‘We look to Scotland for all our ideas of civilisation.’

Voltaire
Dear friends;

It is with great pleasure that I introduce this first report from the Scotland Institute. Founded in June 2012, the Institute’s mission is to build an economy which is sustainable and competitive, a society where wealth is fairly distributed, and a politics which tackles social exclusion and deprivation as a matter of course.

Recognising Scotland’s marginalized communities as the untapped potential for change, this paper seeks to bring together current thinking on poverty in Scotland, in particular the concentration of poverty in particular urban areas. The aim is to bring objective and intensive scrutiny to existing statistics and reports and to bring a new perspective to old problems.

Social Exclusion in Scotland therefore explores areas beyond the usual subjects of the causes and effects of poverty. It looks at the use of taxation to create a more just society, the issues of low wages and benefits, the ways that the concept of a living wage can be applied and how public/private alliances be made productive.

Social exclusion creates lasting economic costs for wider society. It is not a natural and inevitable outcome but is a product of deliberately chosen policies that it can be addressed. Scotland has prided itself on its more egalitarian society, its tradition of enlightened thinking and its educated and productive communities. To continue this proud history takes commitment; the Scotland Institute is committed to providing the research and innovative ideas to help bring this about.

I am proud to present this paper, Social Exclusion in Scotland, as the first step in creating a fairer, healthier and wealthier society, where all communities have an equal footing and equal opportunities to achieve for themselves, their neighborhoods and Scotland.

Sincerely,
Dr Azeem Ibrahim
Executive Chairman
Foreword
By Martin Crewe, Director Barnardo’s Scotland

Barnardo’s Scotland sees first hand every day the devastating impact that social exclusion and persistent poverty can have on Scotland’s families and the long term prospects of their children.

Many of the children and young people we work with are from areas of high deprivation and low income. Children born into poverty by virtue of their geography, ethnicity, disability or their parent’s lack of work often spend their lives in a state of social exclusion with little chance of escape. It is well known that those from the poorest backgrounds have the poorest health, the lowest life expectancy, and the least chance of entering higher education or securing sustained employment. This should not be their birthright and it is the duty of a fair and socially just society to do everything it can to prevent it.

With upcoming reforms to the welfare system likely to push more children and families into poverty the need to redouble our efforts to tackle poverty and its huge impact on our children has never been greater.

To address child poverty there needs to be a clear move in Scotland from crisis management to sustainable early intervention and prevention. Government must also work to address the experiences of the very poorest and lift the most challenging families out of poverty and not just focus on those on the margins, as a way of easing the statistics.

Family income is an essential starting point. It is crucial that wages are sufficiently high for those earning to support themselves and their families without relying on benefits to top up their income. We know that those on the lowest of incomes remain caught in the poverty trap and that this particularly affects those like the young, single mothers we work with, who can often be faced with making the choice of heating their homes or feeding for their families.

The Scottish Government has worked hard to mitigate the affects of poverty with the powers available to it, through concepts like the ‘Social Wage’. Free prescription charges, free school meals, the council tax freeze, and free higher education have gone someway to relieving the pressure on family budgets. However, more can be done. Barnardo’s Scotland fully supports the introduction of a living wage in Scotland across all public sector jobs and the move towards greater provision of free and affordable childcare, as a way of supporting more parents back into work.

Education is also essential to ending poverty. Those children and young people from the poorest backgrounds generally have lower attainment levels in education, and this directly affects their employment chances and earning potential. In particular, we are still failing too many of our looked after young people, who all too often leave school early with poor qualifications. Youth unemployment is at its highest level in more than a decade and if we are to prevent another ‘lost generation’ who never get a proper foothold in the world of work, then we need to ensure that our children and young people are confident, well educated and prepared for work.

We live in very uncertain economic times, where the pressure on government resources and family income is likely to get worse before it gets better. There has never been a more urgent need to put in place opportunities for families to pull themselves out of poverty. Not to do so will run the risk of failing as a society and developing a permanent class of excluded and impoverished children and the resultant poor social outcomes that this creates.

We welcome the publication of this report, which highlights the persistent nature of poverty for children in Scotland, and examines some of ways that government can tackle these issues both now and as the constitutional settlement progresses.
About the Author

Dr Roger Cook is the Research Director at The Scotland Institute. He has a long history of research and analysis of issues connected with Social Exclusion including recruitment and success in Higher Education, mental health issues for teenagers and young adults and comparisons between various social welfare systems across Europe.
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Scotland, since devolution in 1999, has shown a commitment to tackling the problems of social exclusion. However, overall, the outcomes have been mixed. In many cases, the areas with the greatest failings are also those where responsibility has been retained by the Westminster Parliament, but in other respects Scotland actually underperforms the rest of the UK\(^1\). The main gaps in current policies can be summarised in four related areas:

1. The provision of services for low income households – including long term savings, access to basic financial services, poor quality housing and low provision of council services in certain communities;
2. The problem of in-work poverty – low hourly wage rates and lack of access to sufficient hours of work;
3. Educational and health outcomes – in particular access to key services and progression within education post-16 and into tertiary education;
4. Provision of support for workless families – in particular where under-employment is as much a problem as unemployment and where those families with disabled adults are particularly likely to face poverty. Equally there is a clear evidence that ethnicity is correlated to poverty.

The Scottish Government has tended to focus on the consequences of social exclusion rather than the financial causes of poverty. In part this reflects the extent that decisions about taxation and welfare income transfers are reserved to the Westminster Government\(^2\). Compared to the Nordic countries\(^3\) the UK lags badly behind on every indicator of social inclusion including income inequality and variations in education and health outcomes. However, compared to the rest of the UK, in some aspects Scotland has performed better and in others worse. Typical of the first is the rapid decline in pensioner poverty\(^4\) but the second is exemplified by a range of indicators that capture the persistence of poverty over time\(^5\). This in turn indicates the core of the problem in Scotland, where social exclusion and poverty is highly concentrated, particularly in the West of Scotland\(^6\) and more generally in urban areas\(^7\). However, in rural areas and small towns, social exclusion and poverty takes on a different form and has different consequences\(^8\), and, as such needs a different policy approach. The overall pattern is quickly summarised in the table below:

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Table 1-1: Summary of Poverty Indicators

<table>
<thead>
<tr>
<th>Measure</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative Poverty</td>
<td>Steady decline to 2008, indications of an increase since then</td>
</tr>
<tr>
<td>Persistent Poverty</td>
<td>Only a slow decrease, slower than the rest of the UK</td>
</tr>
<tr>
<td>Pensioner Poverty</td>
<td>Steady decline to 2009, faster than the rest of the UK</td>
</tr>
<tr>
<td>Child Poverty</td>
<td>Slower decline than the rest of the UK</td>
</tr>
<tr>
<td>Income Inequality</td>
<td>Overall higher proportion of income going to the poorest 30% and lower Gini coefficient than the rest of the UK</td>
</tr>
<tr>
<td>In work poverty</td>
<td>Remains at 17%, very slow decline, slower than the rest of the UK</td>
</tr>
<tr>
<td>Education</td>
<td>Improved attainment for all at 16, lower entry of working class students into Higher Education than the rest of the UK</td>
</tr>
<tr>
<td>Health</td>
<td>Overall better health outcomes than the rest of the UK except in the West of Scotland. High rates of death from alcohol and overall morbidity compared to the EU norms</td>
</tr>
<tr>
<td>Equality and Diversity</td>
<td>Poverty related to both disability and ethnicity</td>
</tr>
</tbody>
</table>

This quick summary presents a complex picture even compared to the rest of the UK. It shows that overall the numbers living in relative poverty have declined faster than the UK average from 1999-2009, but that the number living in persistent poverty has declined much more slowly. This tends to support an argument that policy at both the UK and Scottish Government level has been helpful in easing poverty for those on the margins but has done little to address the persistent problems caused by a continuation of low income over time. Overall, Scotland has remained more socially equal than the rest of the UK, but this average masks significant problems within Scotland, in particular the concentration of poverty in particular urban areas.

Most reports on social exclusion in Scotland tend to note that the areas where Scotland is making little or no progress are those reserved to the Westminster parliament, in particular the use of taxation to transfer wealth, the level and approach to social security benefits and the problem of in-work poverty due to low wages. However, there are areas that fall within the current remit that could be used more effectively, in particular the ability to ensure that all parts of the Scottish public sector pay the ‘living wage’ and the advisability that the Scottish Government makes use of its role as a buyer of goods and services to put pressure on private sector companies.

This is important because, as this report argues, the basic cause of social exclusion is poverty and the basic cause of poverty is low wages, intermittent or insufficient work and a flawed approach to taxation and benefits. All of these are powerful elements underlying the causes of social exclusion. Largely due to the current devolution settlement, the Scottish Government

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10 Scottish Living Wage Campaign 2011. Submission from Scottish Living Wage Campaign. SLWC.
11 OECD 2011. Divided We Stand: Why Inequality Keeps Rising. OECD.
has had to concentrate on trying to mitigate the consequences of social exclusion instead of tackling the root causes of the problem.

This leads to a need to discuss just what can be achieved, firstly within the current devolution settlement, secondly if more responsibility was to be ceded from Westminster (devo-max) and finally with full independence as proposed by the Scottish Nationalist Party. While there clearly are policy gaps that could be addressed the consensus is that the Scottish Government is using its current powers to address social exclusion as far as is practical.

There are three key policy areas:

1. The ability to raise and spend a much greater proportion of the Scottish Government’s budget without having to follow UK Government policy
2. The ability to tailor the social welfare system to reflect the evidence on social exclusion rather than the ideological claims of the Coalition Government. Linked with this is a need for a different approach to employment protection;
3. The ability to use the tax system to address income inequalities.

This is returned to in detail in section 5. The debate is complicated as neither the SNP nor the Westminster Government are prepared to set out in detail what they mean by the concept of ‘devo-max’ (ie more powers for Scotland but within the UK). The assumption is that Scotland will retain a much higher proportion of its income and have a much greater degree of discretion over its expenditure. However, while it is possible that such powers would include the ability to raise or lower tax rates it is likely that the basic structure of the tax system would remain at the UK level. In addition, even under the current proposed independence model, it seems likely that the wider macro-economic and fiscal policy will be set at Westminster, assuming that sterling is going to be retained. The ability to divert large sums from projects such as Trident’s replacement to social investment will not exist if Scotland’s defence policy remains part of the UK.

These limits are important when the focus is on what can be done in a purely Scottish context, assuming a UK government with little commitment to tackling income inequality and poverty. This argument can be used for full independence or to acknowledge that until Scotland has the capacity to address its particular problems with poverty, this may be more effective within a UK wide framework.


Scotland prides itself on being a socially inclusive society where opportunities are open to all. Unfortunately a series of reports paints a more depressing picture with areas affected by multiple sources of deprivation leading to significant differences in terms of educational attainment and public health. On a positive note, an important finding is that up to 2007 Scotland was doing better than England and Wales in terms of lower unemployment and greater reduction in the rates of child poverty. The latter gain has been maintained but unemployment is now above the average in the rest of the UK. Unfortunately, “the recession also exacerbated differences within Scotland, hitting most areas with high levels of worklessness hardest, and accelerating the shift towards more fractured and less dependable work”.

Despite this, overall levels of social exclusion and poverty have remained stable since 2008, but with the impact of a slowing economy and major changes to the social security and benefits system this is unlikely to be sustained. Although there are major problems, there is evidence that social exclusion in Scotland is somewhat less than in England and that, at least up to 2008, policies adopted since devolution had had some positive impact. The Scottish Government cannot be accused of ignoring the issue of social exclusion and it is a major policy focus. The Government has made a great deal of easily accessible data freely available in many ways in advance of that produced for the UK as a whole.

This report acknowledges two basic premises. First, that social exclusion carries costs for the wider society and secondly, that it can be addressed through well designed policies that emphasise the importance of well paid work, of appropriate social transfers and the value of publicly provided goods (health, education, transport, green spaces etc) as tools to reduce both the prevalence and the impact of income inequality.

The relatively rapid rise of social inequality, whether measured in wages or as family income, has been a dominant economic trend since the 1970s in most of the OECD nations. The trend started in states such as the UK and the US and by 2000 it was becoming a significant feature even in the traditionally more egalitarian societies such as Scandinavia and France. This raises...
three critical questions that need to be answered within the context of Scotland:

1. Is this trend in effect inevitable, and, if so, should the focus be simply on managing the consequences?
2. Is it feasible to address this trend within the confines of a small country that will remain part of the wider globalised economy?
3. If so, what policies might be adopted and can this be done within the current situation, or with more devolution or only in the context of full independence?

A number of bodies including the OECD and European Union have indicated concern at the costs and consequences of social exclusion as well as the extent to which the current situation is the result of specific policy choices rather than an inevitable product of trade and economic policies. A recent OECD report suggests there are direct economic costs as a consequence of social inequality, including:

- Slow social mobility, preventing talent being available and rewarded;
- Intergenerational earnings mobility being low in high inequality countries;
- Social resentment;
- Direct costs in terms of the impact on public health.

A specific issue is the enduring nature of poverty and social exclusion. An important and substantial volume of research indicates that once an individual or a household, slips into poverty, they tend to stay there. Research has also shown that most people remain in the same quarter of income distribution as their parents. In fact, the chance of being better off than their parents has gone down for people who grew up in the 1970s and 1980s, compared with people who grew up in the 1960s.

Thus, social exclusion is not a natural and inevitable outcome but is a product of deliberately chosen policies. This means rejecting the key concept of the New Right in social welfare, that inequality is simply the consequence of the dynamism of capitalism and any attempt to address it in the short term leads to longer term problems. One key tenet of both New Labour and the Coalition Government’s approach to social exclusion has been the importance of work in solving these problems. These approaches can be characterised as assuming that once someone has become employed, then social exclusion is no longer an issue. However, there is steadily emerging evidence that low paid, low skilled work can become a trap and a barrier to any attempts to reduce social exclusion. Research by the OECD is also indicating that the regulation of the labour market has a substantial impact on both the distribution of income across society

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23 Ibid.
25 OECD 2011. Divided We Stand: Why Inequality Keeps Rising. OECD.
Social exclusion and poverty in Scotland is complex. It is heavily concentrated in particular areas of the major cities and marked by concentrations of ill-health, joblessness, low wages and wider social deprivation such as poor local infrastructure and high crime rates. In turn, many parts of Scotland are characterised by a low population density spread across areas with relatively dispersed infrastructure. This may not give rise to poverty in the urban sense but does create its own set of problems.

The bulk of this report is focussed on drawing together the substantial range of material that already exists, published by bodies as diverse as the Scottish Government, the Joseph Rowntree Trust and international organisations such as the European Union. This material is drawn together to provide a background on social exclusion and poverty in terms of:

1. Income (and this looks at the problems of persistent low income, in-work poverty, children and pensioners);
2. Employment, patterns of unemployment and the impact of transitory or insufficient work;
3. Education (including access to Higher Education and variations in educational attainment);
4. Health;
5. The impact of multiple deprivation in particular areas;
6. Rural poverty; and,
7. Social exclusion and the wider equality agenda (including the impact of ethnicity and disability).

The next section then compares some of these indicators to other countries and the EU as a whole. In most cases, the comparisons are to the rest of the UK and the Scandinavian countries of Denmark, Finland, Iceland, Norway and Sweden. In combination, this information paints a complex picture of successes and failures in contemporary Scotland. However, the real challenge is how to build on the successes and address the persistent problems. As noted above, this has been an area of great concern to successive Scottish Governments since devolution, and emphasises the need to learn from other countries and to develop new approaches. For example, Norway has been very successful in tackling both rural poverty and depopulation through a programme of investment, education and work dispersion. Other comparable countries, such as Finland, have had far better public health outcomes since the 1980s, despite some similarities in terms of traditional diet and lifestyle expectations.

However, relevant policy proposals need to be based on what is feasible given the current devolution settlement and the current debate on independence or of changing the range of powers available to the Scottish Parliament. One goal is to first develop a range of policies that could address some of the more persistent policy problems and then consider what degree of

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29 OECD 2011. Divided We Stand: Why Inequality Keeps Rising. OECD.
devolution from the UK would be needed for their implementation. In this respect, three scenarios are tested:

- More or less as now, with the ability to set spending priorities and control over education, health and local government;
- Enhanced devolution with control over a range of spending decisions and some degree of revenue raising powers. This also assumes responsibility for the great majority of UK domestic ministries such as DWP, DBIS and so on;
- Full independence.

There has been some previous work in this respect as part of the Allander series of lectures in 2003-4 that looked at what Scotland could do to address its own problems within the confines of the then devolution settlement. However, those lectures concentrated on issues of economic competitiveness rather than social inequality.

As part of any policy discussion, it is essential to be clear as to what is meant by social exclusion and what is seen as the basic cause. This is less simple than it might sound as the concept of ‘social exclusion’ has been used in different ways. For example, to Liberal Democrat leader, Nick Clegg the issue is clear:

“Social mobility is what characterises a fair society, rather than a particular level of income equality. Inequalities become injustices when they are fixed; passed on, generation to generation. That’s when societies become closed, stratified and divided. For old progressives, reducing snapshot income inequality is the ultimate goal. For new progressives, reducing the barriers to mobility is.”

Similar to the concept used by New Labour, income inequality itself should not be the focus for change. Social exclusion can be addressed effectively instead by stressing entry to work and access to education opportunities. However, in practice, low incomes are at the heart of social exclusion and as such, relative poverty is important. This confusion between cause and effect has resulted in a number of ways in which the concept of social exclusion can be framed. The fundamental argument in this report is that poverty and social exclusion are the result of low income and this means the real focus has to be around tackling poverty. As long as both relative and absolute poverty persist so will social exclusion, and so will the costs to individuals and to Scottish society.

The consequences of social exclusion will be discussed in more detail in forthcoming reports by the Scotland Institute but can be summarised as a threat to the social integration of individuals, households and areas. In this respect, the democratic and legal system is important for civic integration, the labour market promotes economic integration, the welfare system assists social integration and family and community links create interpersonal integration. One consequence of policy both by New Labour and now the Coalition has been to weaken all these ties.

34 Miers, T. 2012. Have the wheels come off the plan to make Scotland a global player? Sunday Herald, 8 April, p.36.
Chapter 3: Social Exclusion in Scotland

3.1 Current Situation

This section draws together both a range of recent reports and data drawn from key data sets such as the Scottish Index of Multiple Deprivation (SIMD)\textsuperscript{38} and the Scottish Neighbourhood Statistics (SNS)\textsuperscript{39} to build up a picture of the current situation in terms of social exclusion and relative poverty in Scotland. The main issues behind inequality in Scotland are\textsuperscript{40}:

1. Poverty and low income;
2. Access to services;
3. Access to and progression within the labour market;
4. Access to and progression within education;
5. Access to health services and variations in health outcomes

3.2 Poverty and low Income

As set out in the introduction, a key argument in this report is that poverty and social exclusion are the product of low incomes. This is connected to major changes in the Social Security systems over the last 30 years and related problems of in-work poverty\textsuperscript{41}.

3.2.1 Poverty and Income

One of the simplest ways to understand social exclusion is to see it as a product of relative poverty. Relative poverty is usually estimated on the basis of either family or personal income in relation to the median income. So it is always changing according to the average income. Relative poverty is conventionally defined as having an income less than 60\% of the average household income (adjusted for household composition) and reflects being unable to afford the standard of living that is seen as normal in the wider society\textsuperscript{42}.

Scotland saw a significant improvement in the period 1999-2008. In 1999, 22\% of the population was low income, but by 2004 this had dropped to 18\% and by 2008 was down to some 17\% (870,000)\textsuperscript{43} of the population. Unfortunately, as is the case elsewhere in the UK, numbers increased again due to the effect of the economic slowdown (static or falling wages, an increase in those unable to work the hours they desire and an increase in unemployment) and of the Coalition Government’s welfare changes. Table 3:1 shows the trend (without taking account of housing costs) since the creation of the Scottish Parliament.


\textsuperscript{41} OECD 2011. *Divided We Stand: Why Inequality Keeps Rising*. OECD.


Another way to estimate poverty in Scotland is to look at the number of people who live in low-income households. This indicates that poverty at the household level particularly affects children. However, one positive aspect is the relatively fast decline in the rates of pensioner poverty in Scotland, as compared to England, across this period.

Table 3-1: Proportion of people in low income households 2004-2009

<table>
<thead>
<tr>
<th></th>
<th>2004/05</th>
<th>2008/09</th>
<th>Change in last four years</th>
<th>Change in last year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Children</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>25%</td>
<td>20%</td>
<td>+1%</td>
<td>+2%</td>
</tr>
<tr>
<td>England</td>
<td>29%</td>
<td>31%</td>
<td>-2%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Working age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>18%</td>
<td>19%</td>
<td>+1%</td>
<td>No change</td>
</tr>
<tr>
<td>England</td>
<td>19%</td>
<td>22%</td>
<td>-5%</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>All in working families</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>10%</td>
<td>12%</td>
<td>+2%</td>
<td>+1%</td>
</tr>
<tr>
<td>England</td>
<td>13%</td>
<td>16%</td>
<td>-3%</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Pensioners</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>16%</td>
<td>11%</td>
<td>-5%</td>
<td>-5%</td>
</tr>
<tr>
<td>England</td>
<td>18%</td>
<td>16%</td>
<td>-1%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

The final useful measure of income-poverty is to consider the relative distribution of income in society. In general, despite the apparent gains in figure 3:1 and table 3:2, there has been no real improvement in the proportion of income going to the poorest 30% in society, with this actually dropping slightly from 14.4% in 2004 to 13.2% in 2009;
This is important because low income leads to vulnerability to short term variations in income and expenditure as well as the more sustained effect of being unable to build up a stock of what is called ‘domestic capital’. Low income means that a short period of improved income can make no long term impact on a household’s finances or wellbeing. To put this data into context, the consequence of raising everyone in the lowest 20% out of poverty would be achieved by ensuring that the group identified in figure 3:3 were in receipt of 17.5-18% of overall income compared to the 13-14% that has been the norm across this period.

Up to the start of the recession in 2008 and the impact of current welfare changes, Scotland was seeing slow but steady progress on some measures. There was a reduction in the number of individuals in relative poverty and a noted improvement in the situation of pensioners. However, poverty has continued to affect much the same number of households as before, indicating that the deep seated problems of low income have not been addressed. It remains heavily concentrated in certain households and areas, with the lowest share of income going to the poorest 30% and the relative concentration of income-deprivation in areas of the West Coast of Scotland.

### 3.2.2 Child Poverty

Child poverty in Scotland is complex. The good news is a relative decline over the last decade but despite efforts by the Scottish Government, we lag behind the rest of the UK. Specifically, up to 2008, child poverty was falling as the number of overall individuals in relative poverty declined. However, as in table 3:1, it is clear that number of children in poor households has actually increased, indicating a substantial problem. Child poverty is related to a number of different problems. Children in poverty live in households dependent on benefits, trapped into low wages, sometimes with a disabled family member or in ethnic communities.

Both the Scottish and the UK governments now face the legal expectations set out in the 2010 Child Poverty Act to meet four related targets:

1. The Relative Low Income Target: that less than 10% of children live in households with a household income of less than 60% of median household income;
2. The combined low income and material deprivation target: that less than 5% of children live in households with a household income of less than 70% of median household income and experience material deprivation;

---

3. The absolute low income target: that less than 5% of children live in households with a household income of less than 70% of the median household income; and,

4. The persistent poverty target: considers the extent that the first indicator persists over three years in any four year period.

The trend data against the first three of these measures indicates some improvement since the creation of the Scottish Parliament but with this showing signs of reversing in the early stages of the recession;

Figure 3: Child Poverty in Scotland (various measures)

![Graph showing child poverty trends](image)

The main fear is that the recession will not only draw more children into poverty, but it will worsen the plight of those already caught in poverty as low wages are reduced and social welfare payments are lost.

The final target is to reduce the number of children in Scotland who live in persistent poverty. Unfortunately this has remained stuck at roughly 13% of all children in Scotland and there is little evidence that this decline any further without intervention.

54 Ibid.
56 Ibid.
Persistent child poverty is a product of a combination of low wages and limited hours and also of low levels of income transfers leaving children locked in poverty\textsuperscript{58}. The wider evidence suggests that the solution to persistent child poverty lies not in relying on either welfare payments or entry to work but a combination of the two, with particular attention being paid to easing the return to work by cheap and effective child care arrangements\textsuperscript{59}.

3.2.3 Pensioner Poverty

Whereas in terms of child poverty, Scotland lags behind the UK, there is evidence that the policies adopted since devolution have improved the position of the elderly. Nonetheless, 17% of pensioners are still in relative poverty (ie with 60% or less of average income) and 10% were materially deprived (ie lacking key household goods)\textsuperscript{60}.

Improvements in income, better social care arrangements and other support have led to a steady reduction in the number of pensioners in persistent poverty from around 17% in 1999 to 5% in 2008, and even if the problem of relative poverty endures, individuals move in and out of poverty as their income and domestic expenses vary.

3.2.4 Persistence of Poverty

Once an individual or household enters income poverty, then it tends to persist\(^6^1\) and to lead to concentrations of such household groups in particular areas\(^6^2\). Data from UNICEF indicates that between 6% and 9% of all children remain in the poorest fifth of households for five consecutive years\(^6^3\) and, as discussed above, 13% are, in turn, defined as living in persistent poverty as a consequence of low familial incomes. So far these numbers have been static and there is little likelihood of change if underlying issues remain\(^6^4\). The proportion of individuals defined as living in persistent poverty is shown below:

---

In turn, those in the lowest income levels are also likely to have low savings and over 62% of those in 30% lowest deciles have savings under £1,500 leaving them vulnerable to sudden demands or small reductions in income. In effect, substantive savings are a result of high income, not as a result of personal choice or failure to manage income effectively:

Table 3-2: Savings levels by income decile

<table>
<thead>
<tr>
<th>Income decile</th>
<th>Less than £1,500</th>
<th>From £1,500 up to £3,000</th>
<th>From £3,000 up to £8,000</th>
<th>From £8,000 up to £20,000</th>
<th>Over £20,000</th>
<th>Does not wish to say</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>63</td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>64</td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>62</td>
<td>12</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>55</td>
<td>11</td>
<td>11</td>
<td>6</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>50</td>
<td>13</td>
<td>10</td>
<td>9</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>41</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>38</td>
<td>16</td>
<td>12</td>
<td>12</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>29</td>
<td>11</td>
<td>17</td>
<td>15</td>
<td>24</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>21</td>
<td>10</td>
<td>17</td>
<td>14</td>
<td>32</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>19</td>
<td>5</td>
<td>11</td>
<td>14</td>
<td>46</td>
<td>5</td>
</tr>
</tbody>
</table>

The concentration of lack of work and income poverty is clear when the relative dependency on benefits is considered. However, it is important to note that over 50% of the income for the 30% poorest is from wages, indicating the role that low wages play in sustaining poverty:

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67 Ibid.
68 Ibid.
Scotland has seen a steady increase in the numbers described as ‘income deprived’ from 767,000 in 2006 to 779,300 in 2009, despite the offsetting impacts of changes such as working family tax credits. However, this remains highly concentrated and Glasgow in particular accounts for around 20% of the total income deprivation in Scotland.

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69 Ibid.
The concentration of deprivation in Glasgow is particularly notable with the Parkhead and Barrowfield area in the East End being the most deprived districts in Scotland. Overall 43.5% of the districts in Glasgow are in the most deprived for income category. This also affects other areas in the west of Scotland as Inverclyde has 38.2%, West Dumbartonshire has 26.3% and North Ayrshire 24%. The only Local Authority outside the West Coast that is in the top five in this respect is Dundee with 30.2%.

### 3.3 Access to, and progression within, the Labour Market

#### 3.3.1 Unemployment and Under-Employment

Access to the labour market affects poverty and social exclusion in a number of ways. First, a high proportion of the poorest households are out of work for one reason or another. Household reliance on unemployment benefit transfers is a major reason for children facing persistent poverty. Second, low wages tend to affect those just entering (or returning to) the labour market and ensures they are unable to create the sort of household capital that is the critical step to

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71 Scottish Government 2010c. SIMD 2009: Publication of Revised Income Domain and Overall Index - Explanation of Revision and Analysis of Results. Edinburgh: Scottish Government., p. 3

72 Ibid.
escaping recurrent periods of poverty. Third, and of growing importance, part time means that for many, the available work is insufficient to generate an income close to the median.

Since the start of the 2008 recession, unemployment has steadily increased and by the end of 2009, 18.2% of the population was in receipt of benefits related to joblessness - up from 16.8% in 2007. The relative growth of part time rather than full time work has had a direct impact on men meaning that male unemployment has grown relatively faster\(^7\)

Figure 3:8: Proportion of the working age population who are unemployed (ILO definition)\(^7\)

As is clear from figure 3:8, unemployment in Scotland lagged behind England up to 2006/7 and since then has been lower than the rate in the rest of the UK (although the most recent figures indicate this trend has reversed). However, the pattern of worklessness is not spread evenly across Scotland as Glasgow, North and South Lanarkshire, North Ayrshire and Inverclyde are particularly affected:

\(^7\) Ibid., p.4
It was mainly those areas with already high unemployment that have seen the largest increases since 2007.

3.3.2 *In-work Poverty*

It has become conventional, especially in pronouncements by politicians, to argue that relative poverty is related to joblessness. However, as figure 3:10 makes clear, a related problem is that in-work poverty is caused by a combination of low wages and/or insufficient working hours. The most recent data\(^\text{76}\) indicates that there are some 130,000 adults in work (with children) who fit the definition of living in relative poverty. Although there has been some improvement in the numbers living in relative poverty, the proportion in in-work poverty has remained stubbornly at 7% of the overall population.

\(^{75}\) Ibid., p.7
\(^{76}\) Ibid.
In-work poverty has two related causes - low wages and an inability to access sufficient work to generate a living income. Since 2009/10, in-work poverty accounted for almost 40% of the individuals living in poverty in Scotland and it is a very important element of the wider issue of social exclusion. A substantial number of those in receipt of Housing Benefit and work related credits would fall into this category but for the income-transfer provided by the wider welfare systems. Despite the claims, work is not always a solution to poverty.78

OECD research has indicated that the main reasons for growing inequality in the work place and low wages is not globalization as such. Instead the underlying reason lies in the relative bargaining power within companies, particularly for those in low waged, marginal employment. Employment policies, employment protection and relative tax rates all have a greater bearing on income differentials than the effect of an open economy. In turn, low wages make the overall cost of living higher due to a need to access expensive forms of credit in order to make up shortfalls between regular income and major items of expenditure. These themes are returned to in the discussion of potential means to address social exclusion and poverty.

3.4 Access to, and progression within, Education

Education, as with health has a complex relationship to social exclusion. Relatively low levels of educational attainment are often a useful indicator of the likelihood of social exclusion. There is clear evidence that relative poverty has an adverse impact on both the commitment to education and the ability to sustain a period of learning.

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79 OECD 2011. Divided We Stand: Why Inequality Keeps Rising. OECD.
One issue of access to education is the problem of adults with severe literacy and numeracy problems. The consequence for these individuals is often a degree of self-exclusion as well as being unable to access services or the labour market. The question becomes one of how to provide a reasonable level of income for the proportion of adults with low or no qualifications. For this purpose, the Scottish Government defines the issue as the “proportion of adults aged 16-64 with low or no qualifications, Scottish Credit and Qualifications Framework (SCQF) Level 4 or below”, and indicates this has steadily declined over the last 6 years:

Figure 3.11: Percentage of 16-64 year olds with SCQF level 4 qualifications or below

Data on the impact of social class and entry to higher education is difficult to interpret and is provided across the UK by the Higher Education Statistics Agency (HESA). A number of relevant measures are offered including one that allows cross-UK analysis (estimates based on post code are difficult due to different methods being adopted in England, Scotland and Northern Ireland). There are important differences in the structure of post-compulsory education and in particular, in Scotland, a larger proportion of students initially study for an award below degree level and many subsequently progress to study for a degree. However, the table below shows the proportion of students from NS-SEC social classes 4-7 (i.e. from a working class background) who enter higher education in the UK and to specific Scottish Universities.

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82 Ibid.

Table 3-4: Proportion of young working class entrants to degree level study

<table>
<thead>
<tr>
<th>Region or University</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total UK</td>
<td>32.3</td>
<td>30.0</td>
<td>30.6</td>
</tr>
<tr>
<td>Total England</td>
<td>32.4</td>
<td>30.1</td>
<td>30.7</td>
</tr>
<tr>
<td>Total Wales</td>
<td>32.5</td>
<td>30.2</td>
<td>31.0</td>
</tr>
<tr>
<td>Total Northern Ireland</td>
<td>41.2</td>
<td>39.1</td>
<td>39.4</td>
</tr>
<tr>
<td>Total Scotland</td>
<td>28.2</td>
<td>25.8</td>
<td>27.2</td>
</tr>
<tr>
<td>The University of Aberdeen</td>
<td>25.6</td>
<td>22.7</td>
<td>24.7</td>
</tr>
<tr>
<td>University of Abertay Dundee</td>
<td>36.7</td>
<td>30.4</td>
<td>35.8</td>
</tr>
<tr>
<td>The University of Dundee</td>
<td>25.4</td>
<td>24.4</td>
<td>27.9</td>
</tr>
<tr>
<td>Edinburgh College of Art</td>
<td>24.9</td>
<td>26.2</td>
<td>21.5</td>
</tr>
<tr>
<td>Edinburgh Napier University</td>
<td>34.9</td>
<td>33.5</td>
<td>29.7</td>
</tr>
<tr>
<td>The University of Edinburgh</td>
<td>18.6</td>
<td>16.5</td>
<td>17.1</td>
</tr>
<tr>
<td>Glasgow Caledonian University</td>
<td>36.8</td>
<td>34.1</td>
<td>33.9</td>
</tr>
<tr>
<td>Glasgow School of Art</td>
<td>31.4</td>
<td>19.0</td>
<td>19.5</td>
</tr>
<tr>
<td>The University of Glasgow</td>
<td>24.5</td>
<td>20.2</td>
<td>19.1</td>
</tr>
<tr>
<td>Heriot-Watt University</td>
<td>29.7</td>
<td>27.6</td>
<td>30.2</td>
</tr>
<tr>
<td>Queen Margaret University, Edinburgh</td>
<td>37.4</td>
<td>32.4</td>
<td>30.0</td>
</tr>
<tr>
<td>The Robert Gordon University</td>
<td>34.9</td>
<td>34.3</td>
<td>35.1</td>
</tr>
<tr>
<td>The University of St Andrews</td>
<td>..</td>
<td>13.7</td>
<td>15.0</td>
</tr>
<tr>
<td>Scottish Agricultural College</td>
<td></td>
<td></td>
<td>41.6</td>
</tr>
<tr>
<td>The University of Stirling</td>
<td>30.5</td>
<td>34.2</td>
<td>28.3</td>
</tr>
<tr>
<td>The University of Strathclyde</td>
<td>27.7</td>
<td>28.3</td>
<td>27.2</td>
</tr>
<tr>
<td>University of the Highlands and Islands</td>
<td>41.9</td>
<td>29.7</td>
<td>39.0</td>
</tr>
<tr>
<td>The University of the West of Scotland</td>
<td>38.8</td>
<td>38.0</td>
<td>37.2</td>
</tr>
</tbody>
</table>

This table needs to be read with some care. It indicates the proportion of the total entry for that university who fit the criteria of working class on the basis of family occupation. It is not indicative of the proportion of working class students who enter higher education. Even with this caveat and acknowledging there is missing data, it is clear that Scotland is lagging behind the rest of the UK. In particular, both the University of Edinburgh and the University of St Andrews take a very low proportion of working class students. This is important as one cause of social exclusion is the complex route into certain professions, with certain institutions acting as ‘gate-keepers’. This can be due to the limited spread of courses in subject areas such as medicine or the bias shown by recruiters in fields such as accountancy and law, and what matters is both the overall access rate to higher education and access to particular institutions.

Some educational institutions look for certain attributes and activities outside formal study, for example, children of well-off, well connected parents are more likely to be aware of this and to ensure access to appropriate opportunities. Fields such as banking and finance are meritocratic but have a very specific definition of the type of activities and achievements that constitute an acceptable profile. Others such as law and medicine recruit from specified University courses. In theory these are open to all who meet the (substantial) entrance requirements of the key

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universities but in reality all are run within the ‘Russell Group’ of Universities that have made no progress over the last 15 years, across the UK, in widening access (in social terms). In this respect the Universities are as much a barrier as the professions themselves in their attitudes and approach to widening access.

In consequence, the relative success of some Scottish Universities in terms of widening access does not fully compensate for the relative failings in others.

3.5 Access to Health Services and Health Outcomes

Health, like education, has a complex relationship with social exclusion. Sustained ill-health is often associated with reliance on welfare transfers and consequently, creates low household income. It is also associated with higher than average living costs. Mental health is typical of this complex interaction. Those with sustained mental health difficulties are less likely to be able to sustain periods of full time, relatively well paid, employment. At the same time, the stress of low income, and living in a poor quality physical environment are likely triggers to further periods of mental ill-health.

3.5.1 Children and Health

It is often useful to use health indicators as measures of wider problems related to poverty. One of these is dental health as it can reflect poor diet as well as the effectiveness of particular interventions. Accordingly, one major indicator for the Scottish Government has been the proportion of Primary 1 (5 year olds) with no obvious dental decay. A number of specific public health initiatives have been launched, leading to a steady improvement:

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87 Ibid.
A related useful measure of public health is the incidence of children who are either under or overweight. As in many western countries, the main challenge now is obesity which in childhood can lead to low self-esteem, depression and physical health problems such as diabetes and heart disease. Obesity is also recognised as less a product of too much food and more as reliance on food that is cheap but with low nutritional value.

Poor diet and health in early childhood have long term impacts. There is strong evidence that diet actually affects the structure and development of the brain from childhood through to late adolescence. In turn, poor concentration at school leads to a drop in direct academic achievement and is more likely to trigger behavioural problems as young people become bored.
and lose interest\textsuperscript{95} in response to the perceived stress of the classroom. Australia\textsuperscript{96} in particular, has addressed the issue of childhood mental health in a systemic manner with evidence that school can be used to create a ‘safe place’ in terms of social development and diet\textsuperscript{97}, especially for children living in deprived areas.

American data has indicated\textsuperscript{98} that schools have a vital role in addressing problems of poor diet. As such they become a potential safety net (if they provide nutritious food), a means to provide access to exercise (if they have the spaces and the resources) and a means to educate children and their parents about the importance of diet. Scottish data bears out these conclusions\textsuperscript{99}, where in response to a healthy eating initiative across the 1990s it was found there was some improvement in consumption of fruit and vegetables but that this still fell short of what was needed for a well balanced diet. In general the evidence suggests that the provision of free school meals is one means to provide a safety net for children from low income families but is not enough, in itself, to ensure equity in overall health outcomes\textsuperscript{100}.

\textbf{3.5.2 Life Expectancy at Birth}

One consequence of poverty, poor diet, unhealthy lifestyles and social exclusion is the reduction in life expectancy for parts of the population. This remains a problem in Scotland with the Scottish Government noting\textsuperscript{101} “that a man living in one of our most deprived areas can expect to live in good health for 10.5 years less than the average man in Scotland. The equivalent gap for women is 8.6 years”. Since 1999 there has been relatively little improvement on this indicator with an enduring gap between the life expectancy of the rest of Scotland compared to those in the 15% most deprived areas\textsuperscript{102}.


3.5.3 Mental Health

Mental Health has been made a priority issue by the Scottish Government\textsuperscript{104}, recognising its capacity to disrupt lives and cause long term loss of income, and disruption of community involvement and family relationships. To address this, the Scottish Health Survey\textsuperscript{105} from 2008 has started to monitor overall mental health wellbeing using the ‘Warwick-Edinburgh Mental Wellbeing Scale’\textsuperscript{106}. So far only 3 years of data have been gathered and this indicates a steady situation with the means score of 50 in 2008 and 49.9 in the most recent (2010) survey\textsuperscript{107}. However, more general research is consistent regarding the extent to which mental health leads to social exclusion and is worsened by the stresses of environmental and income poverty\textsuperscript{108}.

Again, as with childhood diet and health problems, mental health issues lead to wider social problems. Of particular concern is the high proportion of those incarcerated having a pre-existing mental health problem\textsuperscript{109}.

3.6 The Most Deprived Areas

The geographical concentration of poverty is an important element in understanding social exclusion\textsuperscript{110}. Ill-health, both physical and mental, can be a cause of poverty with interrupted work.


records, unstable family formation\textsuperscript{111} Added elements are the high cost of living in certain urban environments, on relatively low incomes\textsuperscript{112} the stresses of poor quality housing, limited access to nutrition and limited uptake of public health. A similar pattern also occurs in terms of education, where low levels of formal qualifications tend to be correlated with both low wages and unemployment. Issues of peer group pressures and prevailing norms can inhibit some who might otherwise seek higher level qualifications. The concentration of relative poverty can see services (both private sector and public) being withdrawn, in effect increasing the cost of living, increasing barriers to work, and, for example, forcing a reliance on cheap, poor quality food\textsuperscript{113} because of a lack of access to good markets.

The complexity of these problems has led a recent report for the Scottish Government to conclude “there is no clear systematic evidence of the overall impact of these geographically targeted programmes on multiple deprivation and poverty\textsuperscript{114}”. In particular this report notes the correlation between any relative gains between 1999 and 2008 (such as a drop in the numbers on DWP benefits) are closely tied to overall economic performance and these limited gains have been quickly eliminated since then. In the wider UK context, a recent report\textsuperscript{115} separated a series of Government policies into those that sought to tackle the problem of poverty and social exclusion at an individual level (ie. as young people, or single parents or long term unemployed) and those that sought to do this at an area/place level (urban regeneration and job creation schemes). However the report concluded:

“The original hope was that, through reviewing the myriad of policy evaluations conducted since 1997, it might be possible to reach conclusions about the relative effectiveness of place- and person-focused policies. However, it was quickly realised that, for the reasons already explained, such a goal was beyond reach – the information available is not sufficiently comparable nor, often, of adequate quality to make the necessary distinctions\textsuperscript{116}.”

The lack of evidence for many of the social policies adopted by both New Labour and the Coalition Government has been noted in other reports\textsuperscript{117}, as has the withdrawal of existing data series\textsuperscript{118} that have been useful for tracking poverty and social exclusion at a UK level. However, there is substantial research\textsuperscript{119} suggesting that once the level of poverty in a neighbourhood
reaches a threshold, first private and then public services are withdrawn. This means that basics such as food become of lower quality\textsuperscript{120} and higher price and public transport becomes less reliable\textsuperscript{121}.

The situation in Scotland is somewhat better both in terms of approach and the degree of evaluation\textsuperscript{122}. The ‘Social Inclusion Partnerships’ set up in 1999 have indicated that:

- A number of individuals have benefitted but perhaps not to the extent of reducing social exclusion;
- There is a lack of clearly agreed baseline data or consistent data collection;
- The programmes have had an impact in terms of perceived quality of life and fear of crime rather than in terms of economic activity;
- There maybe some gains in terms of health and educational outcomes, but again data is lacking.

One problem is that part of the population in poor districts is often transitory\textsuperscript{123}, so programmes may help individuals but make no difference to the area. Districts can acquire and retain a reputation that is in turn a source of discrimination for those who live there\textsuperscript{124}. For those on or near the poverty line, informal social networks are particularly important in allowing them to meet their daily challenges\textsuperscript{125}, and this leads to a commitment to the neighbourhood on the grounds that “any benefits of moving for work would be outweighed by the costs: a severing of social networks; a lost sense of belonging; an undermining of feelings of safety and security derived from living in familiar places; and loss of informal assistance that allows people to cope and can actually serve to render work a viable proposition\textsuperscript{126}”.

At the moment, the most useful data source is the Scottish Index of Multiple Deprivation\textsuperscript{127} with the most recent complete report covering data to 2009\textsuperscript{128}. The index is built up of relatively small datazones based on postcodes and most reports then collate these datazones at the local authority level. A key part to the analysis is a focus on the 15% ‘most deprived’ areas with the index measuring relative deprivation across six main criteria. As with the discussion of poverty in terms of income discussed earlier, the SIMD is clear that multiple deprivation in Scotland is highly concentrated and mostly in the West Coast\textsuperscript{129}.


\textsuperscript{123} Ibid.


\textsuperscript{126} Ibid. p.5


\textsuperscript{129} Scottish Government 2010c. SIMD 2009: Publication of Revised Income Domain and Overall Index - Explanation of Revision and Analysis of Results. Edinburgh: Scottish Government., p.10
The full impact of multiple deprivation becomes clear when the various income, health, education and other measures are related\textsuperscript{130}. Across Scotland it is clear that deprivation is not a matter simply of income, employment, health or education in isolation. These are closely related and for the 742,300 people who live in the most deprived areas\textsuperscript{131}, then:

- 266,500 (36\%) are income deprived (compared to 15\% of the total population);
- 26\% of those of working age are employment deprived (compared to 12\% of the total population);

One problem with the SIMD data is that most of the information is not held at the individual level. However, it is possible to show how the poorest areas are also the poorest areas on the main indicators of income, employment, health, housing, education and crime. This is done below using two tables derived from the 2009 SIMD data sets\textsuperscript{132} rather than the published reports. The first shows how the 5\% most deprived overall are also most often the most deprived on particular indicators, the second table repeats the process for the 15\% most deprived.

So, for example, the 84\% of the most deprived areas are also in the 5\% category for low income, as:

Table 3-5: Overlap between particular indicators and the overall 5\% poorest areas

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of areas</td>
<td>325</td>
</tr>
<tr>
<td>Lowest 5% - Income</td>
<td>83.4%</td>
</tr>
<tr>
<td>Lowest 5% - Employment</td>
<td>78.5%</td>
</tr>
<tr>
<td>Lowest 5% - Health</td>
<td>73.2%</td>
</tr>
<tr>
<td>Lowest 5% - Education</td>
<td>60.3%</td>
</tr>
<tr>
<td>Lowest 5% - Housing</td>
<td>26.5%</td>
</tr>
<tr>
<td>Lowest 5% - Crime</td>
<td>35.4%</td>
</tr>
</tbody>
</table>

When this is redone for the poorest 15\% a very similar pattern emerges as:

Table 3-6: Overlap between particular indicators and the overall 15\% poorest areas

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of areas</td>
<td>976</td>
</tr>
<tr>
<td>Lowest 15% - Income</td>
<td>89.8%</td>
</tr>
<tr>
<td>Lowest 15% - Employment</td>
<td>87.1%</td>
</tr>
<tr>
<td>Lowest 15% - Health</td>
<td>90.8%</td>
</tr>
<tr>
<td>Lowest 15% - Education</td>
<td>76.0%</td>
</tr>
<tr>
<td>Lowest 15% - Housing</td>
<td>46.3%</td>
</tr>
<tr>
<td>Lowest 15% - Crime</td>
<td>52.6%</td>
</tr>
</tbody>
</table>

Both tables need to be interpreted with some care as the composite variable is an aggregation of the individual indicators. However, this does indicate that low income, poor health outcomes and low rates of employment in particular are very concentrated in the poorest areas of Scotland.

Given the arguments about the withdrawal of services in poorer areas, this is a strong indication that contrary to the views of the Centre for Social Justice\textsuperscript{133} that social exclusion is as much a problem of geography as it is of individual attitudes. Indeed other research confirms that it is not lack of desire to succeed, nor of lack of community cohesion that is the fundamental problem\textsuperscript{134}.

\textsuperscript{131} Ibid.
It is difficult to measure rural as opposed to urban poverty. The SIMD has a problem in this respect in that it is a relative measure and tends to capture population density of those in poverty rather than the range in a given area. In rural Scotland, there are wide geographic zones containing a far greater range of income and circumstances than might be found in, for example, the East End of Glasgow. Nonetheless, rural poverty and rural social exclusion are important issues in Scotland and also one reason for relatively higher per-capita costs of providing key public services.

In general, both relative and absolute low income are more prevalent in urban areas and there is some evidence for a small but welcome improvement in rural communities over the last 5 years\textsuperscript{135}, as:

Table 3-7: Relative Low Income after Housing Costs

<table>
<thead>
<tr>
<th></th>
<th>2005/06</th>
<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>%</td>
<td>00s</td>
<td>%</td>
<td>00s</td>
<td>%</td>
</tr>
<tr>
<td>areas</td>
<td>20</td>
<td>810</td>
<td>20</td>
<td>770</td>
<td>21</td>
</tr>
<tr>
<td>Rural</td>
<td>%</td>
<td>00s</td>
<td>%</td>
<td>00s</td>
<td>%</td>
</tr>
<tr>
<td>areas</td>
<td>18</td>
<td>170</td>
<td>170</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>%</td>
<td>00s</td>
<td>%</td>
<td>00s</td>
<td>%</td>
</tr>
</tbody>
</table>

However, as a recent report from the Scottish Agricultural College has noted\textsuperscript{136}, the issues facing rural Scotland are not just simply of low income. Many smaller communities face a loss of public service jobs and no foreseeable growth in well paid private sector work, so there is a danger of the loss of economic activity in a number of smaller, more remote, towns and communities. Some areas already have up to 35\% of all dwellings either as second homes or permanently empty, leading to problems with local authority revenues and further depopulation as local families cannot find suitable housing.

This report\textsuperscript{137} tends to confirm the UK-wide research into problems within isolated communities or those previously reliant on a particular form of employment. The fate of ‘second order’ and relatively isolated places that have suffered from long-term economic decline – such as older textile, mining or seaside towns – requires a specific and determined policy response. Any ‘trickle down’ benefits from future growth elsewhere will have to trickle a very long way indeed to make a difference. The various ‘carrots’ of deregulation designed to stimulate growth are unlikely to suffice to turn round such tenacious trends of economic decline\textsuperscript{138}. The dynamics around social exclusion in rural areas takes on a different form to that in urban Scotland, however, the threat to the local communities and consequences for the individuals is equally damaging.


\textsuperscript{137} Ibid.

\textsuperscript{138} Batty, E., Cole, I. & Green, S. 2011. Low-income neighbourhoods in Britain: The gap between policy ideas and residents’ realities. York: Joseph Rowntree Foundation., p. 6
3.8 Social Exclusion in terms of the Equality Agenda

This section looks at social exclusion in terms of the wider equality agenda, in particular disability and ethnicity. It has been argued that Scotland is well placed to deal with this aspect of social exclusion\(^\text{139}\) as the Equality Act 2010\(^\text{140}\) forms a sound framework and the Scottish Government has a clear goal to “tackle the significant inequalities\(^\text{141}\) in Scottish society by 2017\(^\text{142}\). Disability, caused by mental or physical ill-health is often related to an intermittent engagement with work and higher living costs. Real improvements (both in absolute and relative terms) have been seen over the last decade:

Table 3-8: Relative Poverty after Housing Costs (disability)\(^\text{143}\)

<table>
<thead>
<tr>
<th>year</th>
<th>Individuals in poverty living in disabled families (000s)</th>
<th>Percentage of people in a disabled family who are in poverty</th>
<th>Percentage of people in a non-disabled family who are in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/03</td>
<td>380</td>
<td>28</td>
<td>21</td>
</tr>
<tr>
<td>03/04</td>
<td>390</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>04/05</td>
<td>340</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>05/06</td>
<td>350</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>06/07</td>
<td>330</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>07/08</td>
<td>330</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>08/09</td>
<td>300</td>
<td>23</td>
<td>18</td>
</tr>
<tr>
<td>09/10</td>
<td>250</td>
<td>20</td>
<td>19</td>
</tr>
</tbody>
</table>

Ethnicity in turn has a complex relationship to poverty, with lower rates of full time employment, and more people living in poorer quality housing. The consequences in Scotland are stark, with 16-17% of those described as ‘white’ living in relative poverty compared with over 32% of the Black, Minority Ethnic (BME) population.

This indicates that Scotland has made some progress in dealing with the consequences of disability and social exclusion but still faces a major problem in terms of the linkage between ethnicity and social exclusion. This is complicated as there are significant differences within the ethnic community\textsuperscript{145}, with, for example, those claiming asylum suffering problems connected to being excluded from work or suspension of benefits while they appeal. Gypsy Travellers have particular problems in relation to poor quality living environments and reduced access to education for their children. Overall this situation indicates a need to understand and address the complex factors that have led to such a strong linkage between ethnicity and relative poverty in Scotland\textsuperscript{146}.

3.9 Addressing Social Exclusion

As already discussed, social exclusion has been a major theme for various Scottish Governments since devolution. This section shifts approach slightly to evaluate options to address social exclusion rather than report on the current situation. The first part discusses the current approach to tackling social exclusion and the second asks what more can be done. Evidence suggests that these approaches work:

- Approaches with a very specific focus and minimal complexity;
- Approaches based on local needs and priorities; and,
- Approaches that actively engage the local community\textsuperscript{147}.

\textsuperscript{144} Ibid.
\textsuperscript{146} Ibid.
The Scottish Government has targets that essentially measure the consequences of social exclusion\(^{148}\), supported by detailed analysis into the problem on a geographical level via the SIMD.\(^{149}\) A series of related policy initiatives can be described as a commitment to understand the consequences of social exclusion and to address the consequences. Moreover, it represents a significant departure from the narrative of bodies such as the Centre for Social Justice\(^{150}\) with their underlying message of purely individual responsibility and the continued emphasis placed on workfare by the Coalition Government\(^{151}\). The approach of the Scottish Government is also a welcome change from the dominant message from both New Labour and the Coalition Government about welfare abuse\(^{152}\) particularly as aimed at the disabled.

The Scottish Government acknowledges that:\(^{153}\)

> Although outcomes are generally improving for most people in Scotland they are not improving fast enough for the poorest sections of our society. Nor for those who face barriers because of their race, gender, age, disability, sexual orientation or faith. Those who have the least access to income, employment and good housing experience higher levels of ill health; often have less physical and psychological resilience to meet challenges; and less power and influence to effect change. Poverty and inequality not only diminish opportunity and life experience, they detract from Scotland’s economic success and wellbeing as a nation. Tackling inequalities, therefore, remains our major challenge\(^{154}\).

This is in some contrast to UK government policy which can only be characterised as ill-informed and often framed with no account taken of the evidence\(^{155}\) In particular, the UK government fails to understand the extent to which social problems and social exclusion are a consequence of the intensity of poverty in a given area, not of the claimed failings of the individuals who live in such areas\(^{156}\). This is acknowledged by the Scottish Government\(^{157}\), along with the consequences of living for a long period on the borders of relative poverty without the ability to deal with short term adverse events. This has led the Scottish Government to indicate two key influences on the

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154 Ibid.


likelihood of succeeding in this complex field\textsuperscript{158}:

“Success in achieving this outcome will be influenced by: the progress made in identifying the complex range of behaviours and determinants which contribute to poverty and inequality; identifying where the most significant impact can be made on outcomes; taking appropriate action”; and,

“Success will also be influenced by the quality of the data and information which we have on the nature and extent of inequalities in Scotland. We need to understand the changing needs of our increasingly diverse communities and be more responsive in the policies we develop and services we provide”.

So far, as discussed in section 3, the results have been mixed because of constraints placed on Scotland by UK government policies.

“UK Government policies on personal taxation and welfare benefits play a critical role in determining families’ incommings: taxation, tax credits, benefits, the National Minimum Wage and other statutory workers’ rights are all reserved to the UK Government. UK Government spending decisions and reform of the welfare system have the potential to impact significantly on child poverty in Scotland and the Scottish Government will continue to pursue the best interests of Scotland in its dialogue with UK counterparts\textsuperscript{159}.

These constraints reduce, but do not completely eliminate, the capacity of the Scottish Government to use income transfers as a tool to reduce poverty. In particular, the Scottish Government could do more to bring all local authorities into line with the commitments to the ‘Living Wage’\textsuperscript{160}. The Scottish Government could also use its ability as a major purchaser of goods and services to influence private sector practice in this regard.

The Scottish Government is also committed to reducing child poverty through education and the provision of health care and childcare\textsuperscript{161} and is aware of the consequences of financial exclusion (where conventional banks fail to provide credit leaving the poorest having to pay excessive rates of interest in order to cope with sudden financial shocks, or, even worse, to maintain household expenses till the next wage cheque arrives).

The intention is clear and the policies to alleviate the consequences of poverty are well designed. However, for the most part, there is little that can be done to directly address the source of poverty under the current devolution agreement. At least, in stark contrast to the Coalition Government in power in Westminster, the Scottish Government has been prepared since 1999 to remain committed to the idea that the state does have a role in offsetting structural causes of inequality\textsuperscript{162}.

However, the policies adopted can be seen as addressing the issues associated with, or following on from, social exclusion rather than those that contribute to the problems of low income, poverty and social exclusion\textsuperscript{163}.


\textsuperscript{160} Scottish Living Wage Campaign 2011. Submission from Scottish Living Wage Campaign. SLWC.


\textsuperscript{162} Murphy, R. 2011. *The Courageous State: Rethinking Economics, Society and the Role of Government*.

3.9.2 Further Options

This section briefly explores two potential extensions to the approach outlined above. One argues that since public services and public goods are particularly helpful in offsetting the problems of low income, a useful focus could be to expand the provision of public services, free or low cost at the point of delivery. The second, takes the argument that poverty is a product of low income and reviews various approaches that could be adopted to alleviate this particular aspect of the problem. In combination, these two approaches may help Scotland to start to address the causes of social exclusion rather than simply to alleviate the symptoms. In turn, this argument is explored in the next chapter, looking at the type of powers that would need to be devolved to the Scottish Parliament.

3.9.2.1 Provision of Public Goods

One key element to offsetting individual variations in income is the provision of public goods accessible by all, either for free or at a minimal cost\(^\text{164}\). In the UK the poorer areas tend to have fewer amenities such as transport, decent green spaces\(^\text{165}\), access to cheap and nutritious food\(^\text{166}\), access to relatively cheap banking and other financial services, as well as lacking the benefits of well maintained, relatively crime free environments. Consequently, the individual impact of low income is amplified\(^\text{167}\) and if there was better provision then many of the adverse consequences can be offset.

One simple example is access to childcare. The provision of high quality, widely available, local and subsidised childcare\(^\text{168}\) has the advantage of easing entry into work for many families, improving early years learning and nutrition and providing decent wages in a local community area for those who run the provision. This is important as it prevents the rapid narrowing of opportunity that otherwise affects so many children living in low income families\(^\text{169}\). The UK model of privatised provision has the disadvantage of high cost which deters many who need it the most. An emphasis on private sector provision ensures that affordable child care is not available in areas of relative poverty\(^\text{170}\). More generally in the period up to 2005 there is evidence that the Welsh approach\(^\text{171}\) saw better integration of pre-school child care provision. The relevant legislation places a requirement on local authorities in Wales to “secure sufficient childcare.

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to meet the requirements of parents in their area who require childcare in order to work or to undertake training or education to prepare for work.”

This has led to a more coherent approach than elsewhere in the UK where provision has remained piecemeal (and expensive).

The impact of different approaches to the provision of key services can be seen in the different models of funding child care adopted in the UK and Sweden. In both states, the policy model is to encourage an early return to work for parent(s) given the relative correlation between worklessness and poverty. The 2002 reforms in Sweden capped the total fee that could be charged and ensured that subsidised child care has to be provided by each municipality for all children aged between one and five. The impact of the new system was to reduce average parental contribution from 18% to 10% of the total costs and left families with bills of between 80-120 euros per month for child care costs (ie roughly £50-80). Although marginally successful in encouraging return to work, an evaluation report still concluded that an increase in overall child benefit, rather than changes to subsidising child care costs, would have had a more direct impact on child poverty.

In the UK, the main form of state support is in the form of tax-credits designed to offset some of the cost. The system makes it very hard to compare as each payment is related to the individual but the childcare element is worth around £150 per week. Since weekly childcare charges average around £200-£250, this means a much lower level of support than in Sweden with this support provided on an individual basis as opposed to by right. In turn, actual provision of child-care in the UK is mostly a matter of accessing private providers and there is evidence that this varies substantially in terms of price, quality and availability. In effect, provision as a public good has proved to be both cheaper (for users and the state) and to provide a more effective service.

More generally, schools are potentially a means to offer community support. There is ample evidence from Australia that building support mechanisms around schools has a positive effect on mental and community wellbeing. The provision of cheap, or free school meals for all children has the benefit of ensuring that those in need have at least one balanced meal a day without the stigma (or difficulties) in having to apply for this on the basis of familial income.

Contrary to the Coalition and New Labour argument that social benefits are only acceptable if well targeted, there is a lot of evidence to suggest that the most effective approach is when such benefits are universally available as free goods. Not only does this reflect a wider transfer

174 Ibid.
of income within society\(^{178}\), it is often the cost effective way to provide a service and does so without creating the appearance of a group who can then be argued to ‘benefit unfairly’.

### 3.9.2.2 Income Transfers

The need to address the problem of low income has been acknowledged by the Scottish Government\(^{179}\). One working group as part of “A Better Scotland for All”\(^{180}\) identified five preconditions for this\(^{181}\):

- Using the Minimum Income Standard to assess the adequacy of current policies;
- Establishing fair taxation policies at the UK level;
- Increasing the level of welfare benefits in order that claimants do not live in poverty;
- Increasing the level of the national minimum wage, and having a single rate for the minimum wage regardless of age;
- Employers in the public and private sectors supporting the introduction of living wages\(^{182}\).

The problem with this set of recommendations is that with the possible exception of the last one, all are at the moment reserved to the Westminster Government. The last is partly an issue that the Scottish Government, and the wider public sector in Scotland, could address in terms of its direct and indirect employment of 586,000 people\(^{183}\). Most of these work for the NHS or Local Government:

Figure 3:16: Public Sector Employment in Scotland, Q4 2011\(^{184}\)

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182 Ibid., p.2
184 Ibid.
In 2008, the Scottish Government adopted a commitment to pay the ‘Living Wage’ of £7.20 per hour. However, a recent survey by the Scottish Living Wage Campaign (SLWC) estimated that some 18,000 employees in the Local Government sector were still being paid less than this amount. The SLWC has also argued that the Scottish public sector can use its procurement function to place pressure on private sector firms to match this commitment using the 2006 EU Procurement Directive with its emphasis on taking account of social and environmental issues when placing orders. Using the ‘Living Wage’ concept across the Public Sector (by bringing all councils into line) and using public sector procurement would give the Scottish Government some leverage over the payment of too low wages.

The provision of public goods or seeking to address directly the problem of income inequality does not completely remove the issue of some individuals choosing to live in such a way as to cause individual poverty. However, this is much less prevalent than the dominant discourse would suggest. Seeing poverty as a consequence of social structures as well as social choices and founded on low income is a fundamental rejection of the Centre for Social Justice model where poverty is a consequence of individual failings to be resolved by any work, no matter how badly paid.

The obvious question is what more can the Scottish Government do to address the problem? This becomes part of the debate about the powers needed and the implications for retention of the status quo, further devolution from Westminster or full independence. This echoes the conclusion of the recent Joseph Rowntree report on social exclusion in Scotland, stating that the:

“obvious gaps in the Scottish government’s anti-poverty programme are more to do with matters over which it does not have direct control. In this, the Scottish government is no different from the other two devolved administrations (and even the UK government, which has tax and benefit powers, but does not always have control over all matters related to poverty). What it reflects, of course, is that the roots of poverty lie in a host of decisions taken within civil society around, first, the workplace and, second, the provision of essential services, a term which can be understood to include health and education.”

However, in spite of this conclusion, the Scottish Government clearly does have substantial powers and influence under the current settlement. The commitment to address social exclusion has been a major theme of the Scottish Executive and Government since 1999 and it is possible to identify aspects, even where the powers are devolved, where more can be done to address the 30% living with the lowest incomes in Scotland.

185 Scottish Living Wage Campaign 2011. Submission from Scottish Living Wage Campaign. SLWC.
186 Ibid.
191 Ibid., p. 19
Chapter 4: Comparative Data

This section draws heavily on comparative data published by the European Commission’s Eurostat\(^\text{192}\) and health\(^\text{193}\). However, this level of access is not consistent and sometimes the EU data is only reported at the national level\(^\text{194}\). To fill in the various gaps where appropriate, data is indicated according to the main source and any subsidiary information sets.

The selection of tables is driven by what is available to provide a broad range of comparisons between Scotland, the rest of the UK, the EU as a whole and the Nordic countries of Finland, Iceland, Denmark, Norway and Sweden. The latter were adopted as comparators in view of some similarities in population size, some shared historic problems with population health\(^\text{195}\) and because they are often cited as role models for a Scotland able to follow its own economic and social policies.

The first two tables look at the population in or ‘at risk’ of poverty. The latter is defined as having below 60\% of the median income, and is seen as a group at risk of slipping into poverty when faced with a dip in income or unexpected costs. The second table captures the much small proportion defined as living with ‘severe material deprivation’. Although the analogy is slightly flawed, this can be thought of as the difference between relative and absolute levels of poverty.

Table 4-1: Proportion of the population at risk of poverty\(^\text{196}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>19.0</td>
<td>20.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
<td>19.0</td>
<td>19.0</td>
<td>18.6</td>
<td>18.7</td>
<td>17.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>10.9</td>
<td>11.8</td>
<td>11.7</td>
<td>11.7</td>
<td>11.8</td>
<td>13.1</td>
<td>13.3</td>
</tr>
<tr>
<td>Finland</td>
<td>11.0</td>
<td>11.7</td>
<td>12.6</td>
<td>13.0</td>
<td>13.6</td>
<td>13.8</td>
<td>13.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>11.3</td>
<td>9.5</td>
<td>12.3</td>
<td>10.5</td>
<td>12.2</td>
<td>13.3</td>
<td>12.9</td>
</tr>
<tr>
<td>Iceland</td>
<td>10.0</td>
<td>9.7</td>
<td>9.6</td>
<td>10.1</td>
<td>10.1</td>
<td>10.2</td>
<td>9.8</td>
</tr>
<tr>
<td>Norway</td>
<td>10.8</td>
<td>11.4</td>
<td>12.1</td>
<td>11.9</td>
<td>11.6</td>
<td>11.7</td>
<td>11.2</td>
</tr>
</tbody>
</table>

On this measure, Scotland has similar problems to the UK as a whole and both lag significantly behind the Nordic countries.

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Table 4-2: Proportion of the population with severe material deprivation

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>5.3</td>
<td>4.5</td>
<td>4.2</td>
<td>4.5</td>
<td>3.3</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>2.9</td>
<td>3.2</td>
<td>3.1</td>
<td>3.3</td>
<td>2.0</td>
<td>2.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Finland</td>
<td>3.8</td>
<td>3.8</td>
<td>3.3</td>
<td>3.6</td>
<td>3.5</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.0</td>
<td>2.3</td>
<td>2.1</td>
<td>2.2</td>
<td>1.4</td>
<td>1.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Iceland</td>
<td>2.5</td>
<td>2.7</td>
<td>2.1</td>
<td>2.1</td>
<td>0.8</td>
<td>0.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Norway</td>
<td>2.7</td>
<td>3.5</td>
<td>2.8</td>
<td>2.3</td>
<td>2.0</td>
<td>2.2</td>
<td>2.0</td>
</tr>
</tbody>
</table>

This comparative table captures the most extreme cases of poverty shows a very similar difference to table 4-1 between the UK and the Nordic countries. A comparable time series of data for Scotland cannot be identified, but indications are that again the situation is similar to the UK. Since the main reasons are the rates of social welfare benefits and the problem of low wages (and limited work), it is unlikely that Scotland could perform particularly different to the rest of the UK. In this instance, data on income inequalities is useful and a common measure is the Gini Coefficient that looks at the relative dispersal of incomes.

Table 4-3: Gini Coefficients and changes 2004-2010

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU (27 countries)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>29.5</td>
<td>31.5</td>
<td>31.7</td>
<td>33.1</td>
<td>34.1</td>
<td>34.7</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>34.2</td>
<td>34.7</td>
<td>35.3</td>
<td>35.9</td>
<td>35.8</td>
<td>35.8</td>
<td>33.0</td>
</tr>
<tr>
<td>Denmark</td>
<td>23.9</td>
<td>23.9</td>
<td>23.7</td>
<td>25.2</td>
<td>25.1</td>
<td>26.9</td>
<td>26.9</td>
</tr>
<tr>
<td>Finland</td>
<td>25.5</td>
<td>26.0</td>
<td>25.9</td>
<td>26.2</td>
<td>26.3</td>
<td>25.9</td>
<td>25.4</td>
</tr>
<tr>
<td>Sweden</td>
<td>23.0</td>
<td>23.4</td>
<td>24.0</td>
<td>23.4</td>
<td>24.0</td>
<td>24.8</td>
<td>24.1</td>
</tr>
<tr>
<td>Iceland</td>
<td>24.1</td>
<td>25.1</td>
<td>26.3</td>
<td>28.0</td>
<td>27.3</td>
<td>29.6</td>
<td>25.7</td>
</tr>
<tr>
<td>Norway</td>
<td>25.2</td>
<td>28.2</td>
<td>31.1</td>
<td>23.7</td>
<td>25.1</td>
<td>24.1</td>
<td>23.6</td>
</tr>
</tbody>
</table>

In this sense, Scotland is closer to the EU norm than the rest of the UK, but still has significantly more income inequality than the Nordic states.

A final set of useful comparative data can be drawn from public health indices. One simple measure is life expectancy at birth and, due to how it is reported, this can be broken down into regions within Scotland to ease comparisons:

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Table 4-4: Life Expectancy at Birth

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Scotland</td>
<td>77.9</td>
<td>77.8</td>
<td>78.4</td>
<td>78.6</td>
<td>78.6</td>
<td>79.1</td>
</tr>
<tr>
<td>South Western Scotland</td>
<td>75.9</td>
<td>76.3</td>
<td>76.4</td>
<td>76.2</td>
<td>76.6</td>
<td>77.3</td>
</tr>
<tr>
<td>North Eastern Scotland</td>
<td>76.4</td>
<td>77.1</td>
<td>76.7</td>
<td>77.2</td>
<td>77.2</td>
<td>77.7</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>79.3</td>
<td>80.1</td>
<td>80.0</td>
<td>79.9</td>
<td>80.5</td>
<td>81.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>76.2</td>
<td>76.8</td>
<td>77.1</td>
<td>77.3</td>
<td>77.6</td>
<td>77.8</td>
</tr>
<tr>
<td>Finland</td>
<td>75.1</td>
<td>75.4</td>
<td>75.6</td>
<td>75.9</td>
<td>76.0</td>
<td>76.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>78.0</td>
<td>78.4</td>
<td>78.5</td>
<td>78.8</td>
<td>79.0</td>
<td>79.2</td>
</tr>
<tr>
<td>Iceland</td>
<td>79.5</td>
<td>78.9</td>
<td>79.6</td>
<td>79.5</td>
<td>79.6</td>
<td>80.0</td>
</tr>
<tr>
<td>Norway</td>
<td>77.1</td>
<td>77.6</td>
<td>77.8</td>
<td>78.2</td>
<td>78.3</td>
<td>78.4</td>
</tr>
</tbody>
</table>

It is in terms of health outcomes that the problems in Scotland compared to the rest of the European Union become clear. For example, in terms of alcohol related deaths, Scotland is among the worst, only matched by problems in the former Eastern Block countries:

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This in turn is related to very high death rates across the general population, again much in line with the poorer East European countries than the rest of North-West Europe.
In this case, the issues are not just related to relative income or degree of social exclusion. Some of the health issues in Scotland are prevalent across the population but are still to be found concentrated in the poorer communities. Other countries in the EU, with historically similar problems, have over time managed to address problems of poor diet and excess alcohol intake\textsuperscript{203}, and some of the problems facing Scotland need to be dealt with in a similar manner.

This section takes the basic findings around suitable policies and considers how far Scotland can address them under various models of devolution. Can Scotland make more progress in tackling social inequality using the current powers, or is there a need for further devolution or is the most realistic framework one of full independence. As suggested at the end of Chapter Three, the major policy gaps are mostly related to issues currently reserved to Westminster, however, there are devolved powers that could be used more effectively.

■ 5.1 Assumptions

This section quickly sketches out the assumptions of the range of powers and options under each of the three states of: Status Quo, Devo-Max and Independence.

■ 5.1.1 Status Quo

In this case, the assumption is that the range of powers remains much as it is at the moment. Thus health, education and local government are fully devolved allowing the Scottish Government to adjust policy in those areas to meet its own priorities rather than accepting Westminster's approaches. Funding will continue as some version of the current 'Barnett Formula' and, the Scottish Government will be able to identify a relatively small number of initiatives (as now, for example around student tuition fees and care for the elderly) that it will be able to promote.

■ 5.1.2 Devo-Max

In this case, the main assumption is that the range of policy areas devolved will be significantly extended and that Scotland will have two main sources of funding. It is assumed there will be some form of financial transaction to the UK government (to pay for shared services and, in the other direction, as repayment of expenditure and/or income raised nationally) and a greater degree of revenue raising within Scotland. In combination, this may allow Scotland far greater flexibility in tailoring its approach to its own needs but the wider policy framework (macro-economic and fiscal) will still be set at the UK level. The assumption is that the Scottish Parliament will have the ability to vary income tax levels but probably not to alter the overall structure of the tax system.

■ 5.1.3 Independence

Again, as with devo-max, there is a degree of uncertainty as to what is meant by independence. The referendum planned for 2014, essentially will ask Scotland to enter into negotiations for independence but will not be about the form that independence will take. From comments by the SNP, the assumption is that some issues such as foreign affairs, security and defence will still
be handled at the UK level and that the commitment to retain sterling implies a large element of macro-economic and fiscal policy still being set at Westminster. In addition, it is assumed there will be cross-border financial flows to cover shared services. However, in general it is assumed this will give Scotland full control over the domestic policy agenda including the structure of the tax system.

### 5.2 Status Quo, ‘Devo-Max’ or Independence?

The status quo issues and problems have been reviewed in chapter five. There is some scope for more action on a number of key areas but as long as social welfare policy, employment policy and taxation structures are held at the UK level there is little more that can be done. Scotland’s approach to social exclusion will be largely conditioned by the approach of the Westminster government and the main effect will be to offset some of the worst aspects of the Coalition’s policies.

Within devo-max, there is more scope to address some aspects of social exclusion. In particular, greater control over a larger budget and the ability to shape key elements such as welfare, would allow more progress to be made. Even if tax policy remains as regressive as it currently is, the ability to use employment regulations and welfare cash transfers may offset some of the causes of poverty. However, this assumes the continuation of a Westminster government with the Coalition’s priorities in terms of taxation and social welfare. If this was to change then devo-max may well present the Scottish Government with the ability to tailor that wider approach to address the specifically Scottish aspects of social exclusion.

Finally, the main gain from Independence would seem to lie in the ability to craft a tax system that is both simple and progressive. However, whether this could be delivered, given the likely continuation of UK-wide movement of goods, capital and people is less clear.
This report has drawn together much of the existing material on social exclusion in Scotland to evaluate the current situation. There is a general consensus that social exclusion has been a policy focus for successive Scottish governments and that in some areas this has had the advantage of minimising the adverse affects of the approaches taken by both New Labour and the Coalition Government. The Scottish Government has continued to base its approach on research and real data rather than the conclusions of pressure groups such as the Centre for Social Justice. The result is that, on balance, those areas where social exclusion has worsened are those areas reserved to the Westminster government. This is not to absolve the Scottish Government of all responsibility and more could be done in terms of improving wages, addressing the correlation between ethnicity and poverty, the persistence of poverty in particular districts and child poverty.

At the heart of this report is a simple argument. Social exclusion is a product of income poverty not individual lifestyle choices. Thus addressing social exclusion must start from addressing this problem and it has three basic components – low income from work (low wages and/or insufficient work), cuts in welfare transfers and the reduction in freely available public goods.

Social exclusion affects us all, not only in terms of consequential problems such as crime and health costs but also in terms of economic performance. Like most of the world, Scotland is facing an economic crisis caused by a lack of effective demand. New Labour’s solution was that low wages would be topped up by tax credits and access to easy credit so as to sustain consumption. A more realistic solution is to ensure a more equitable distribution of income, thus improving demand for locally generated goods and services.

This analysis also feeds into the current debate about devolution. One argument is that, regardless of the form of devolution (status-quo, devo-max or independence) key macroeconomic and fiscal policies will continue to be set at Westminster. If so, then Scotland is better served by seeking as much direct influence on overall UK policy combined with the freedom to vary that policy to address particularly Scottish aspects of the problem. On the other hand, the current settlement allows the Scottish Government to do little but offset some of the worst consequences of Westminster policy. However, in every case, the overall economic and fiscal model will continue to be set at Westminster (this assumes retention of sterling in an independent Scotland).

This leaves several important questions open. As long as the wider UK fiscal, social and economic approach remains framed by the coalition government then social exclusion will continue to rise. Scotland can offset some of that but this will be constrained due to the commitment to retain sterling (even in the case of independence). The ideal is a UK level government that is prepared to turn its back on the neo-liberal economic and social policies that have done so much damage and then a Scottish government that can adapt that wider framework to meet the particular challenges faced in Scotland.
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The Scotland Institute is a progressive and independent think tank set up to deal with the changing face of Scotland. It aims to investigate the implications of devolution while finding innovative solutions to the old problems of social exclusion, and to encourage Scotland’s competitiveness in the global market. Through high-quality comprehensive research and policy making it hopes to put Scotland on a path towards a more competitive, progressive, and optimistic future.