions in poverty. Whilst we recognize that retaining and creating jobs is vitally important, it is equally necessary to look at the quality of those jobs that are being created. The Scottish Government has repeatedly stated that its overarching goal is sustainable economic growth. We would suggest that a more sophisticated approach would be to put economic growth, social development and environmental sustainability on an equal footing. The overall purpose of the Scottish Government should be 'sustainable social, environmental and economic development'.

3.2 Notwithstanding the comments on a more balance approach to economic growth, there are a number of commitments that can be welcomed. The commitments to support people into employment, particularly young people is especially important. We also welcome the orientation of the ESF monies towards addressing youth unemployment. At a time of rising unemployment it is more necessary than ever to invest in employability and skills, and we welcome the increased spending commitment that has been made in the draft budget.

3.3 It is right to recognize that economic activity does not simply happen as a result of large scale infrastructure projects. Support for local level community regeneration is also needed, but it is necessary to fund this sufficiently. The £24million already announced is to be welcomed, however this is relatively small scale. It is necessary to invest more in community led regeneration (as defined in the Scottish Government's Regeneration Strategy) if it is to have an impact commensurate with the need.

3.4 We have strongly welcomed the Scottish Government's commitment to pay the Scottish Living Wage, and we are happy to note that the commitment now extends to the remainder of this Parliament. Within the context of our earlier comments regarding the type of jobs that are being created through the Scottish Government's approach to economic growth, the commitment to the living wage is not only of practical financial importance to those who will benefit directly, but also sends out a message about the type of jobs and economic growth that the Scottish Government wants to promote.

3.5 This is important but this message needs to be amplified. We have previously called for the establishment of a Living Wage Unit within the Scottish Government which would have responsibility for the promotion of the living wage in Scotland, ensuring that there was a better understanding of the business case for the living wage. We believe that there remains a need for this type of unit to ensure that more workers can benefit from the living wage.

3.6 The £9 billion spent through procurement in Scotland is clearly a key driver of economic growth. We believe that there is more that could be done to fully utilize the social impact of this spending, and look forward to the content of the Procurement Reform Bill.

3.7 With regard to the role of enterprise agencies we would again wish to see how the Budget in this area can be used to stimulate social as well as economic growth. There is much that bodies such as Scottish Enterprise and HIE could do to ensure that the businesses they are supporting and advising are contributing not only to economic growth but to addressing problems of low pay and income inequality. HIE have a strong track record in supporting social enterprises and engaging with communities. However, there is more that could be done to promote more socially responsible business practices by the enterprise agencies, through for example, advocacy of the living wage and ensuring that new employers were aware of their basic employment rights responsibilities.

3.8 The tourism sector is one that is of central importance to the economic growth agenda in Scotland, employing around 200,000 people and contributing more than £4Bn to the Scottish economy. However, the tourism industry is one that is beset with problems of low pay temporary employment. There is little doubt that the sector makes a significant contribution to economic growth, but it is questionable what contribution it makes to the solidarity purpose target. The draft Budget notes the efforts to boost accessible tourism as part of wider equalities activities. This is important and serves to highlight the potential role that this sector could make in contributing to wider social justice agendas. We would encourage the Scottish Government, in setting the budget with VisitScotland to identify where this agency can play a bigger role in contributing to a more socially just Scotland.

4. Prevention & Welfare Reform

4.1 The Scottish Government's commitment to preventative spending is one that is shared by the Poverty Alliance. There is clearly a great deal of scope to reshape current models of service delivery to ensure that they are treating the causes rather than the symptoms of many social problems. The establishment by the Scottish Government of the challenge funds is to be welcomed. It is too soon to assess the impact that the challenge funds will have, but we expect that valuable lessons will be learned from them and to consider how these can be applied to other areas.

4.2 As stated in the introduction, the changes to the welfare system is one of the most significant challenges that Scotland faces in terms of addressing poverty. The expected £2Billion that is being taken from Scottish claimants will have a profound impact on our efforts to address poverty. Indeed, it may well have an impact on economic growth as this is money that will be removed from the Scottish economy. The Scottish Government has already taken a lead in seeking to mitigate the impact of the changes where ever possible. The announcement of the additional resources for the Social Fund replacement is to be welcomed. Additional support for frontline advice and information services will also be required as individuals attempt to cope with changes to their income.

4.3 We look forward to discussing these and other issues in more detail with members of the Committee.