
BUILDING A MORE EQUAL SCOTLAND

Designing Scotland's Poverty and Inequality Commission



Produced in collaboration with:



This research report was written to share research results, to contribute to public debate and to invite feedback. It does not necessarily reflect the policy positions of the organisations jointly publishing it.

Report Authors

Ryan McQuigg

Policy and Public Affairs Manager, Oxfam Scotland

Francis Stuart

Research and Policy Adviser, Oxfam Scotland

In collaboration with:

David Eiser

Research Fellow, Fraser of Allander Institute, University of Strathclyde

About the Fraser of Allander Institute, University of Strathclyde

The Fraser of Allander Institute is Scotland's leading independent economic research institute. Over the last 40 years, the Fraser has developed an unrivalled knowledge and understanding of the Scottish economy and is Scotland's expert authority on economic policy issues.

The Fraser is also widely regarded as a leading provider of forecasting, appraisal and economic consultancy services, with a diverse client base from across the public, private and third sectors.

Oxfam's recommendations for the Poverty and Inequality Commission



Tackling inequality: a cross-party priority

Ruth Davidson MSP, Leader of the Scottish Conservative Party

*'I believe we should not stand idly by as we watch failures of both State and market alike affect poverty and gross inequality. This should be our priority.'*¹

Patrick Harvie MSP, Co-convenor of the Scottish Greens

*'We need to deal with the structural causes of poverty and inequality – in particular the massively unfair distribution of wealth in our society.'*²

Kezia Dugdale MSP, Leader of the Scottish Labour Party

*'I don't think there's much you can oppose to an inequality commission. In terms of what it should look at, it has to look at the question of tax.'*³

Willie Rennie MSP, Leader of the Scottish Liberal Democrats

*'If we are going to be serious about tackling inequality and poverty then we have to be honest with ourselves that taxation is going to be required.'*⁴

Nicola Sturgeon MSP, First Minister and Leader of the Scottish National Party (SNP)

*'The inequality gap, whether [in] income, health or education, is not easy to close, sometimes it's generations in the making, but it's absolutely central to my notion of a fair Scotland that we tackle these inequality gaps.'*⁵

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EXECUTIVE SUMMARY

*'Inequality is not inevitable . . . it is something that we create, by our policies, by what we do.'*⁶ (Nobel prize-winning economist, Joseph Stiglitz)

The Scottish Government is creating a Poverty and Inequality Commission in 2017/18. This is a positive move which creates a significant opportunity to tackle high levels of economic inequality in Scotland. The Scottish Parliament has a number of powers it could use to help achieve this. As this report highlights, the case for doing so is overwhelming given that one in five people in Scotland live in poverty.⁷

The commission must build on the considerable momentum behind this agenda in Scotland. However, to maximise its impact, the design and remit of the commission need to be carefully considered. This paper makes key recommendations for the Scottish Government, which we hope will be supported by all parties in the Scottish Parliament.

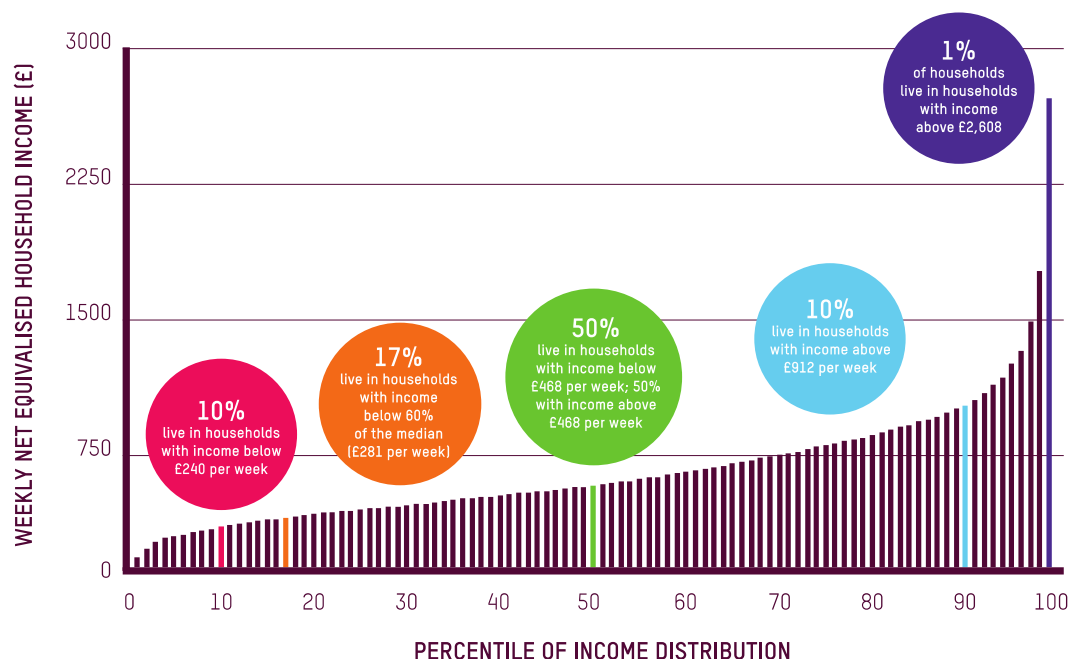
Today, more than 1 billion people around the world still live in extreme poverty. Yet recent Oxfam research shows just eight people own the same wealth as the 3.6 billion who make up the poorest half of humanity.⁸ All eight of these people are men.

Across the UK, wealth inequality has increased in recent years. In addition, while overall measures of income inequality have shown broad stability across Scotland and the UK since the early 1990s, following big increases in the 1980s, earnings inequality before tax and benefits as well as the net incomes of the top 1% have continued to grow.

What's more, income inequality and poverty increased in the past year and are expected to rise further in coming years. Income inequality in Scotland is now at historically high levels last seen in the early 1990s.⁹

The chart below illustrates the distribution of household income in Scotland in 2015/16 (explained further in Chapter 2.2).¹⁰

Chart: Distribution of Scottish population by percentile of net equivalised household income (2015/16)

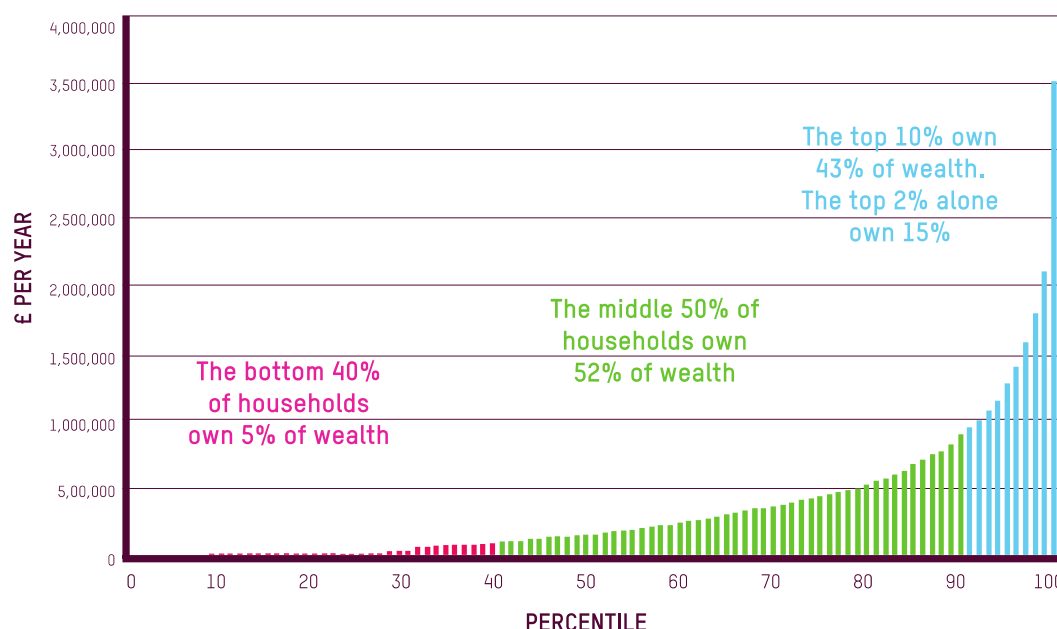


Source: FAI Analysis of Households Below Average Income dataset, accessed via UK Data Service

The chart shows that, after accounting for the size of the household, the richest 10% of the Scottish population live in households with a net income of more than £912 per week. In contrast, the equivalent figure for the poorest 10% is less than £240. The figure is above £2,608 per week for the richest 1%.

Wealth inequality in Scotland is even starker. The chart below shows the distribution of household wealth in Scotland in 2012/14 (explained further in section 2.9). It shows the wealthiest 10% own 9.4 times more household wealth than the bottom 40% put together.¹¹ This compares to an equivalent ratio of 1.4 times for income.

Chart: Distribution of total net household wealth by percentile, Scotland 2012/14



Source: *Wealth and Assets Survey*, ONS

Oxfam's purpose is to help create lasting solutions to the injustice of poverty. Encouragingly, there is growing recognition that extreme economic inequality is undermining this fight. In 2015, world leaders agreed upon 17 Sustainable Development Goals (SDGs) to be achieved by 2030.¹² Alongside the goal of 'ending extreme poverty' they vowed to 'leave no one behind'. Recent World Bank projections show, even on optimistic growth forecasts,¹³ it will not be possible to end extreme poverty without reducing inequality because these two realities are intrinsically linked.

This conclusion is reinforced by a forthcoming report for Oxfam by the Centre for Analysis of Social Exclusion at the London School of Economics (LSE), which shows a positive correlation between income inequality and income poverty in the UK.¹⁴ Put simply, when inequality has grown in the UK, so too has poverty, and vice versa. To reduce poverty in the UK, we must therefore address high levels of economic inequality. This is partly because of the scale of redistribution which is needed to reduce poverty in highly unequal societies. However, it is also due to wider political and economic factors, including the emergence in the UK of a powerful elite who pressure governments to shape policies in their favour, as well as the impact of inequality on public attitudes.

Frustratingly, many of the measures needed to build a more human economy – one in which people, not profit, are the bottom line and which prioritises the most vulnerable – are well known.¹⁵ Markets need careful management to ensure the proceeds are shared fairly. That means ensuring economies work for women as well as men, tackling in-work poverty, limiting executive pay and encouraging business models that do not give undue reward to shareholders. It also means using progressive taxation to fund social protection, healthcare and education.

In Scotland, there is strong support for a more equal society. Polling for Oxfam Scotland suggests three-quarters of people favour wealth being distributed more equally, with two-thirds believing politicians here should do more to address economic inequality (as outlined

in Chapter 1). There is also welcome political momentum, with concern about inequality expressed by all parties in the Scottish Parliament. Significant levers to reduce inequality remain at UK level, but Holyrood has powers it could use to help narrow the gap: from tax and social protection to the planning system and education.

First Minister Nicola Sturgeon has described it as her '*personal mission to tackle inequality*'¹⁶ and has committed Scotland to delivering the SDGs, including to 'leave no one behind'. Reducing inequality is a key plank within the Scottish Government's Economic Strategy¹⁷ and there have been a series of initiatives to make Scotland more equal – from the 50-point Fairer Scotland Action Plan,¹⁸ to the Fair Work Convention,¹⁹ and the appointment of an Independent Poverty and Inequality Adviser.²⁰

Yet, while politicians here are more awake than many to these issues, this has still to lead to adequate policy change. Reflecting this, ahead of the Scottish Parliamentary Election in 2016, Oxfam called for the future Scottish Government to establish an Inequality Commission. The SNP manifesto committed to: '*a Poverty and Inequality Commission to provide expert advice to ministers on how to tackle poverty and measure and monitor the progress made across all portfolios and all parts of Scotland*'.²¹ This was re-stated in the Scottish Government's 2016–17 Programme for Government.²²

The remit and make-up of this Commission is yet to be published. The purpose of this paper is to assist this process. In collaboration with the Fraser of Allander Institute at the University of Strathclyde, it explores the scale of inequality in Scotland and the drivers fuelling it. The report examines some, but not all, of the intersecting and overlapping dimensions of economic inequality and poverty – as well as potential policy responses and the powers of the Scottish Parliament. It also considers the various arguments for tackling inequality beyond the link to poverty, including the moral, economic, political and environmental.

The paper then explores lessons from the work of previous commissions and similar bodies. This draws on research by the Academy of Government at the University of Edinburgh, commissioned by Oxfam. Importantly, this includes the real-life experience of people involved in recent commissions in Scotland. The research emphasises the need for commissions to operate independently and highlights their potential to generate new kinds of 'talk' on difficult issues.

Based on this learning and an analysis of the political, policy and institutional landscape in Scotland, Oxfam makes a series of recommendations for the Scottish Government as it establishes the new Poverty and Inequality Commission. If implemented, they will ensure it can provide stretching policy proposals based on evidence, whilst holding the Scottish Government and others to account for their commitment to narrow the gap. The recommendations will ensure the commission moves beyond statements of concern about inequality to proposing specific changes in policy.

In short, a well-designed, powerful and independent Poverty and Inequality Commission will create the space and confidence needed for courageous policymaking to reduce economic inequality in Scotland.

The Poverty and Inequality Commission should be:



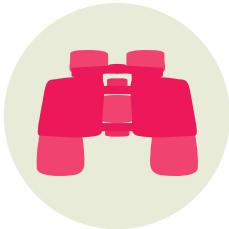
Fully independent

- It should be fully independent of the Scottish Government, both in practice and perception. Consideration should be given to placing the commission on a statutory footing, with it reporting directly to the Scottish Parliament;
- It should have flexible terms of reference so it can develop its own work streams and mature organically whilst operating transparently and accountably.



Focused on inequality

- It should maintain a sharp focus on overall economic inequality, with working groups established, if necessary, to examine specific areas;
- It should explore how devolved powers can be used to their fullest to reduce inequality – including key areas such as: tax and social protection; education; economic development; procurement; planning; public spending; childcare; and housing.



Wide in duration and scope

- It should break free from the constraints of election cycles by having the freedom to propose new longer-term policies to narrow the gap and by working to a timeline which is consistent, as a minimum, with the 2030 Sustainable Development Goals;
- It must look beyond Scotland to consider best practice internationally – at state and regional levels – and assess whether and how this could be emulated in Scotland, including piloting projects if required.



Scrutinising in function

- It should be able to call witnesses, including Scottish Government ministers, whilst proactively reaching across departments to reflect all devolved levers for change;
- It should hold the Scottish Government to account by scrutinising expenditure, policy and practice to assess their impact on reducing inequality. This could include overseeing the socio-economic duty on public bodies to reduce inequalities and monitoring performance against relevant National Outcomes and indicators;
- It should scrutinise policy proposals from all political parties, academics, organisations and individuals to assess whether they would reduce inequality.



Adequately resourced

- It should be adequately resourced and financed, with an ability to direct this independently through a secretariat, including independent communications support;
- It should have the capacity to improve the quality and scope of inequality data which is available in Scotland through the power to request new data; the ability to collect this itself; or the budget to commission external analysis.



Connected and accessible

- It should be strongly linked to relevant UK and Scottish bodies to benefit from their knowledge and experience whilst acting as a focal point for collective impact;
- It should engage, and where necessary challenge, local authorities, the private sector and civil society organisations in Scotland, as well as key civil servants at UK and Scottish levels;
- It should ensure the views of people living in poverty are fully represented, potentially meeting intermittently in public to enhance its connection to the people of Scotland, with particular efforts made to meet in more deprived communities;
- It should consider the value the Poverty and Inequality Adviser could add. The Scottish Government should also review this post to clarify its remit.



Balanced in membership

- It should have a full-time chair with the skills and experience to facilitate and rebalance any skewed power dynamics within the commission;
- It should be representative of the Scottish population, including gender balance. It should also reflect the expertise it requires, remembering that experts in inequality and poverty are not just those with specialist academic qualification but people who are experts because of their life experience;
- It should draw on a wide talent pool and, to ensure it remains strictly politically neutral, have a membership which includes a range of party-political and non-party-political perspectives.



Committed to sharing

- It should transparently track progress in reducing economic inequality in Scotland by issuing a 'state of the nation' report every year;
- It should publish learning and recommendations flowing from all work streams it undertakes;
- It should seek to both learn and disseminate its recommendations through events, meetings and networking – rather than simply publishing reports.

1 OXFAM'S WORK TO EVEN IT UP

Oxfam's campaign for the measures needed to reduce economic inequality is global. From Vietnam to Germany, from the United States to Myanmar, Oxfam is working with and challenging governments, the private sector and society as a whole to 'Even It Up' and create a more human economy – one in which people, not profit, are the bottom line. To overcome poverty and create a just society for everyone, we need to challenge the concentration of wealth and power in the hands of the few. Only by doing so can we achieve Oxfam's vision of a world without poverty.

Global inequality

Today, more than 1 billion people still live in extreme poverty.²³ At the same time Oxfam calculations show that just eight men own the same wealth as the poorest half of the world put together.²⁴ The very design of our economies and the principles underpinning mainstream economics has taken us to this extreme, unsustainable and unjust point. It is time to build a human economy that works for everyone, not just the privileged few.

The consequences of extreme inequality are corrosive for us all. It corrupts politics, hinders economic growth and stifles social mobility. It fuels crime and violent conflict. It squanders talent, thwarts potential and undermines the foundations of society.²⁵

Decades of experience in the world's poorest communities have taught Oxfam that poverty and inequality are not inevitable or accidental but the result of deliberate policy choices. Inequality can be reversed if the rules and systems that have led to today's inequality are changed. Urgent action is needed to level the playing field through policies that redistribute money and power from wealthy elites to the majority.

In campaigning to reduce inequality, Oxfam joins a diverse groundswell of voices, including billionaires, faith leaders and the heads of institutions such as the International Monetary Fund (IMF) and the World Bank, as well as trade unions, social movements, women's organisations and millions of ordinary people across the globe. Tackling inequality is no longer a niche issue. It is mainstream thinking.

Oxfam campaigned for, and supported the development of, the UN Sustainable Development Goals (SDGs).²⁶ In agreeing the SDGs in 2015, world leaders committed to ending extreme poverty by 2030 and to 'leaving no one behind'. Specifically, global goal 10 aims to increase the real incomes of the lowest 40% relative to higher income households. The World Bank is clear that extreme poverty won't be ended without a redoubling of efforts to tackle inequality.²⁷ Policy tweaks will not be enough.

Inequality in the UK

There are now more people in poverty in the UK than there have been for almost 20 years and a million more than at the beginning of the decade.²⁸ At the same time, the richest 1% of the population own 20 times more wealth than the poorest 20% – nearly 13 million people – put together.²⁹

Out-of-control pay ratios in the UK mean that the average pay of FTSE100 chief executives is 129 times that of the average employee.³⁰ Investors' share of UK corporate profits has also soared to 70% from 10% in the 1970s, meaning that less is being re-invested in workers and the long-term health of the business.³¹

Oxfam recently commissioned the Centre for Analysis of Social Exclusion at the London School of Economics (LSE) to explore the relationship between economic inequality and poverty in the UK. Their research clearly establishes a significant and positive correlation between income inequality and income poverty in the UK over recent decades, almost irrespective of what inequality measure is used. Put simply, the data demonstrates that since 1961, when inequality has grown so too has poverty, and vice versa.³² Though distinct realities, inequality and poverty in the UK are intertwined, which means that dual goals of poverty and inequality reduction are needed if we are to tackle these realities.

In order to tackle poverty in the UK, Oxfam is working through programme, policy and campaigning to challenge extreme economic inequality, improve women's access to decent work and wages, and reduce the need for foodbanks.³³

Significant public support for a more equal Scotland

Polling undertaken by YouGov for Oxfam shows the people of Scotland want a more equal society. 1,052 people were polled between 20–24 March 2017.

- When asked to pick from five different wealth distributions, 75% of respondents favoured wealth – including incomes, savings, money and assets – being distributed more equally, with 52% supporting a much fairer distribution.
- 64% of respondents said politicians in Scotland should do more to address economic inequality, with 19% saying they are doing all they reasonably could or should, and 17% answering 'don't know'.
- 58% of respondents said they would support the creation of an independent body by government to propose policy solutions to tackle inequality in Scotland and track progress. 11% said they would oppose such a body being setup, with 32% saying either 'neither oppose nor support' or 'don't know'.³⁴

Inequality in Scotland

Currently, one in five people in Scotland live in poverty.³⁵ At the same time, the richest 1% own more wealth than the bottom 50% put together.³⁶ It is clear that more needs to be done to address poverty and inequality in Scotland. Crucially, that means responding to the priorities of people in Scotland, including those in deprived communities.

In 2012, Oxfam developed and released the 'Oxfam Humankind Index' as a framework for measuring what makes a good life, a method that isn't solely based on Gross Domestic Product (GDP).³⁷ We found that people in Scotland most valued a safe home, being physically and mentally healthy, and a clean environment. Encouragingly, Scotland has taken steps to widen its measures of success through the National Performance Framework³⁸ – though there's much work to do to embed this alternative approach.

But, as well as measuring more of what matters, we need an economy which helps to deliver it. In 2013, Oxfam's report 'Our Economy' set out recommendations to re-position the Scottish economy as the servant of the people rather than the other way around – including in relation to fairer work, community regeneration, ethical business practices, the environment, tax, the welfare state and community participation.³⁹

Then, in 2016, we released findings from research with low-paid workers revealing their priorities for decent work – including things like job security and having a supportive manager.⁴⁰ The report outlined a number of recommendations to ensure work is a reliable route out of poverty, including better enforcement of basic employment conditions.

Earlier this year, Oxfam conducted a small-scale public consultation in partnership with the Carnegie Trust to gather views about Scotland's future to inform revisions to the National Performance Framework. Encouragingly, a key priority for participants was the creation of a Scotland free from hunger and poverty, as well as action to reduce inequalities.⁴¹

Given there is majority public support for action on poverty and inequality, Scotland has the potential to be the perfect test-bed, and a champion, for more progressive economics, and some of the policies needed to achieve it. As explored in Chapter 6, policy makers have taken some of the first steps to a fairer Scotland but progress to date has been limited.

Importantly, the Scottish Government has committed to establishing a Poverty and Inequality Commission. This commission can be a vehicle for delivering the more human economy which people in Scotland want, and which political parties say they support, but only if its ambition matches the scale of the challenge. In proactively sharing our income and wealth more fairly and truly leading the way in measuring success in a way that is meaningful for everyone, Scotland can demonstrate that progress towards a more human economy is possible everywhere.

2 INEQUALITY IN SCOTLAND

Oxfam commissioned the Fraser of Allander Institute at the University of Strathclyde to analyse economic inequality in Scotland. Chapters 2 to 5 are primarily written by David Eiser, Research Fellow at the Fraser of Allander Institute, with additional Oxfam input.

2.1 What do we mean by economic inequality?

In discussing economic inequality, it is critical to be clear about the type of inequality we mean and the measure used to quantify it. When we talk about economic inequality in this paper, we are talking about the way in which the flow of income or the stock of wealth is distributed across people and households.⁴²

There are a number of ways to measure income. We are often interested in ‘net income’, that is to say income from all sources – including social security benefits – and after direct taxes have been paid. Sometimes we are also interested in measures of income before taxes, or from a particular source – such as income from employment. Likewise, there are different ways of measuring wealth, depending on whether we are interested in financial wealth, housing wealth, pension wealth, or the total level.

There are also different ways of measuring how income or wealth is distributed. Some measures attempt to capture a picture about the distribution of income in one statistic – the best known is the Gini coefficient. The Gini coefficient can range from zero, where everyone has exactly the same income, to one, where a single individual holds all income. The Gini coefficient is a useful summary statistic, but a given Gini coefficient can describe an almost infinite number of different income distributions.

In order to have a better understanding of how income is spread, it is also useful to consider the relationship between specific parts of the income distribution – for example between the top and the bottom. Ratio measures allow us to compare these relationships. A key measure of inequality which Oxfam has argued for, amongst a suite of required indicators,⁴³ is the Palma ratio which compares the income share of the top 10% with the bottom 40% of the population. The Scottish Government recently added this measure to their National Performance Framework.⁴⁴

2.2 The income distribution in Scotland

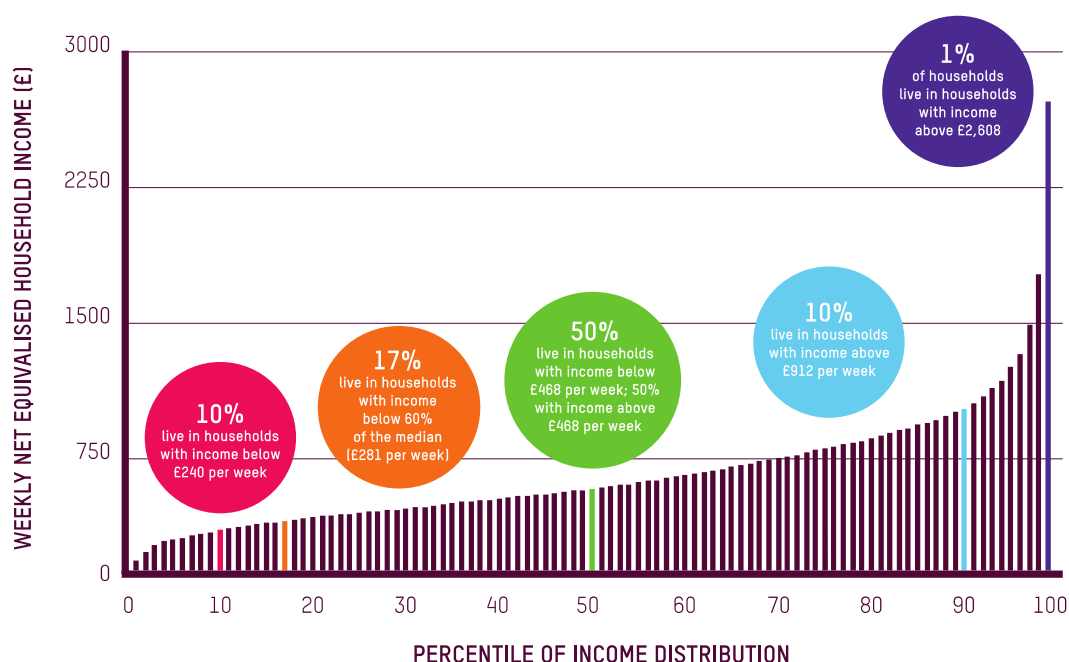
The most common measure of income used in assessments of inequality is called ‘net equivalised household income’. This includes income from all sources for all members of a household – wages and salaries, as well as income from self-employment, pensions, savings and investments, plus benefits – net of direct taxes including income tax, national insurance and council tax, and net of pension contributions, maintenance payments and student-loan repayments.⁴⁵

It is then ‘equivalised’ – a calculation which is designed to take into account the size of the household. This process reflects the fact that a weekly household income of £500 will, for example, support a higher standard of living if that household contains a single adult than the same income does for a family of two or more.

Chart 1 shows the distribution of the Scottish population by equivalised household net income in 2015/16. It divides the Scottish population into 100 equally sized groups, known as percentiles. Given the population of Scotland is 5,373,000,⁴⁶ each bar on the graph represents about 53,000 people, lined up in order of their households’ net equivalised household income from poorest (left) to richest (right).

The chart shows that whilst the richest 10% of the Scottish population live in households with equivalised net income of more than £912 per week (£47,424 per year), the equivalent figure for the poorest 10% is less than £240 per week (£12,480 per year). The richest 1% of the population live in households with equivalised net income above £2,608 per week (£135,616 per year).

Chart 1: Distribution of Scottish population by percentile of net equivalised household income (2015/16)



Source: FAI Analysis of Households Below Average Income dataset, accessed via UK Data Service

This chart raises a series of questions. What factors shape this income distribution? To what extent is it fair? Why does the shape of the income distribution matter? And what can governments do to shape it? We will consider these questions throughout this report.

2.3 Income inequality trends over the last 40 years

For the UK as a whole, the period from the Second World War until the late 1970s was one of historically low inequality.⁴⁷ The 1980s then witnessed a period of rapid inequality growth by the end of which the UK was one of the most unequal countries in the developed world. Since the early 1990s, overall inequality has remained broadly stable, and high relative to similarly developed countries like Sweden, Germany and Norway.⁴⁸

The Gini coefficient of income inequality in Scotland has followed a similar evolution to that across the UK as a whole for the period for which we have data (Chart 2). The Gini coefficient for the UK increased by 1% in 2015/16, but it rose by 3% in Scotland. It remains to be seen whether this reflects a permanent shift, or reflects the type of volatility in the Scottish data series that has been seen in the past.

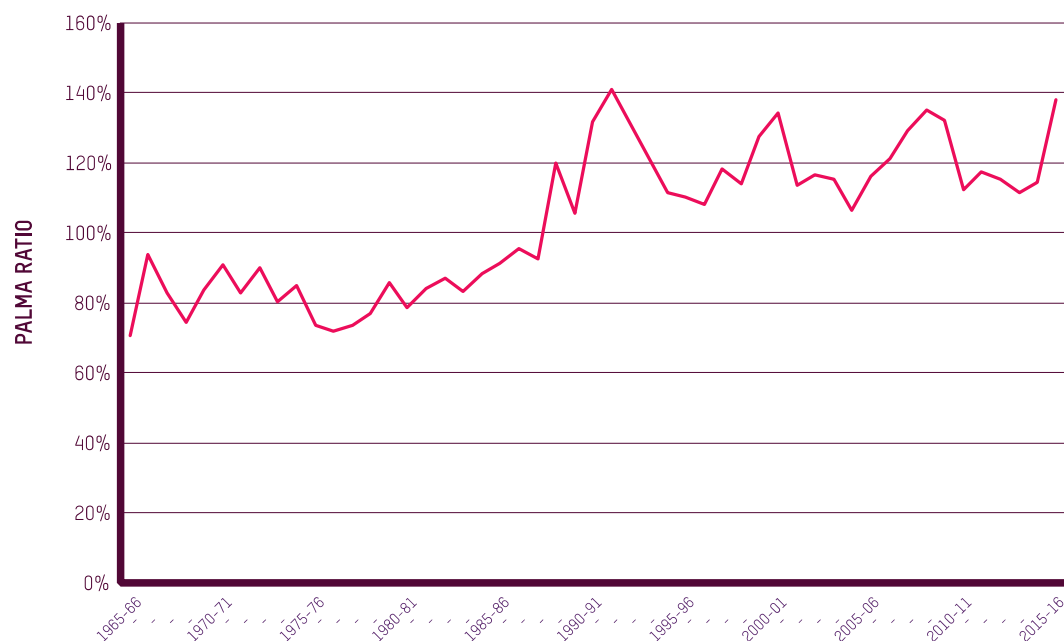
Chart 2: Gini coefficient of equivalised household net income inequality in Scotland and the UK, 1965/6 to 2015/16



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service.
 Note: the chart shows the Gini coefficient of income inequality where income is measured Before Housing Costs (BHC).

The Palma ratio has followed the same broad trend of an increase during the late 1980s before stabilising at a relatively high level. This measure is used by the Scottish Government to assess progress against its objective of reducing inequality. It is subject to some variation from year to year due to its sensitivity to individual incomes at the extremes of the distribution in what is a fairly small sample; Scottish Government analysis for 2015/16 reveals a sharp rise in the ratio from 115% in 2014/15 to 138% in 2015/16. As shown in Chart 3, this means the ratio is now higher than at any time since its historic high of 1991.

Chart 3: Palma ratio for Scotland, 1965/6 to 2015/16



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service.
 Note: the chart shows the Palma ratio for equivalised net Before Housing Costs (BHC) income.

2.4 Explaining income inequality trends

Income inequality is a function of the distribution of 'market income' and government policies to redistribute income. Market income is shaped by economic factors like technological change, globalisation, the nature of ownership, and the decisions firms make, as well as by institutional factors such as labour market regulation and social norms.

Low inequality during the post-war period until the late 1970s was the result of both economic and institutional factors. Employment was dominated by industrial and manufacturing jobs where wage dispersion – the difference between the highest and lowest paid jobs – was relatively low. Trade unions, and indeed the UK Government, played a more influential role in wage determination. The income tax system was more redistributive than it is today, with much higher top rates of tax – which were supported across the political spectrum in recognition of the necessity to rebuild infrastructure following the Second World War and the growing demands of an ageing society.

The large rise in inequality during the 1980s is largely explained by the interaction between economic, institutional and – importantly – policy factors. Technological change drove a rise in service-sector jobs where wages are more dispersed. This was exacerbated by deindustrialisation, the decline in many middle-skilled and lower-skilled occupations, and relative falls in the wages commanded by these jobs as a result of growing competition from globalisation.

Simultaneously, there was an erosion of wage-bargaining arrangements and the role of trade union power;⁴⁹ the proportion of employees in Scotland who are in a trade union fell from 39% in 1995 to 32% in 2015.⁵⁰ Financial-sector deregulation and a substantial reduction in top rates of income tax contributed to a rise in salaries at the upper end and a reduction in the level of redistribution achieved by the tax system. At the same time, the role of the state in providing a social safety net was pared back, with real-terms falls in the rate of the state pension and the value of out-of-work benefits.

Since the 1990s, technological change has continued to be 'skills-biased', with skilled workers benefiting more than unskilled workers. This drives increases in wage inequality. But a sole focus on technological change neglects diverging patterns of inequality across countries and changes over time.⁵¹

The increasing prevalence of flexible contracting including zero-hours contracts and the use of outsourced 'self-employed' labour can increase wage insecurity and weekly earnings inequality. However, institutional factors, including the introduction of the minimum wage in 1997, have helped to compress wages by increasing those at the bottom end. This has limited inequality growth in the lower half of the distribution⁵² in the UK as a whole, as well as in Scotland.⁵³ In addition, during the 2000s, the expansion in provision of social security for low-income families through tax credits played a significant role in mitigating increases in market income.⁵⁴

This interaction between economic and institutional factors helps to explain why technological change during the period from the 1950s to the late 1970s did not increase inequality, whereas in more recent times technological change has coincided with increasing inequality. During the decades following the Second World War, much greater prevalence of implicit – and sometimes explicit – social contracts protected workers' share of the profit against the introduction and use of new technologies. However, over the past three decades, these social contracts have gradually been eroded, resulting in a falling share of total national income going to labour.

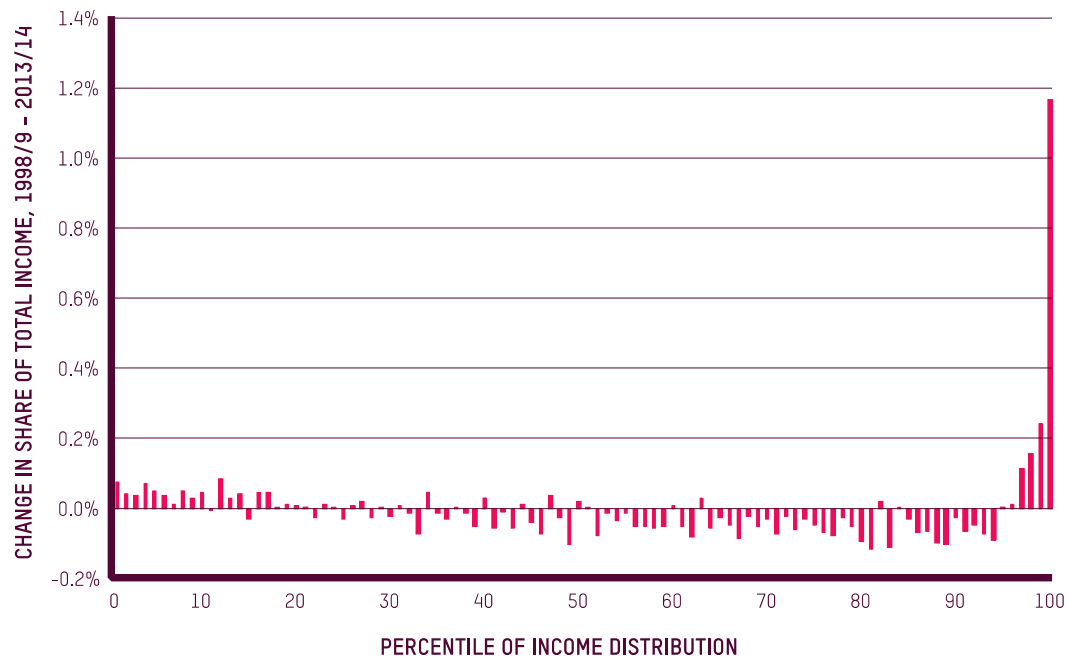
Although the headline measure of income inequality has remained broadly stable since the 1990s, it is also important to bear in mind changes in the income distribution that are not picked up by the headline before housing cost measures considered above. Below we look at three areas: the richest 1%, earnings inequality and housing costs.

2.5 A closer look at the richest 1%

The incomes of the highest-earning 1–2% of individuals have continued to grow, relative to those in all other parts of the income distribution. The highest-earning 1% of Scottish taxpayers accounted for 7.1% of taxpayers' total incomes in 1999/00, rising to 8.3% in

2013/14.⁵⁵ This is outlined in Chart 4. This rise does not ‘show up’ in overall measures of inequality like the Gini coefficient because these measures of overall inequality are not sensitive to extremes of income at the tails of the income distribution.⁵⁶

Chart 4: Change in share of total income of taxpayers in Scotland, by income percentile, 1998/9 to 2013/14



Source: FAI analysis of HMRC’s Survey of Personal Incomes, accessed via UK Data Service. Notes: this data is likely to understate the rise in the share of the top 1% as the proportion of the population who are taxpayers has fallen slightly over the period. Thus the ‘top 1%’ of taxpayers contains slightly fewer individuals in 2013/14 than in 1998/9.

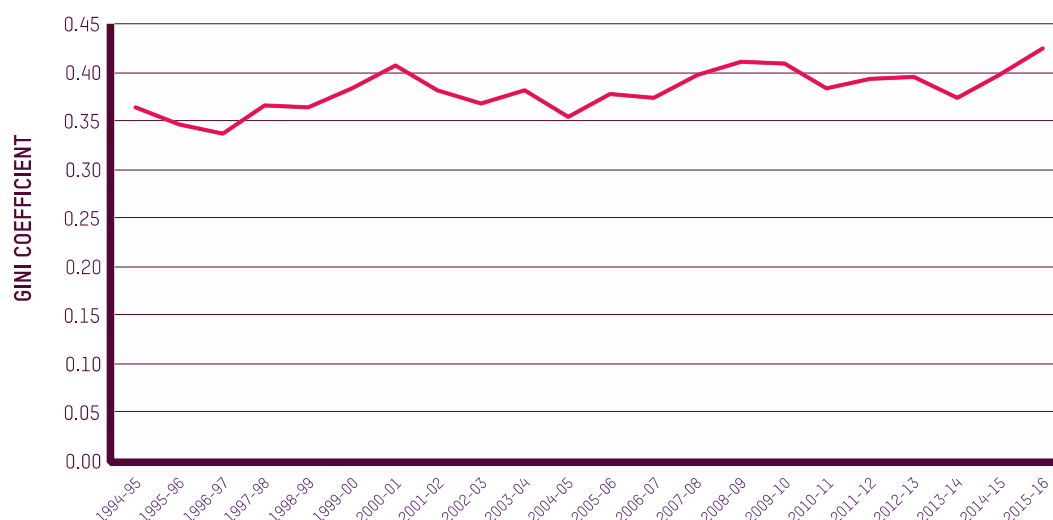
As with overall inequality, there is an ongoing debate about the relative importance of ‘economic’ versus ‘institutional’ factors in causing the income share of the top 1% to increase. Some explain this rise using narratives about globalisation and technological change which widen the marketplace within which certain individuals can leverage their talents.⁵⁷ Others argue that it can be explained largely by market and policy failures which allow exploitation of monopoly power. This includes a range of practices that are sometimes referred to as ‘rent-seeking’: essentially the practice of using political power and influence to capture a larger share of profits.⁵⁸

Related to this is the growth of the financial sector, which is a significant reason for rising incomes for the top 1% according to the Organisation for Economic Co-Operation and Development (OECD).⁵⁹ In Europe, employees from the financial sector make up a fifth of the 1%, but they have been responsible for more than half of the increase in income share accruing to the top 1%.⁶⁰

2.6 Rising earnings inequality

Another aspect of the distribution of income which is not picked up by headline measures is that the stability over time of net income inequality, after tax and benefit, hides that inequality of employment income before taxes and benefits has been increasing, albeit more slowly than during the 1980s. The introduction of the minimum wage in 1997 helped to slow but not eliminate further increases in wage inequality.⁶¹ The increase in earnings inequality has – since the late 1990s – been offset by increases in redistribution to low-income families, particularly via child and working tax credits, as well as falling rates of worklessness, and by the growth in pensioner incomes.⁶² This is outlined in Chart 5.

Chart 5: Gini coefficient of employment income (pre-tax and transfers), Scotland, 1994/5 to 2015/16



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service.

2.7 The increasing importance of housing costs

The inequality measures discussed so far are all based on a measure of household income before housing costs (BHC). However, housing costs are a major component of household expenditure and they can vary significantly over time as well as across households in different types of housing tenures. It is common therefore to consider inequality of household income where income is measured after housing costs (AHC).

The evolution of equivalised AHC income inequality is shown in Chart 6. Inequality of AHC income has remained slightly higher than the inequality of BHC income in recent years. This reflects large falls in the cost of owner-occupied housing – due to falling interest rates – relative to private rented housing and a decline in the proportion of households in the social rented sector. As a result, the housing costs of higher-income households have fallen relative to the housing costs of lower-income households.

AHC income inequality in Scotland is at the highest level it has ever been.

Chart 6: Gini coefficient of net equivalised After Housing Cost (AHC) income in Scotland, 1965/6 to 2015/16



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service.

2.8 The future outlook for income inequality

Recent analysis by both the Institute for Fiscal Studies (IFS)⁶³ and the Resolution Foundation⁶⁴ indicates that inequality will increase over the next few years, not least as a result of the UK Government's announced tax and benefit policy decisions.

However, as argued by Oxfam and Joseph Stiglitz, policy choices and decisions can either have a positive or negative effect on reducing inequality. Therefore, predictions of rising inequality are based on current policies, which could be changed.

Nonetheless, at present the freeze in working-age benefits and housing allowances between 2016/17 and 2019/20, together with cuts to the earnings allowances in Universal Credit – the amount that can be earned before benefits are withdrawn when an individual moves into work⁶⁵ – are expected to reduce net incomes for households with relatively low incomes. Given rising inflation, the decision not to ensure benefits rise in line with prices will have particularly marked effects on the incomes of those households who are dependent on those benefits, as their value will fall in real terms.

In contrast, several proposed tax changes, notably the real-terms rise in the Personal Allowance, which the UK Government have presented as benefiting those on low incomes,⁶⁶ are likely to contribute to net incomes rising among those households in the middle to upper part of the income distribution. Beyond this, rising real-terms wages and salaries are mostly expected to benefit higher-income households, as employment income forms a larger proportion of those households' total income than it does for lower-income households.

This combination of falling incomes at the bottom and rising incomes at the top is forecast by both the IFS and the Resolution Foundation to result in higher levels of income inequality however it is measured. By 2020/21, UK income inequality is forecast to be higher than it has ever been before.⁶⁷

In Scotland, the Scottish Government's decision to freeze the higher rate threshold in cash terms – rather than to increase it above inflation as the UK Government has committed to – means the effect of tax cuts on higher earners will be mitigated to an extent. However, this in itself will not fully mitigate the wider impacts on inequality of real-terms welfare cuts combined with real-terms increases in the Personal Allowance.

2.9 Wealth inequality in Scotland

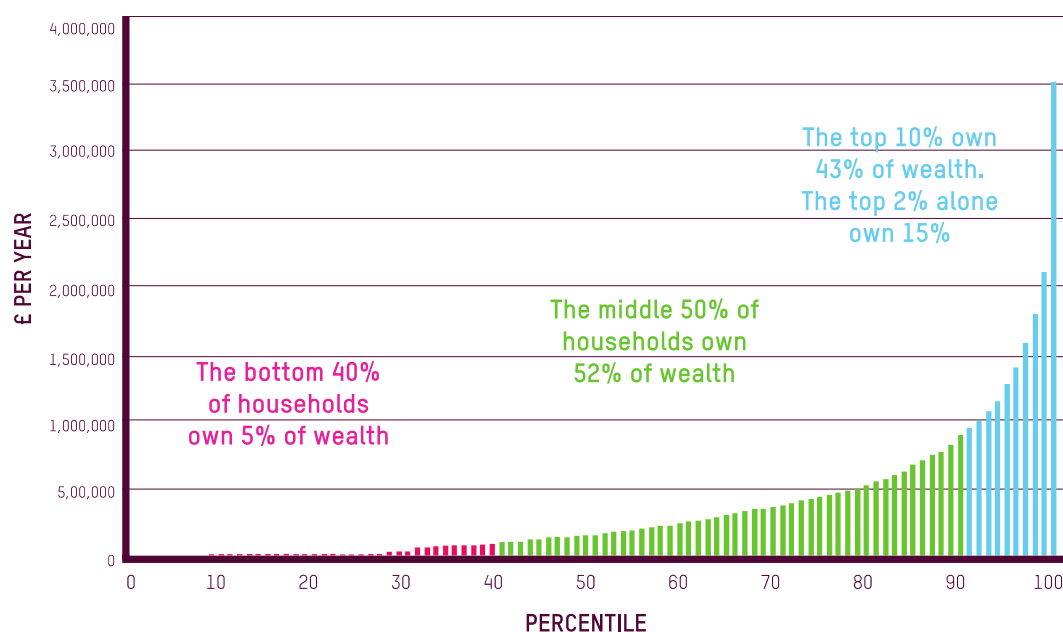
Data on wealth inequality is much less readily available than on income inequality, but what we do know is that wealth is much more unequally distributed.

The most recent data (Chart 7) shows that in 2012/14 the wealthiest 10% of people in Scotland owned 43% of all private wealth, 67% of financial wealth, 54% of pension wealth and 43% of all property wealth.⁶⁸ The wealthiest 1% alone owned more wealth than the bottom 50% put together. The least wealthy 30% of the population owned less than 2% of all private wealth.

Unfortunately, comprehensive data on wealth inequality in Scotland only exists for the period from 2006/08 to 2012/14. There is some evidence that wealth inequality fell between 2006/08 and 2010/12. It then rose between 2010/12 and 2012/14 to extremely high levels, with the wealthiest 10% owning 9.4 times more than the poorest 40%.

The Gini coefficient of wealth inequality in Scotland is 0.61, only slightly below that for the UK (0.63), and significantly higher than the equivalent Gini for the distribution of income (0.34). In addition, once data becomes available, some economists expect wealth inequality to have risen in more recent years, reflecting the rise in asset values which is a side effect of the Bank of England's quantitative easing and ultra-low interest rates.⁶⁹

Chart 7: Distribution of total net household wealth by percentile, Scotland 2012/14



Source: *Wealth and Assets Survey, ONS*

The drivers of increasing wealth inequality are slightly different to those relating to income inequality. Much individual wealth is held in the form of pensions or housing. Rising home ownership and rising house prices have led to dramatic increases in housing wealth and its concentration among older generations. Pension wealth has also increased in part due to relatively generous defined benefit schemes. All of this means that inheritance is likely to become an increasingly important factor in determining the distribution of wealth in future.

Given some of the data limitations relating to wealth, Appendix 1 details a number of data gaps relating to economic inequality in Scotland.

3 WHY DOES INEQUALITY MATTER?

We have examined the scale of inequality, the trends over time and some of the factors explaining these. We have also looked at the future outlook for growing inequality in the coming years unless policy action is taken. In this chapter, we explore the impact inequality has on people in poverty as well as on the nature of society in Scotland.

3.1 The relationship between economic inequality and poverty

Inequality statistics measure the distribution of income. Likewise, most measures of poverty assess the distribution of income, but with a specific focus on the lower end of the income distribution. There is therefore a close relationship between poverty and inequality as currently measured, although it is technically possible for inequality to be rising whilst poverty is falling, or vice versa.

The link between inequality and poverty is complex and still not that well understood; however, as outlined in Chapter 1, Oxfam believes eliminating poverty also requires a focus on reducing levels of economic inequality. This is partly due to the scale of redistribution required to reduce poverty in more unequal societies, but it is also due to wider political and economic factors including the emergence of a powerful elite who pressure governments to shape policies in their favour, as well as the impact of inequality on public attitudes.⁷⁰

Recent research for Oxfam by the Centre of Analysis for Social Exclusion at the London School Economics, shows a positive empirical relationship between poverty and inequality across a range of measures,⁷¹ while the inequality expert Tony Atkinson shows that, across countries, income poverty is positively correlated with the share of total income going to the top 1%.⁷²

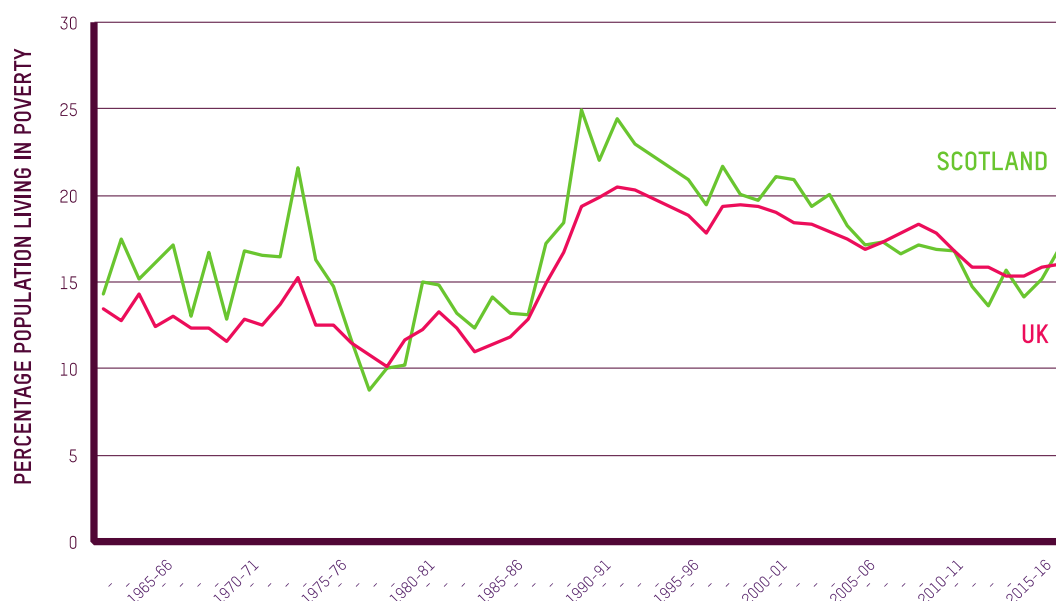
3.2 Poverty trends in Scotland

In exploring the relationship between poverty and inequality, it should be noted that there are various measurements of poverty. The most commonly used is a 'relative poverty' measure – the percentage of individuals living in households with equivalised net income below 60% of the median.⁷³ There are good reasons for this given that, in developed nations, poverty cannot be separated from a relative lack of material resources.⁷⁴ This section therefore focuses on relative poverty. Alternative measurements of poverty are detailed in Appendix 2.

Chart 8 shows how this measure of poverty, before housing costs (BHC), has evolved in Scotland and the UK as a whole since the 1960s. There is more variation in the Scottish data given the smaller sample size, but the overall pattern is the same. As was the case for inequality as a whole, the 1980s witnessed a substantial increase in relative poverty.

Since the early 1990s, however, the relative poverty rate fell fairly consistently until the onset of the great recession in 2008. Since then, the poverty rate has been fairly stable, although there is some evidence that poverty has increased in the past couple of years. In 2015/16, there were 880,000 people in Scotland living in poverty, including 190,000 children and 170,000 pensioners. The remaining 520,000 are people of working age. After housing costs are accounted for, more than 1 million people in Scotland were living in relative poverty.

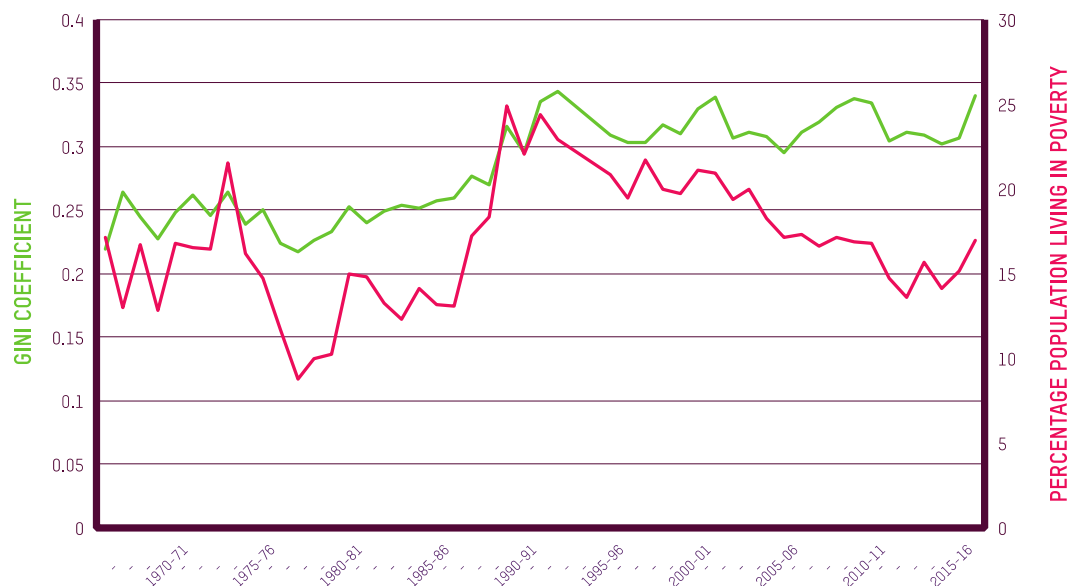
Chart 8: Relative poverty in Scotland and the UK



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service.
 Note: the chart shows relative poverty Before Housing Costs (BHC).

Chart 9 plots the Gini for net BHC income inequality in Scotland since 1965 alongside the relative poverty measure for net BHC income. Both measures increased substantially during the late 1980s, reaching a peak in the early 1990s. Thereafter, poverty BHC declined quite a lot until 2011/12 (it didn't decline as much AHC), while inequality remained high. More recently, poverty and inequality have both risen.

Chart 9: Comparing inequality and relative poverty in Scotland



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service.
 Note: the chart shows relative poverty and the Gini coefficient Before Housing Costs (BHC)

These trends can in part be explained by policy decisions.⁷⁵ Poverty rates among pensioners fell because of relatively generous uprating arrangements for the state pension, whilst child poverty rates fell in part because of the introduction of child and working tax credits.

Despite some progress on poverty, high housing costs for low-income households limited the impact of some of these changes, and poverty continued to be higher once this is accounted for.

Inequality did not fall due to continued increases in income shares for the top 1%. Again, this can be traced to policy decisions including financial deregulation and reductions in top rates of income tax. Arguably, with poverty and inequality trends forecast to increase further in the next five to fifteen years, such predictions reinforce Oxfam's position of the intrinsic relationship between income poverty and income inequality. The logical consequence of this is that organisations and Governments which previously focused solely on tackling poverty, must widen their remit to also include economic inequality in order to effectively tackle poverty reduction.

3.3 Wider reasons why inequality matters

Beyond the increasing focus on the relationship between inequality and poverty, there are a number of other reasons why we might object to inequality.

The moral argument

An argument is sometimes expressed that income inequality merely reflects differences in individuals' skills, effort and talents. However, incomes are rarely determined purely by a rational and fair market system. Instead, they are often shaped in part by market, policy and regulatory failures. These often relate, for example, to imbalances of power including a lack of competition and excess profits in some sectors, erosion of workers' bargaining power relative to firms, and limited accountability over executive pay-setting decisions.

An element of luck also tends to influence people's lifetime incomes. Networks and cronyism can influence income. Recent research from the Social Mobility Commission shows that people from working-class backgrounds earn less than their middle-class peers who do the same job, even when they have the same levels of education and experience.⁷⁶

Inequality, opportunity and outcomes

Inequality that is either too high or too entrenched can limit both an individual's opportunities and ultimate life outcomes. An obvious example of inequality of opportunity is that those from the poorest backgrounds have lower educational attainment than those from more privileged backgrounds.⁷⁷

Similarly, people living in poverty have inferior health outcomes compared to richer people.⁷⁸ Indeed, Wilkinson and Pickett argue that health and social outcomes are significantly worse in more unequal societies regardless of how rich or poor those countries are overall.⁷⁹ NHS Health Scotland recommends that the central objective of economic policy should be to reduce income and wealth inequalities.⁸⁰

Economic inequality is therefore important because of its correlation with inequality in opportunities and outcomes, particularly in health and education.

Furthermore, these inequalities are often embedded across generations through the inter-generational transfer of wealth, income and future opportunity. The higher income inequality is at a point in time, the stronger the role that family background plays in determining the adult incomes of young people, and the more likely it is that inequalities will be transmitted from one generation to the next. Higher income inequality is correlated with lower social mobility.⁸¹

In short, inequality of opportunity cannot be separated from inequality of outcomes.

Inequality and incentives

Inequality can also influence incentives in negative ways. It may reduce incentives for people to invest in their education or to progress their career.⁸²

For those at the top of the income distribution, inequality may also create incentives to subvert the democratic process in order to entrench their positions of power and influence. Oxfam research, and authors such as the Nobel prize-winning economist Joseph Stiglitz, highlights that the super-rich have an interest in shaping policies that support the accumulation of their wealth, thus constructing 'reinforcing feedback loops' in which the

winners of the game get yet more resources to win even bigger next time.⁸³ This is especially true in sectors where corporations invest heavily in political lobbying.⁸⁴

Inequality and the economy

The fact that inequality can limit individual opportunity and influence individual incentives implies it poses risks to the economy and society as a whole. Research by the IMF and the OECD links higher inequality with slower economic growth.⁸⁵

Some also argue that inequality was a factor in instigating the financial crisis, as disproportionate income gains by the rich were invested in an unsustainable supply of credit to the less well-off who became indebted as they tried to maintain a declining standard of living.⁸⁶

Once inequality is seen to have become embedded, it may cause social tension and potentially unrest, which can manifest itself through wars, riots or political upheaval.⁸⁷ Indeed, some see the rise of populist leaders – such as President Donald Trump in America, Geert Wilders in the Netherlands and Marine Le Pen in France – as the result of decades of stagnating real wages, widening inequality and a sense that the economy is ‘not working’ for people on low and middle incomes.⁸⁸

Inequality and the environment

Consumption impacts on our environment. Yet while some over-consume others don’t have the resources needed for a basic standard of living. Globally, the carbon footprint of the richest 10% is estimated to be 60 times higher than the poorest 10%.⁸⁹ Yet the impacts of climate change are felt most by the poorest.

In Scotland, Oxfam’s ‘Scottish Doughnut’ report outlines a number of domains that constitute both an ‘environmental ceiling’ that Scotland should seek to live within and a ‘social foundation’ below which no one in Scotland should fall.⁹⁰ The report suggests that Scotland is both environmentally unsafe and socially unjust, and concludes that economic inequality is at the heart of this.

If we are to live within planetary ceilings, while providing a social foundation for everyone to live, then there is a need to share resources better. Reducing economic inequality is central to that task.

The type of society we want to live in

Ultimately, this is a decision about the type of society we want to live in. On the one hand, we could have a society in which the opportunities and outcomes facing individuals are largely determined by their circumstances of birth and owe much to luck and privilege. On the other hand, we could have a society in which individuals are able to maximise their own potential. Such a society would not be perfectly equal at any point in time but people would be supported to participate in society and their opportunities would not be strongly tied to the fortunes of their family in the previous generation. It is clear that such a society requires fewer extremes of money and wealth, esteem and status, power and position.

4 OTHER FORMS OF INEQUALITY

Until now, we have been speaking about economic inequality across the whole population. However, economic inequalities also exist between particular groups in society – for example, between men and women, between people from different ethnic backgrounds, and between disabled people and non-disabled people. It is important to note that these groups can and do overlap. It is possible, for example, to be both from an ethnic minority and disabled. While recognising a number of different dimensions exist, in this chapter we explore three prominent elements of economic inequality: gender differences – specifically the gender pay gap; the inter-generational dimension; and the geographic dimension.⁹¹

4.1 Gender differences

Oxfam and gender inequality

Gender inequality is one of the oldest and most pervasive forms of inequality and it shapes our economies, societies and communities. Yet progress in making women's position equal to men's is painfully slow and women are still more likely than men to live in poverty.

Greater gender equality is essential to reducing poverty overall, and women's economic empowerment is a key part of achieving this. In the UK, Oxfam is supporting women from diverse communities to enable them to develop their skills and confidence to progress out of poverty, including securing decent employment in the future.⁹² We are also working to influence government and employers across Scotland and the UK to improve working practices and provide decent work for women and men.⁹³

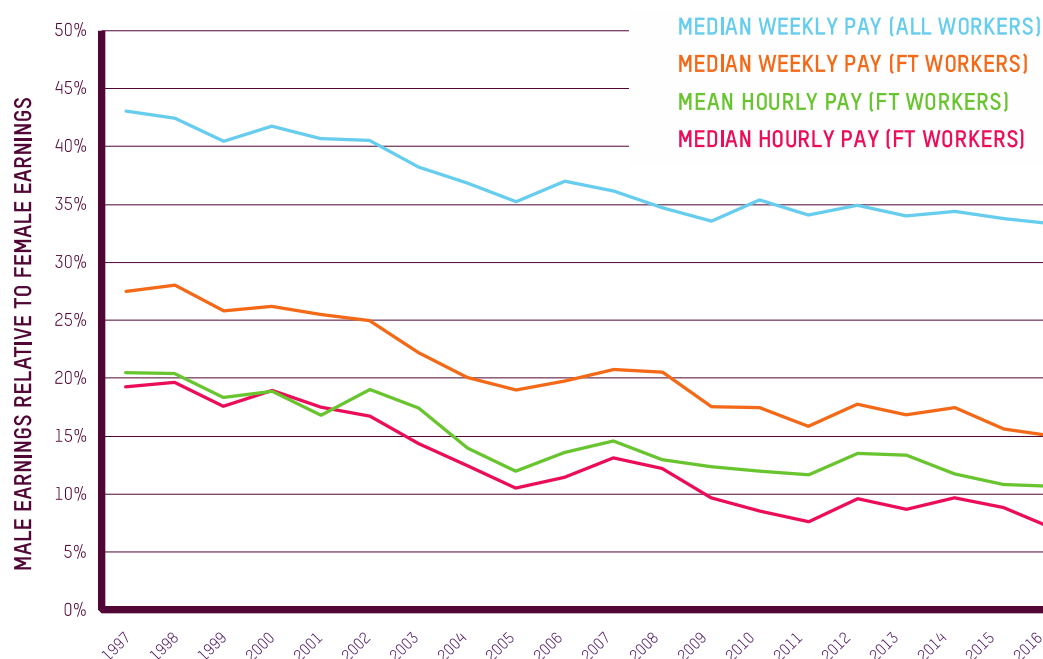
There are a number of ways to measure the gender pay gap. The Scottish Government has an ambition to 'reduce the gender pay gap', defined as the gap in median hourly pay, excluding overtime, between men and women working full-time in Scotland. Using this indicator, the pay gap was 6% in 2016.⁹⁴ Yet this excludes the 42% of working women who work part-time.

Close the Gap, an organisation working on gender inequality within the labour market,⁹⁵ defines the pay gap as relating to mean hourly pay rather than median hourly pay, including full-time and part-time workers. Using this indicator, the gap in 2016 was much higher at 15%,⁹⁶ partly because more women work part-time than men and these jobs are, on average, associated with lower hourly pay. It is also partly explained because mean pay is skewed upwards by a small number of individuals with very high wages, the vast majority of whom are men. The hourly pay gap for full time workers has been narrowing consistently for at least the last 20 years, as outlined within Chart 10.

The gap between male and female weekly earnings is greater than the hourly pay gap, as women tend to work fewer hours than men, even among those working full-time. Despite this, the gap has also narrowed, driven largely by the narrowing in hourly pay, but also because there has been a slight narrowing in the gap between the number of hours worked by women relative to men. This narrowing reflects both rising female participation in higher education, combined with more women working in higher-paying industries and occupations; as well as increasing male underemployment and declining wages. However, the gender pay gap is still large.

Among all workers – full-time and part-time combined – there has been a similar narrowing of the gender pay gap in weekly pay, but the gap is still 33%, reflecting much higher part-time working among females than males. Part-time work continues to be concentrated in low-paid, under-valued and female dominated sectors and, if the pay gap is to be addressed, there will be a need for more quality, part-time and flexible work.

Chart 10: Pay gap of male workers relative to females, Scotland



Source: Annual Survey of Hours and Earnings, accessed via NOMIS

What explains the continuing gap in earnings?

Some of the gap can be explained by occupational segregation – the fact that men and women tend to do different jobs. This reflects not only the choices that men and women make about which jobs to do (which may also reflect gendered experiences of work), but also reflects social norms, gender stereotypes and barriers that women and men can face in making subject choices at colleges, universities, workplaces and other training providers.

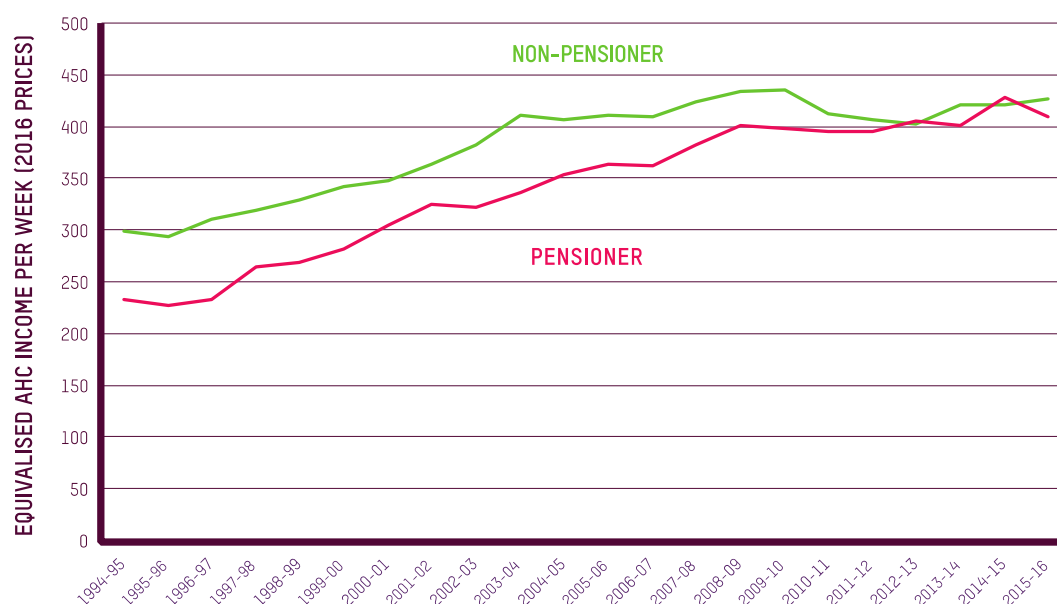
Another explanation is the effect of career breaks for childrearing. Indeed, the hourly wage gap for full-time workers in 2015 is relatively low at 3% for women in their twenties but rises to 8% for those in their thirties and to 17% for those in their forties and fifties.⁹⁷ This may reflect the wage penalty faced by women as they take time out of the labour market to care for children. In addition to childcare, another factor in lower female labour market participation is long term caring responsibilities, which are disproportionately undertaken by women.⁹⁸ There is also strong evidence to suggest gender discrimination by employers, including in relation to pay, is an important factor.⁹⁹

4.2 The intergenerational dimension

Another key trend in recent years has been the growth in the incomes of retired households relative to those of working age – as outlined in Chart 11. This trend has been driven by the fact that the state pension and occupational pensions have tended to increase faster than wages in recent years. The 'triple lock' policy implemented to date by the UK Government on the uprating of the state pension guarantees to increase the state pension by the higher of price inflation, average earnings inflation or 2.5%.¹⁰⁰

At the same time, housing wealth is becoming increasingly concentrated among older generations. In 1998/9, the rate of owner occupation among people living in households where the head of the household was aged under 29 was 52%. By 2014/15, this had fallen to 40%. In contrast, the equivalent rate of owner occupation among households where the head was aged 65 or over rose over the same period from 52% to over 70%.

Chart 11: Median household income of working age and pensioner households, Scotland, 1994/5 to 2015/16



Source: FAI analysis of Households Below Average Income dataset, accessed via UK Data Service. Incomes are deflated by the RPI index

The increasing concentration of income and wealth among older generations means that inheritances are becoming progressively more important in determining the wealth of younger generations. This might not in itself be a cause for too much concern if the income and wealth that is concentrated among older generations was relatively evenly distributed within those generations. However, recent research from the IFS for the UK finds that because wealth is so unevenly distributed within the older generation, a 'lucky half' of younger households are likely to get the vast majority of the inherited wealth from the older generation. Therefore, according to the IFS, 'inherited wealth is likely to play a more important role in determining the lifetime economic resources of younger generations, with important implications for inequality and social mobility'.¹⁰¹

4.3 The geographical dimension

There are wide geographical wage and earnings disparities across Scotland. In 2016, median gross weekly earnings in Scotland were £535 per week. However, they were 13% higher than this in Aberdeen and 15% lower in Dumfries and Galloway. There are also wide geographical variations in incomes, health and educational attainment within each local authority area. Indeed, inequality is often highest in cities, where pockets of extreme poverty and extreme wealth often coexist in close proximity.

One reason why geographical inequality may be important is that segregation can influence people's perceptions.¹⁰² Where it occurs, people may underestimate the true levels of inequality and poverty because the rich don't directly observe the circumstances of the poor and don't feel as wealthy when surrounded by others with the same level of wealth and privilege. For those with a low income, poverty can be less keenly felt when they are surrounded by people managing on the same level of income.

Wage disparities between localities can reflect differences in the characteristics of the people living in those places and the types of jobs that they do, as well as the cost of living and the level of amenities available locally. Recent research indicates that the main explanation of wage differentials in Scotland is workers' characteristics, followed by occupational and industrial characteristics.¹⁰³

5 POTENTIAL POLICY RESPONSES TO INEQUALITY

As we have seen, the distribution of income within a country is shaped by a wide variety of forces including the way businesses operate, institutions and norms. But policy is crucial.

In this chapter, we do not seek to provide a detailed policy blueprint. Instead, we highlight some prominent areas of policy which have the potential to impact on economic inequality – with a particular focus on those within the powers of the Scottish Parliament. In doing so, we hope to inform the work of the upcoming Poverty and Inequality Commission.

There are a number of areas of policy responsibility which are reserved at the UK level – and in some cases part-determined, for now, at European Union level. These include:

- labour market regulation and legislation;
- corporate governance;
- financial market regulation;
- monetary policy, including the setting of interest rates – an important factor in determining housing market trends and the incomes of savers relative to borrowers;
- competition policy;
- areas of tax and social security policy, including inheritance tax, capital gains tax, National Insurance Contributions and the design of the benefits system for those of working age (benefits for carers and disabled people are being devolved to the Scottish Parliament but benefits associated with low income and unemployment remain reserved).

However, some policy areas are in spheres of competence that are devolved to the Scottish Parliament, either wholly or in part. These include:

- the progressivity of the income tax schedule, although with some constraints around allowances and the definition of the tax base;
- the design and delivery of the social security powers that are being devolved;¹⁰⁴
- education and skills policy – early years, schools, vocational and higher education;
- economic development;
- public procurement;
- planning;
- land and housing policy, including land and property taxation, design and administration of council tax benefit, the provision of social housing and affordable homes, and the ongoing land-reform agenda;
- delivery of, and access to, public services including health services and a wide range of local services and advice;
- childcare provision.

In many of these areas, the Scottish Government takes the lead in policy design, whilst delivery is shared with local authorities and other public and third-sector organisations.

Both the Scottish Government and local authorities also have the ability to influence the behaviour of individuals and businesses, for example in relation to the uptake of benefits, use of public services, or employment practices.

5.1 Key areas for possible Scottish Parliament action

Some of the policy areas in which the Scottish Parliament has responsibility can influence the income distribution directly. However, almost all policy choices have the potential to influence inequality indirectly, sometimes in subtle or unintended ways. Inequality therefore needs to be at the forefront of policymakers' minds.

Politically, one of the greatest challenges may be to commit to policies that might not generate pay-offs until a future electoral cycle. There are unlikely to be many quick fixes to inequality. Many of the meaningful interventions are about influencing opportunities, incentives and behaviours over the medium to long term.

One way to frame policy decisions might be to consider how a policy change meets the basic needs of people in Scotland – particularly those in deprived communities – for example through the priorities in Oxfam’s Humankind Index¹⁰⁵ or measures of well-being like the Scottish Government’s National Performance Framework.¹⁰⁶

Given the powers available to the Scottish Parliament, what types of policy interventions might be considered by the upcoming Poverty and Inequality Commission?

Income redistribution: tax and social security powers

There is scope to adopt a more progressive income-tax schedule in Scotland, though there will be debates around the likely behavioural response, such as people moving elsewhere, and knock-on implications for the Scottish Government’s resources.

However, research shows that increasing the basic or higher rates of tax by 1p could reduce the Gini coefficient of net income inequality by about 1% in Scotland.¹⁰⁷ Increasing the Additional Rate from 45p to 50p, or perhaps reducing the threshold at which it is paid, would have limited effects on the Gini – given it would affect relatively few people – but it is likely to be a useful tool in addressing the rise of incomes at the top.¹⁰⁸

There is also evidence that rather than the progressivity of the tax schedule, the overall size of the tax take is what is most important for reducing inequality.¹⁰⁹ This suggests that across-the-board increases in income tax could lead to big reductions in inequality.

The Scottish Government is also gaining powers over some benefits, mainly related to disability.¹¹⁰ It will also have the ability to ‘top-up’ UK-administered benefits for those out of work or on low incomes. The Child Poverty Action Group has estimated that increasing Child Benefit by £5 per week could lift 30,000 children out of poverty.¹¹¹

Education and skills

In the medium to long term, investment in education and skills is likely to be part of any effort to tackle inequality due to the impact it has on future career options. This implies high-quality investment is needed in education from early years through school and college to higher education and beyond, with skills acquisition seen increasingly as something to be pursued throughout all stages of the life cycle. It also implies investment not only in ‘academic’ disciplines but also in vocational training. Critically, interventions should support equality of access and opportunity: breaking the link between family background and subsequent educational attainment.

Economic development

As well as interventions on the skills side, it is important to raise employment demand and job quality. This is, arguably, a trickier ask. However, through enterprise agencies, employers can be encouraged and compelled to improve practices in relation to pay, terms and conditions, progression and training. Enterprise agencies could also encourage models of ownership which share wealth, such as cooperatives and social enterprises, rather than more extractive models. Support for the adoption of good practice can come in the form of advice, access and the prevention of access to government-funded programmes and intervention, and via ‘moral-suasion’ which seeks to influence employment or business practices, in part by raising public perceptions about what constitutes ‘fair’ behaviour.

The Scottish Government is also now responsible for the design and delivery of all employment support programmes, including the Work Programme.¹¹² This provides scope to join up aspects of the employability and skills system to achieve better outcomes for those currently outside, or at the bottom end of, the labour market.

Public procurement

The public sector spends around £11 billion a year on goods, services and infrastructure.¹¹³ Rather than privileging cost, procurement could be used to encourage good employment practices and businesses which promote positive social, economic and environmental outcomes.¹¹⁴ Consideration could also be given to how this investment could favour ‘pro-social’ business models as well as creating jobs that properly value the unpaid care work typically shouldered by women.¹¹⁵

Public bodies, including Scotland's local authorities, also invest significantly in pension funds.¹¹⁶ Investment policies and practice could seek to address economic inequality, as well as addressing ethical and environmental concerns.

Planning

Through the planning system, local authorities and the Scottish Government regulate many privatised activities – often giving businesses a monopoly or territorial franchise in which to trade.¹¹⁷ As a quid pro quo, planning and licensing powers could be used to encourage and compel good business practices and shape local economies.

Housing market and local taxation

The Scottish Government has a diverse range of powers in this area, including: new powers to borrow to fund capital investment in social housing, some ability to top-up or vary payments associated with housing benefit, and an essentially unconstrained ability to reform the taxation of land and property. A number of economists have highlighted the importance of property and land-based taxes for reducing inequality.¹¹⁸

Public spending

The distribution of public spending, whilst not influencing disposable income directly, can influence the opportunities and services available to households in different parts of the distribution, and help to equalise inequality of expenditure. A range of public services fits into this category, including childcare, health services, public transport, financial advice, energy efficiency schemes, and local cultural and recreational services.¹¹⁹

Inevitably, questions around the provision of such public services often collapse into a debate around whether they should be universally provided or targeted at those 'most in need'. International evidence highlights the important role that universal provision, particularly in health and education, can play in reducing income inequality.¹²⁰ This suggests that free and high-quality public services, like healthcare and education, can be a significant equaliser by putting 'virtual income' into people's pockets.

In Scotland, the balance between universal and targeted provision is likely to depend on aspects of each service, including the ease with which those in need of support can be identified, and the relative costs of delivering universal and targeted provision.¹²¹

Childcare

The provision of good-quality, affordable and accessible childcare, which the Scottish Government has made a commitment to expanding,¹²² has the potential to reduce inequality in a number of ways. In the short term, it removes one of the main barriers to employment for parents. Given that female parents are more likely to have childcare responsibilities, this can improve female labour market participation and reduce gender inequality. In the longer term, provision of well-designed childcare can help to reduce the attainment gap between children from more and less privileged backgrounds when they start school.

The cost of living

Related to the concept of reducing inequality through the provision of public services is the notion of the 'poverty premium'.¹²³ This captures the fact that poorer households often pay a premium on energy bills, food shopping, insurance and other expenses, because of their circumstances. For example, those without a bank account may face higher energy bills if they are reliant on pre-payment meters. The Scottish Government and local authorities can support households to receive the best deals, ensure access to debt and welfare advice, and work with suppliers to reduce premiums.

Labour market regulation

There has been growing interest in the establishment of pay policy, including the potential for new legislation relating to the setting of pay ratios within firms. The Scottish Parliament does not have the power to legislate in this area but it could utilise its influence and ‘moral-suasion’ to encourage firms to adopt good practice and greater transparency.¹²⁴

The Scottish Government’s voluntary ‘Business Pledge’¹²⁵ – created to encourage businesses to adopt fair employment practices among other things – is an example of this type of influence. Oxfam has, however, called for it to be reviewed¹²⁶ and there may be lessons to learn from the widely supported living-wage campaign as well as local employment charters.¹²⁷

Similarly, while labour market regulation and legislation around emerging forms of insecure working are reserved, the Scottish Government may be able to influence both the UK Government and the behaviour of firms and organisations in Scotland.

Additional areas

The policy areas above are not exhaustive and there are, of course, a number of additional areas which can be considered in order to reduce poverty and inequality. Many of these are outlined in Oxfam’s reports ‘Our Economy’ and ‘An Economy for the 99%’.¹²⁸ These include regeneration funding and handing greater control over budget decisions to communities, for example through ‘Participatory Budgeting’; reform of land ownership; action to tackle unequal access to decision making; and gender-sensitive policy and practice.

6 SCOTLAND'S POVERTY AND INEQUALITY COMMISSION

6.1 The need for an effective Poverty and Inequality Commission

Economic inequality is high in Scotland. Given the detrimental impact this has on our society and our economy, it demands urgent and consistent action. Policy tweaks will not be enough. While recognising some levers remain reserved to the UK Parliament, it is clear the Scottish Parliament has powers it could use to help narrow the gap.

Oxfam called for an Inequality Commission ahead of the 2016 Scottish Parliament elections because, while there is strong political and public concern about economic inequality in Scotland, there has been insufficient action to narrow the gap.¹²⁹ A number of positive steps have been taken, but not enough. We need giant strides if we are to close the gap between rich and poor.

The Scottish Government's decision to establish a Poverty and Inequality Commission is therefore hugely welcome. It must build on momentum in Scotland and move beyond statements of concern to recommending and securing specific changes in policy. It should be seen by government, the public, the media, local authorities and other stakeholders as a serious, bold and independent body. The commission will operate in a policy and institutional landscape that is favourable towards tackling poverty and inequality. Below we highlight the landscape it will have to navigate and draw together to succeed.

6.2 The policy landscape in Scotland

Inequality is high on the policy agenda globally. For the first time, the UN Sustainable Development Goals include specific goals relating to both poverty and inequality. The goals are universal – applying to developed as well as developing countries. While the goals are critical, delivery of them will primarily take place at national level.

Encouragingly, in 2015, the First Minister Nicola Sturgeon announced that '*Scotland has become one of the first nations on Earth to publically sign up to these Goals*'.¹³⁰ The Scottish Government says it will implement the SDGs through its National Performance Framework. The framework – measured through Scotland Performs – contains a number of National Outcomes, National Indicators and Strategic Objectives, designed to help the Scottish Government deliver its Overarching Purpose.¹³¹

While the National Outcomes are being reviewed, they currently include: 'we have tackled the significant inequalities in Scottish society'. Within the indicator set, there is a target to reduce income inequality in Scotland, as measured by the Palma ratio, by 2017.¹³² Reducing inequality is also a core element, alongside competitiveness in the Scottish Government's Economic Strategy.¹³³ Although both recognise the importance of inequality, primacy is still given to the pursuit of 'sustainable economic growth'.

Nevertheless, a number of positive initiatives and policy changes have been implemented to reflect, in part, these commitments to reducing inequality in Scotland.

On tax, there have been some very small changes made to make the system in Scotland more progressive. These include freezing the threshold for paying the 40p rate at £43,000 in Scotland instead of the £45,000 elsewhere across the UK. On property, stamp duty has been replaced with a more progressive land and buildings transaction tax, and council tax rates paid by people living in properties in the four highest bands have been adjusted upwards.¹³⁴ These changes to the tax system are small given the scale of the inequality challenge. The importance of tax as a means of reducing inequality in Scotland has been highlighted by the Poverty and Inequality Adviser, Naomi Eisenstadt, who stated: '*The answers to inequality are about taxing the rich. There are lots of other answers – but that is one of the key issues*'.¹³⁵

Beyond tax, the Scottish Government has prioritised action around fair work – establishing the Fair Work Convention,¹³⁶ placing fair work at the centre of its Labour Market Strategy,¹³⁷ and encouraging uptake of the Living Wage, as defined by the Living Wage Foundation.¹³⁸

Alongside this, the Scottish Government has published a Fairer Scotland Action Plan aimed at creating a fairer Scotland by 2030.¹³⁹ This outlines 50 measures to be taken by 2020, including the establishment of the Poverty and Inequality Commission.

The Scottish Government has also mitigated some of the UK Government's cuts to social security, committed to enhancing dignity for those accessing newly devolved benefits, and established 'experience panels' to hear from people familiar with the benefits system.¹⁴⁰ It has also committed to introducing a new socio-economic duty on public authorities in 2017, to ensure 'the public sector take account of socio-economic disadvantage when they're making strategic decisions'.¹⁴¹

In addition, the First Minister appointed the previously mentioned Independent Poverty and Inequality Adviser. Oxfam welcomed the creation of this post in 2014, having called for the appointment of a Poverty Commissioner to help increase the influence of people in poverty within decision-making.¹⁴² Naomi Eisenstadt's first report 'Shifting the Curve',¹⁴³ set out 15 recommendations detailing what more she believes the Scottish Government and others can do to address poverty in Scotland. These contributions have been encouraging, but the creation of the Poverty and Inequality Commission suggests a review of this post's remit would be useful to ensure they complement each other.

At local level, Scotland's 32 local authorities also have a role to play including through Single Outcome Agreement¹⁴⁴ commitments '*to reduce inequalities*'. A number of them, including Fife,¹⁴⁵ Dundee,¹⁴⁶ Perth,¹⁴⁷ Renfrewshire¹⁴⁸ and North Lanarkshire,¹⁴⁹ have established 'Fairness Commissions' to look at ways to reduce poverty and inequality.

Taken together, these initiatives are welcome signals of intent. Yet the extent to which substantive policy change has followed is questionable and, where it has, it has tended to focus narrowly on mitigating the negative consequences of poverty rather than preventing these consequences from arising in the first place. Based on the evidence, it is clear we cannot end poverty without tackling extreme economic inequality and that bolder measures are needed. Whilst recognising the new Commission is likely to explore specific areas, such as child poverty, its remit must be broader and overarching to ensure devolved powers are used to their fullest to contribute to a reduction in economic inequality.

6.3 The institutional landscape in Scotland

There are a number of initiatives and bodies in Scotland covering issues of poverty, inequality and human rights, as well as data and forecasting, but none specifically target economic inequality – a gap the commission must fill. However, as it develops, it will need to engage closely with a series of bodies already operating in Scotland. These include: the Scottish Government's Council of Economic Advisers;¹⁵⁰ the Scottish Fiscal Commission;¹⁵¹ and the Scottish Human Rights Commission.¹⁵²

A number of other bodies, such as the Children and Young People's Commissioner,¹⁵³ focus on relevant areas of interest. Beyond these bodies, the commission will need access to data. This may involve forging relationships with UK institutions like the Office for National Statistics¹⁵⁴ and the Office for Budget Responsibility.¹⁵⁵

The commission should also ensure strong engagement with civil society organisations. A number of organisations in Scotland campaign on issues of poverty and inequality. Moreover trade unions and a number of academic institutions¹⁵⁶ are important actors on issues relating to poverty and inequality. Scotland's civil society must have an active relationship with the commission.

By utilising and making the most of this favourable landscape, the commission can set a vision for a more equal Scotland while breaking free from the constraints of electoral cycles to begin a cycle of courageous political change.

7 THE WORK OF COMMISSIONS

To ensure the Poverty and Inequality Commission has maximum impact in reducing inequality in Scotland it is critical for it to be set up with the necessary tools and remit. To do so, we must learn from past experience of such bodies.

This chapter draws on research commissioned by Oxfam from the Academy of Government at the University of Edinburgh.¹⁵⁷ This involved a review of the literature around commissions¹⁵⁸ followed by a seminar and interviews with individuals with experience of working on commissions or other similar bodies in Scotland. A list of participants is in Appendix 3. Responsibility for material used here lies with Oxfam.

While there are no institutional rules for how to design a commission, there is an implicit model of standard operation. This includes a commission being announced, a chair being appointed, a remit being developed, and a general membership being recruited. The commission then begins work with a series of core phases: preparation, collecting evidence, deliberating, reporting, and evaluating.¹⁵⁹ This chapter reflects on this model in a Scottish context.

Having examined the general themes relating to the work of commissions in a Scottish context, we make specific recommendations for the Poverty and Inequality Commission in Chapter 8. These recommendations are Oxfam's not those of the Academy of Government or participants who took part in their research.

The value of commissions: generating 'talk'

Participants in the seminar¹⁶⁰ observed that commissions generate a kind of 'talk' that might not happen otherwise. One noted: *'we often ask for a commission because we sense a lack of focus on the things we care about . . . I think there is virtue in commissions as a space in which very strong differences in view and perspective are exposed to one another in a space outside of that political hurly-burly.'*

The participants also felt that a productive feature of previous commissions in Scotland was the dismantling of established silos between agencies, thus creating dialogue between institutions. One noted: *'There is something about how you bring the different elements of government together, and perhaps an independent commission might have more of an ability to do that than working within government itself.'*

One participant also commented: *'It's not about getting a solution to anything, it's about getting traction and changing the direction of travel.'* A fellow participant noted: *'It's about changing the dialogue, changing the discussion in the country. That's a slow burner.'* Another added: *'It's about building up a consensus for change.'*

Independence

Several participants felt that a commission needs a high level of independence to be productive. One noted: *'The commission does need terms of reference; it needs a starting point. But the commission itself needs to own what it is doing ... The commission needs to not be marching to someone else's tune if it is truly independent.'*

Another participant observed: *'There are two types of commissions: there is a commission which has already decided what it wants to say, and there is a commission which is genuinely about exploring what it is that it should say.'* Yet another stated: *'If you've already structured the terms of reference and defined them so much before the commission members come in to discuss, it's a pretty pointless commission. It just undermines the whole process if you want to have a commission that has a real deliberative and imaginative process.'*

These contributions pointing to the need for independence and sufficiently wide terms of reference are echoed in the literature.¹⁶¹

Membership

Several seminar participants felt that recruiting members of a commission based on representativeness is critical, particularly for a body established to examine inequality. One noted: *'The commissions that we tend to see within the UK political context, like the leaders of our institutions, tend to be white, straight, non-disabled men. And so, are the commissions deliberating in a way that fully surfaces the experiences of all of the people?'*

Another participant commented that too often we bring those with direct experience of poverty and inequality into the discussion after the 'elite' group has already set the course, leaving those with lived experience having to *'catch up'*; they explained that actually *'those with power and influence need to do the catching up'*.

A challenging point was raised related to the tokenisation of those with 'lived experience' in the subject area being examined by a commission, with some concern about the need to protect vulnerable people. However, countering that, another participant observed that many people with lived experiences are keen to participate if their contribution is equally valued. They explained that in order to prevent disillusionment with the policymaking process, there is a need for commissions and policymakers to act on the contributions of those with lived experience – rather than simply giving the appearance of action.

The overall size of the group and the approach adopted to recruit members were also raised as important areas for consideration. Participants felt that a well-thought out strategy is critical, with one stating: *'You need to think of the selection carefully. You need to consider the people that you need from different areas of society in order to build momentum for change.'*

Participants agreed that selection of the chair is particularly important. A final, related, point raised was about expectations of all members. Every participant felt that ensuring clarity about the expectations placed on members is important for managing a commission effectively. The research supports this, emphasising that the way in which the chair and members negotiate their roles between each other, and in relation to the duties of the commission, is critical.¹⁶²

Working practices

Seminar discussions also focused on the importance of the level of resources available to a commission. It was noted that commissions need a properly resourced and supportive secretariat or consideration given to building the capacity of the members through training so that very little ongoing support is subsequently required.

Seminar participants noted the importance of considering the genuine needs of commissioners if they are to fully participate in a commission's work. They suggested this can often be overlooked.

In determining the nature of meetings, participants said consideration should be given to the tone and rules of engagement adopted. The concept of tone attracted many points from participants. Practically, these related to the style of facilitation, with one noting: *'Find a balance between the open and structured discussion . . . break into smaller groups, to have a deliberative discussion between groups and then come back to a wider space. Partly to try to ensure that not the same dominant personality [is] hogging and steering too much.'*

Another participant mentioned that meetings need to be conducted in person: *'Commissions need to be face-to-face, whether formal or informal. I think that there is a lot of value in the informal.'*

Gathering evidence

The literature suggests there are three principal channels for gathering information: academic, organisational and individual. Academic information might come from a scholar already sitting on the commission, an academic who has been brought in as a consultant, an academic expert invited to come and speak to the commission, or a general researcher who is collecting relevant data.

This form of information gathering can provide a helpful empirical basis from which to test more partial forms of evidence¹⁶³ but, at times, can also be thought of as a means to legitimise policymakers and substantiate pre-determined policy choices.¹⁶⁴

Organisations can provide information to a commission and are often invited to submit written and oral testimony about a particular group that they might represent. Several seminar participants emphasised that oral testimony from individuals was particularly powerful.

Deliberation and dissemination

Many participants argued that a productive commission needs '*the courage*' to test its findings and be prepared to revise them, if required. One stated: '*The classic life cycle has three elements: there is a bit of planning, training, working out what you're all about; there is a big chunk about the evidence collection; and then there is considering the reporting. But I do think that there is something about a fourth element of the life cycle, which is never really done as much as it ought to, the testing element: this idea that once you've done your listening and your considering, you go out and test that bit again to make sure that is what your contributors had in mind.*'

Another noted that commissions have a challenge in '*boiling all of this high-level thinking into something meaningful and manageable*'. However, if, as participants have reported, commissions primarily serve a function in creating space for talking, then the quality of dialogue is critical, in and of itself – rather than as a means to an end only.

Practically, many participants noted that any reporting should be accessible, drafted during an iterative process over time, and reflect the process followed by the commission itself. They also suggested that consideration needs to be given to following up, to ensure the thinking, and subsequent policy change it inspires, develops as a legacy of the commission's work. It may therefore be useful to think of commission members not simply as individual contributors at a particular point in time but as ongoing advocates for change.

Impact

Participants stressed the importance of commissions in generating new ideas and building consensus for change. One noted that, collectively, we sometimes: '*sell short the idea of commissions*'. They added: '*I've heard a lot of people say "another commission", "another report that sits on the shelf". These are the tools of our trade. And I think they are imaginative spaces which resonate in our professional lives for a number of years . . . I think that there is great value in the work we do in those spaces.*'

In specific reference to the Poverty and Inequality Commission, a couple of participants stressed that if long-term change is the objective, the commission must prioritise facilitating an innovative space in which complex issues can be worked on. One stated that the challenge for the new commission is: '*to set out a deep ambition to change things in the way that other bodies haven't in the past*'.

8 RECOMMENDATIONS FOR THE POVERTY AND INEQUALITY COMMISSION

In this paper, we have outlined the scale, nature and drivers of the economic inequality challenge facing Scotland. We have also outlined the powers which the Scottish Parliament has and could use to help narrow the gap.

The political and policy landscape in Scotland is favourable to tackling inequality and poverty. There appears to be a genuine commitment to narrow the gap between rich and poor. However, the policies to address inequality are not all currently in place.

The Poverty and Inequality Commission creates an opportunity to address this mismatch by identifying solutions – however bold – based on evidence and mature analysis. In doing so, it must look beyond any particular government and instead reflect the challenge facing Scotland as a whole.

Designed properly, the Poverty and Inequality Commission can guide Scotland down the path to a substantially more equal country – one in which the economy benefits everyone and not just a privileged few. The first steps on this journey may be difficult and challenging, but they are necessary – for all of us.

Oxfam proposes the following recommendations for the Scottish Government as it considers the structure, powers and remit of the Poverty and Inequality Commission.

The Poverty and Inequality Commission should be:



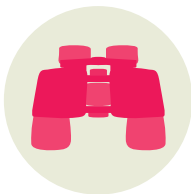
Fully independent

- It should be fully independent of the Scottish Government, both in practice and perception. Consideration should be given to placing the commission on a statutory footing, with it reporting directly to the Scottish Parliament;
- It should have flexible terms of reference so it can develop its own work streams and mature organically whilst operating transparently and accountably.



Focused on inequality

- It should maintain a sharp focus on overall economic inequality, with working groups established, if necessary, to examine specific areas;
- It should explore how devolved powers can be used to their fullest to reduce inequality – including key areas such as tax and social protection, education, economic development, procurement, planning, public spending, childcare and housing.



Wide in duration and scope

- It should break free from the constraints of election cycles by having the freedom to propose new longer-term policies to narrow the gap and by working to a timeline which is consistent, as a minimum, with the 2030 Sustainable Development Goals;
- It must look beyond Scotland to consider best practice internationally – at state and regional levels – and assess whether and how this could be emulated in Scotland, including piloting projects if required.



Scrutinising in function

- It should be able to call witnesses, including Scottish Government ministers, whilst proactively reaching across departments to reflect all devolved levers for change;
- It should hold the Scottish Government to account by scrutinising expenditure, policy and practice to assess their impact on reducing inequality. This could include overseeing the socio-economic duty on public bodies to reduce inequalities and monitoring performance against relevant National Outcomes and indicators;
- It should scrutinise policy proposals from all political parties, academics, organisations and individuals to assess whether they would reduce inequality.



Adequately resourced

- It should be adequately resourced and financed, with an ability to direct this independently through a secretariat, including independent communications support;
- It should have the capacity to improve the quality and scope of inequality data which is available in Scotland through the power to request new data, the ability to collect this itself, or the budget to commission external analysis.



Connected and accessible

- It should be strongly linked to relevant UK and Scottish bodies to benefit from their knowledge and experience whilst acting as a focal point for collective impact;
- It should engage, and where necessary challenge, local authorities, the private sector and civil society organisations in Scotland, as well as key civil servants at UK and Scottish levels;
- It should ensure the views of people living in poverty are fully represented, potentially meeting intermittently in public to enhance its connection to the people of Scotland, with particular efforts made to meet in more deprived communities;
- It should consider the value the Poverty and Inequality Adviser could add. The Scottish Government should also review this post to clarify its remit.



Balanced in membership

- It should have a full-time chair with the skills and experience to facilitate and rebalance any skewed power dynamics within the commission;
- It should be representative of the Scottish population, including gender balance. It should also reflect the expertise it requires, remembering that experts in inequality and poverty are not just those with specialist academic qualification but people who are experts because of their life experience;
- It should draw on a wide talent pool and, to ensure it remains strictly politically neutral, have a membership which includes a range of party-political and non-party-political perspectives.



Committed to sharing

- It should transparently track progress in reducing economic inequality in Scotland by issuing a 'state of the nation' report every year;
- It should publish learning and recommendations flowing from all work streams it undertakes;
- It should seek to both learn and disseminate its recommendations through events, meetings and networking – rather than simply publishing reports.

APPENDIX 1: DATA GAPS

Most of the analyses of income inequality in the UK are based on the Households Below Average Income (HBAI) dataset and the Family Resources Survey (FRS) from which the HBAI is derived. HBAI is based on a representative sample of 3,300 households in Scotland covering 6,000 individuals (5,000 of whom are adults).

HBAI/FRS asks respondents a fairly detailed set of questions about their income from different sources (gross and net of benefits and taxes), as well as requesting information about housing tenure and demographics. HBAI is seen as the 'gold standard' survey for inequality because it collates information at a household level rather than an individual level. The main concern is the size of the sample, which has been declining in recent years from around 5,000 households in Scotland ten years ago to 3,300 in the most recent edition. The risk is that the sample may under-represent specific groups, particularly those at the extremes of the distribution – both the very rich and the very poor.

More comprehensive data on individual earnings is available from the Annual Survey of Hours and Earnings (ASHE). This relies on employers completing wage data for around 1% of UK employee jobs; this is around 300,000 individuals at UK level. This allows analysis of pre-tax earnings by gender, industry, occupation and region. The limitations of the data are that, being based on PAYE, it is a sample of employee jobs and thus excludes the self-employed as well as income from any other sources.

The most comprehensive data on individual incomes is from the Survey of Personal Incomes (SPI), an HMRC dataset based on tax returns. It does include income from all sources at an individual level but covers only taxpayers – it excludes those on low incomes.

Data on wealth is limited, although this is changing. In 2006, ONS established the Wealth and Assets Survey (WAS). This is a longitudinal survey of household assets and liabilities, including financial, pension and property wealth. It is based on a survey of 20,000 UK households. Some summary data is presented at UK regional level, but full analysis of the survey for Scotland requires a special ONS licence. A limitation is that, having started in 2006 and with latest data available for 2014, the time series is not particularly long.

A general limitation of the existing data taken together is the absence of linkages between key income and wealth variables. The HBAI is a comprehensive survey of incomes, whilst the WAS is a good source of data on the distribution of wealth. But we have relatively little understanding of the relationship between household income and wealth.

In understanding inequality and its causes, time is important. For example, we might be concerned less about poverty or inequality if households move around the income distribution on a fairly regular basis, as opposed to being persistently poor or rich. Similarly, given that incomes evolve over the lifetime, understanding whether a young, poor household today is likely to remain a poor household even as it gets older is important. Unfortunately, most of our surveys and data are based on snapshots of the income distribution at a point in time, making these types of temporal analyses difficult and unusual.

Related to both the temporal issue and the issue of wealth inequality is the question of inheritance. There is some evidence that inheritance is becoming more important in determining the distribution of wealth and the transmission of advantage from one generation to another. Yet for Scotland we have no comprehensive data on the scale of inheritances and how inheritances are distributed or are changing over time. Understanding these issues, and related questions around the correlation between the income of parents and their children, is undoubtedly a very data-demanding question. But such an understanding is critical for a thorough appreciation of how the nature of inequality is changing over the longer term.

APPENDIX 2: ALTERNATIVE MEASUREMENTS OF POVERTY

There are a number of alternative measures of poverty to the percentage of individuals living in households with equivalised net income below 60% of the median. Some of these attempt to capture how far people are from the poverty line. Others measure aspects of 'material deprivation' (i.e. the extent to which households can afford various essential items), or the proportion of households who are in arrears for household bills.¹⁶⁵ Linked to this is the concept of a 'minimum income standard', a benchmark of income adequacy, based on what the public thinks is needed for a minimum socially acceptable standard of living. The Joseph Rowntree Fund (JRF) estimate that 30% of people in the UK live in households with incomes below the Minimum Income Standard, whilst 17.5% of people live in households with incomes below 75% of the Minimum Income Standard – which the JRF uses as a measure of poverty.

'Extreme poverty' is defined as households whose income is less than 40% of the median. There has been no change in the proportion of people in Scotland living in extreme poverty since 1999, with the rate hovering around 4–5%.¹⁶⁶

Another alternative poverty measure is to assess 'absolute poverty'. Rather than measuring the proportion of people in households below 60% of the contemporaneous median, absolute poverty measures fix the poverty line at 60% of the median in a specific year and considers what proportion of individuals live below that line (adjusted for inflation) in subsequent years. So whilst relative poverty can be used to assess whether the incomes of the poorest are keeping up with the median, absolute poverty measures can be used to assess whether the incomes of the poorest are keeping pace with inflation.

APPENDIX 3: RESEARCH PARTICIPANTS

The following individuals participated, in some form, in the research conducted by the Academy of Government at the University of Edinburgh.

- **Mr Adam Stewart**, Policy Manager at Cosla, Secretary for the Commission on Strengthening Local Democracy and the Commission on Local Tax Reform
- **Dr Alison Elliot**, Honorary Fellow at the University of Edinburgh, member of the Christie Commission and chair of the Land Reform Review Group
- **Ms Ann Henderson**, Assistant Secretary for the Scottish TUC, member of the Scottish Government's Strategic Group on Women and Work and the Early Learning and Childcare Strategic Forum
- **Councillor David O'Neill**, Councillor for North Ayrshire and President of Cosla, co-chaired the Commission on Local Tax Reform and chaired the Commission for Strengthening Local Democracy
- **Ms Elaine Downie**, Coordinator of the Poverty Truth Commission
- **Ms Emma Ritch**, Executive Director of Engender, member of the Equality and Human Rights Commission, Scotland Committee
- **Ms Gail Irvine**, Policy Officer at the Carnegie UK Trust, involved in the Fairer Fife Commission
- **Mr Jamie Livingstone**, Head of Oxfam Scotland, member of the Independent Working Group on Food Poverty
- **Dr Rev Martin Johnstone**, Church of Scotland minister, Secretary of the Church of Scotland's Church and Society Council, involved in the Poverty Truth Commission and Chair of the Independent Working Group on Food Poverty
- **Mr Paul Tyrer**, Poverty and Social Justice Lead at the Scottish Government
- **Mr Robert McGregor**, Policy Manager at Fife Council, organised the Fairer Fife Commission

NOTES

- ¹ Ruth Davidson MSP speech at the Joseph Rowntree Foundation Poverty Lecture (February 2016) <https://www.jrf.org.uk/event/jrf-poverty-lecture-ruth-davidson>
- ² Partick Harvie MSP interview for *Holyrood Magazine* (December 2016) <https://www.holyrood.com/articles/inside-politics/patrick-harvie-poverty>
- ³ Kezia Dugdale MSP speech and question-and-answer session at the David Hume Institute (January 2017) <http://www.davidhumeinstitute.com/world-turned-upside-kezia-dugdale-brexite-second-independence-referendum-next-ten-years>
- ⁴ Willie Rennie MSP interview for *Holyrood Magazine* (December 2016) <https://www.holyrood.com/articles/inside-politics/willie-rennie-poverty>
- ⁵ Nicola Sturgeon MSP speech and question-and-answer session at the David Hume Institute (February 2017) <http://www.davidhumeinstitute.com/nicola-sturgeon-tory-brexite-actions-attack-foundations-devolution>
- ⁶ Joseph Stiglitz speech to the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) convention (September 2013) <http://www.alternet.org/economy/joe-stiglitz-people-who-break-rules-have-raked-huge-profits-and-wealth-and-its-sickening-our>
- ⁷ The latest statistics show that after housing costs, 20% of people in Scotland live in poverty. Scottish Government (March 2017) 'Poverty and Income Inequality in Scotland: 2015/16' <http://www.gov.scot/Publications/2017/03/2213>
- ⁸ Hardoon, D. (January 2017) 'An economy for the 99%'. Oxfam. <https://www.oxfam.org/en/research/economy-99>
- ⁹ As measured by both the Palma ratio and the Gini coefficient. See Chapter 2 for further information.
- ¹⁰ Household measures of income are commonly used to assess the distribution of income. However, we recognise that such measures assume that all individuals in each household have an equal share of the household's income, which may not be the case, with particular gender impacts.
- ¹¹ Scottish Government (February 2017) 'Wealth and Assets in Scotland, 2006–14' <http://www.gov.scot/Publications/2017/02/6032>
- ¹² United Nations Development Programme Press Release (2015) <http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2015/09/24/undp-welcomes-adoption-of-sustainable-development-goals-by-world-leaders.html>
- ¹³ Lakner, C. et al. (2015) 'The Role of Inclusive Growth in Ending Extreme Poverty'. World Bank. http://www.ecineq.org/ecineq_lux15/FILESx2015/CR2/p191.pdf
- ¹⁴ CASE at LSE for Oxfam, forthcoming
- ¹⁵ Hardoon, D. (January 2017) 'An economy for the 99%'. Oxfam. <https://www.oxfam.org/en/research/economy-99>
- ¹⁶ Nicola Sturgeon speech to SNP conference (November 2014) <https://www.sundaypost.com/news/scottish-news/billion-pound-promises-by-first-minister-in-waiting/>
- ¹⁷ Scottish Government (March 2015) 'Scotland's Economic Strategy' <http://www.gov.scot/Publications/2015/03/5984/0>
- ¹⁸ Scottish Government (October 2016) 'Fairer Scotland Action Plan' <http://www.gov.scot/Publications/2016/10/9964>
- ¹⁹ Fair Work Convention <http://www.fairworkconvention.scot>
- ²⁰ Independent Adviser on Poverty and Inequality <http://www.gov.scot/Topics/People/fairerscotland/tacklingpovertyinscotland/independent-advisor>
- ²¹ SNP Manifesto (2016), p. 19 <https://www.snp.org/manifesto>
- ²² Scottish Government (September 2016) 'A Plan For Scotland: The Scottish Government's Programme For Scotland 2016–17' <http://www.gov.scot/Publications/2016/09/2860/7>
- ²³ United Nations Development Programme Human Development Report (2014) 'Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience' <http://www.undp.org/content/undp/en/home/librarypage/hdr/2014-human-development-report.html>
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- ²⁶ Oxfam Press Release on SDGs (24 September 2015) <https://www.oxfam.org/en/pressroom/pressreleases/2015-09-24/global-goals-poverty-inequality-and-climate-change-challenge>
- ²⁷ World Bank (October 2016) 'Taking on Inequality' <http://www.worldbank.org/en/publication/poverty-and-shared-prosperity>
- ²⁸ Based on relative low incomes after housing costs (AHC). ONS (March 2017) 'Households Below Average Income 1994/95–2015/16' <https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201516>
- ²⁹ Oxfam (September 2016) 'How to Close Great Britain's Great Divide: The business of tackling inequality' <http://policy-practice.oxfam.org.uk/publications/how-to-close-great-britains-great-divide-the-business-of-tackling-inequality-620059>
- ³⁰ High Pay Centre (August 2016) 'The State of Pay: High Pay Centre briefing on executive pay' <http://highpaycentre.org/pubs/10-pay-rise-thatll-do-nicely>
- ³¹ Purpose of the Corporation (August 2016) <http://www.purposeofcorporation.org/en/news/5009-behind-the-purpose-of-the-corporation-infographic>
- ³² CASE at LSE for Oxfam, forthcoming
- ³³ Oxfam UK Poverty Programme <http://www.oxfam.org.uk/what-we-do/issues-we-work-on/poverty-in-the-uk>
- ³⁴ All polling figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,052 adults. Fieldwork was undertaken between 20th–24th March 2017. The survey was carried out online. The figures have been weighted and are representative of all adults in Scotland (aged 18+). YouGov is registered with the Information Commissioner. YouGov is a member of the British Polling Council.
- ³⁵ The latest statistics show that after housing costs, 20% of people in Scotland live in poverty. Scottish Government (March 2017) 'Poverty and Income Inequality in Scotland: 2015/16' <http://www.gov.scot/Publications/2017/03/2213>
- ³⁶ Scottish Government (February 2017) 'Wealth and Assets in Scotland, 2006–14' <http://www.gov.scot/Publications/2017/02/6032>
- ³⁷ Trebeck, K. et al. (2012) 'Oxfam Humankind Index'. Oxfam. <http://www.oxfam.org.uk/scotland/blog/2012/04/what-makes-scotland-happy>
- ³⁸ Scottish Government (March 2016) 'The National Performance Framework' <http://www.gov.scot/About/Performance/scotPerforms/pdfNPF>
- ³⁹ Trebeck, K. and Stuart, F. (2013) 'Our Economy'. Oxfam. <http://policy-practice.oxfam.org.uk/publications/our-economy-towards-a-new-prosperity-294239>
- ⁴⁰ Stuart, F. et al. (September 2016) 'Decent work for Scotland's low paid workers: a job to be done'. Oxfam, UWS and Warwick Institute for Employment Research. <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>
- ⁴¹ A full report on this exercise has been submitted to the Scottish Government as part of a wider consultation they are undertaking around the National Outcomes for Scotland.
- ⁴² Throughout this chapter we mainly focus on income rather than wealth. This is partly because income data is far more comprehensive than data on wealth. And it is also because income is likely to be the best measure of the resources available to an individual or household to fund consumption. There is, however, increasing interest in the distribution of wealth, and its link to income, which we consider in subsequent sections of this report.
- ⁴³ Takumo, Y. and Taylor, D. (2015) 'Oxfam Recommendations for the Zero Draft of the Outcome Document for the UN Summit to adopt the Post-2015 Development Agenda'. Oxfam. https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/oxfam_response_to_the_zero_draft_of_the_post_2015_outcome_document_with_footer.pdf
- ⁴⁴ Scottish Government 'Scotland Performs' <http://www.gov.scot/About/Performance/scotPerforms>
- ⁴⁵ Household measures of income are commonly used to assess the distribution of income. However, such measures assume that all individuals in each household have an equal share of the household's income, which may not be the case.
- ⁴⁶ Mid-year population estimates for Scotland (30 June 2015). Scottish Government. <http://www.gov.scot/Topics/People/Equality/Equalities/PopulationMigration>
- ⁴⁷ For analysis of long-term trends in UK inequality, see Atkinson, T. (2015) *Inequality: What Can Be Done?* Harvard University Press. and Milanovic, B. (2016) *Global Inequality: A New Approach for the Age of Globalization*. Harvard University Press.
- ⁴⁸ OECD Inequality comparison data sets <https://data.oecd.org/inequality/income-inequality.htm>
- ⁴⁹ Jaumotte, F. and Buitron, O. (2015) 'Power from the people' *Finance and Development* 52 <http://www.imf.org/external/pubs/ft/fandd/2015/03/jaumotte.htm>

- ⁵⁰ Department for Business Innovation and Skills (May 2016) 'Trade Union Membership in 2015' https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525938/Trade_Union_Membership_2015_-_Statistical_Bulletin.pdf
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- ⁵² See for example Butcher, T et al. (2012) 'Minimum wages and wage inequality: some theory and an application to the UK', CEP Discussion Paper No. 1177, Centre for Economic Performance, and Dolton, P et al. (2012) 'Employment, Inequality and the UK National Minimum Wage over the Medium-Term', *Oxford Bulletin of Economics and Statistics* 74, pp. 78–106
- ⁵³ There is also some evidence that wages have increased most at the bottom of the distribution in the UK in 2016, reflecting the introduction of the national living wage.
- ⁵⁴ Belfield, C. et al. (January 2017) 'Two decades of income inequality in Britain: the role of wages, household earnings and redistribution'. Institute for Fiscal Studies. <https://www.ifs.org.uk/publications/8833>
- ⁵⁵ FAI analysis using HMRC's Survey of Personal Incomes.
- ⁵⁶ There is also a question about how well the very richest in society are represented in the survey data, although the HBAI data is adjusted to reflect data from tax returns as well as the survey data itself.
- ⁵⁷ Mankiw, N.G. (2013) 'Defending the one percent', *Journal of Economic Perspectives* 27 (3), pp. 21–34
- ⁵⁸ It is sometimes used to describe the behaviour of chief executives in influencing their remuneration – incentivised by failures in corporate pay-setting which emphasise short-term profits over long-term investment; and sometimes used to refer to the way in which corporations can seek to influence public policy in ways which help entrench their market share or profitability. See Stiglitz, J. et al. (2015) *Rewriting the Rules of the American Economy*. Roosevelt Institute. and Piketty, T. et al. (2014) 'Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities', *American Economic Journal: Economic Policy* 6, pp. 230–71
- ⁵⁹ OECD (2015) 'Financial sector must promote inclusive growth' <http://www.oecd.org/economy/financial-sector-must-promote-inclusive-growth.htm>
- ⁶⁰ Bell, B. and Van Reenan, J. (2010) 'Bankers' Pay and Extreme Wage Inequality in the UK'. Centre for Economic Performance, London School of Economics.
- ⁶¹ There is also emerging evidence that the introduction of the 'National Living Wage' in April 2016 has contributed to a reduction in wage inequality.
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- ⁶³ Hood, A. and Waters, T. (March 2017) 'Living Standards, Poverty and Inequality in the UK: 2016–17 to 2021–22'. Institute for Fiscal Studies. <https://www.ifs.org.uk/uploads/publications/comms/R127.pdf>
- ⁶⁴ Corlett, A. and Clarke, S. (2017) 'Living Standards 2017: The past, present and possible future of UK incomes'. Resolution Foundation. <http://www.resolutionfoundation.org/publications/living-standards-2017-the-past-present-and-possible-future-of-uk-incomes/>
- ⁶⁵ Means-tested benefits are withdrawn once income increases above the threshold below which the benefit is paid in full. The government decides where to set the threshold, and how quickly to withdraw the benefit once income rises above this threshold.
- ⁶⁶ Phillip Hammond MP's Autumn Statement (2016) speech said that the personal allowance was 'a massive boost to the incomes of low and middle earners' <https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech>
- ⁶⁷ Hood, A. and Waters, T. (March 2017) 'Living Standards, Poverty and Inequality in the UK: 2016–17 to 2021–22'. Institute for Fiscal Studies. <https://www.ifs.org.uk/uploads/publications/comms/R127.pdf>
- ⁶⁸ Scottish Government (February 2017) 'Wealth and Assets in Scotland, 2006–14' <http://www.gov.scot/Publications/2017/02/6032>
- ⁶⁹ Bank of England (2012) 'The distributional effect of asset purchases' <http://www.bankofengland.co.uk/publications/Documents/news/2012/nr073.pdf>
- ⁷⁰ CASE at LSE for Oxfam, forthcoming
- ⁷¹ CASE at LSE for Oxfam, forthcoming
- ⁷² Atkinson, T. (2015) *Inequality: What Can Be Done?* Harvard University Press.
- ⁷³ In the Scottish case, this poverty measure is usually assessed by reference to the *UK median* rather than the Scottish median. See Scottish Government (March 2017) 'Poverty and Income Inequality in Scotland: 2015/16' <http://www.gov.scot/Publications/2017/03/2213>

- ⁷⁴ Whitham, G. (2015) 'Measuring poverty in the UK and why it matters'. Oxfam. <http://policy-practice.oxfam.org.uk/blog/2015/11/measuring-poverty-in-the-uk-and-why-it-matters>
- ⁷⁵ Further analysis of poverty and inequality trends over the last 20 years is available on request.
- ⁷⁶ Social Mobility Commission (March 2017) 'The class pay gap within Britain's professions' <https://www.gov.uk/government/publications/the-class-pay-gap-within-britains-professions>
- ⁷⁷ Ellis, S. and Sosu, J. (2014) 'Closing the attainment gap in Scottish education'. Joseph Rowntree Foundation. <https://www.jrf.org.uk/report/closing-attainment-gap-scottish-education>
- ⁷⁸ Royal College of Paediatrics and Child Health (February 2017) 'State of Child Health Report 2017' <http://www.rcpch.ac.uk/state-of-child-health> and NHS Health Scotland 'Health Inequalities: What are they? How do we reduce them?' (2016) <http://www.healthscotland.scot/media/1086/health-inequalities-what-are-they-how-do-we-reduce-them-mar16.pdf>
- ⁷⁹ Wilkinson, R. and Pickett, K. (2009) *The Spirit Level: Why Equality is Better for Everyone*. Penguin.
- ⁸⁰ NHS Health Scotland (April 2017) 'Income, wealth and poverty – Inequality Briefing 8' <http://www.healthscotland.scot/publications/income-wealth-and-poverty>
- ⁸¹ Corak, M. (2013) 'Income inequality, equality of opportunity, and intergenerational mobility', *Journal of Economic Perspectives* 27 (3), pp. 79–102
- ⁸² See the work of Sayantan Ghosal at the University of Glasgow which suggests that being in poverty can dent the aspiration to fulfil one's potential.
- ⁸³ Hardoon, D. (January 2017) 'An economy for the 99%'. Oxfam. <https://www.oxfam.org/en/research/economy-99> and Stiglitz, J. (2015) 'Rewriting the rules of the American economy'
- ⁸⁴ Stiglitz, J. (2013) argues in *The Price of Inequality*. W.W. Norton & Company, that the rich over-invest in protecting their privilege through IP protection and political lobbying to raise barriers to entry and limit competition.
- ⁸⁵ See Ostry, J.D. et al. (2014) 'Redistribution, inequality and growth'. International Monetary Fund. <https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf> and OECD (2015) 'In it together: why less inequality benefits all' <http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm>
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- ⁸⁷ Stiglitz, J. (2013) *The Price of Inequality*. W.W. Norton & Company.
- ⁸⁸ The counter-argument is that the rise of populist politicians has more to do with large-scale immigration and ethnic change which has unsettled that portion of the white electorate that prefers cultural order over change. And of course there could be truth in both arguments. See for example Inglehart, R.F and Norris, P (2016) 'Trump, Brexit and the rise of Populism: Economic have-nots and cultural backlash' Faculty Research Working Paper, Harvard Kennedy School
- ⁸⁹ Oxfam (2015) 'Extreme Carbon Inequality' <https://www.oxfam.org/en/research/extreme-carbon-inequality>
- ⁹⁰ Sayers, M. et al. (2014) 'The Scottish Doughnut: A safe and just operating space for Scotland'. Oxfam. <http://policy-practice.oxfam.org.uk/publications/the-scottish-doughnut-a-safe-and-just-operating-space-for-scotland-323371>
- ⁹¹ In this report, we don't examine the link between ethnicity and inequality, disability and inequality or other forms of intersectional inequality.
- ⁹² For further information see <http://www.oxfam.org.uk/what-we-do/issues-we-work-on/poverty-in-the-uk/improving-womens-access-to-work-and-wages>
- ⁹³ Stuart, F. et al. (September 2016) 'Decent work for Scotland's low paid workers: a job to be done'. Oxfam, UWS and Warwick Institute for Employment Research. <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740> and Timpson, A. et al. (September 2016) 'Women, work and wages in the UK'. New Policy Institute for Oxfam. <http://www.npi.org.uk/publications/work-and-pay/women-work-and-wages-uk>
- ⁹⁴ Scottish Government (November 2016) National Indicator: Pay Gap <http://www.gov.scot/About/Performance/scotPerforms/indicator/paygap>
- ⁹⁵ Close the Gap <https://www.closesthegap.org.uk>
- ⁹⁶ Close the Gap pay gap analysis <https://www.closesthegap.org.uk/content/gap-statistics>
- ⁹⁷ FAI analysis based on Labour Force Survey, 2016

- ⁹⁸ Scottish Government (March 2015) 'Scotland's Carers' <http://www.gov.scot/Publications/2015/03/1081/0>
- ⁹⁹ Stuart, F. (September 2016) 'Decent work: a job to be done – Full labour market assessment' Supplement. Oxfam, UWS and Warwick Institute for Employment Research. pp. 4–5 <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>
- ¹⁰⁰ House of Commons Library (February 2017) 'State Pension uprating – 2010 onwards' <http://researchbriefings.files.parliament.uk/documents/SN05649/SN05649.pdf>
- ¹⁰¹ Hood, A. and Joyce, R. (January 2017) 'Inheritances and inequality across and within generations'. Institute for Fiscal Studies. <https://www.ifs.org.uk/publications/8831>
- ¹⁰² CASE at LSE for Oxfam, forthcoming
- ¹⁰³ See Melo, P. (2017) 'People, places and earnings differentials in Scotland', *Regional Studies* 51 (3), pp. 389–403
- ¹⁰⁴ Around ten social security powers are being devolved to the Scottish Parliament, as well as responsibility for the design and delivery of employability programmes. These social security benefits relate mainly to disability and old age (and include Disability Living Allowance and its successor the Personal Independence Payment; Carer's Allowance; Attendance Allowance; and Winter Fuel Payment). As such, these benefits provide less scope for influencing the income distribution than do the main low-income and out-of-work benefits. The Scottish Government does however have the power to top up reserved benefits.
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- ¹⁰⁶ Scottish Government (March 2016) 'The National Performance Framework' <http://www.gov.scot/About/Performance/scotPerforms/pdfNPF>
- ¹⁰⁷ Comerford, D. and Eiser, D. (2014) 'Constitutional change and inequality in Scotland', *Oxford Review of Economic Policy*, 30 (2), pp. 346–73
- ¹⁰⁸ It should also be noted that because the definition of the tax base is reserved, the Scottish Government does not have the ability to, for example, change the way in which pension income and allowances are treated in the tax system. This does somewhat limit the extent to which the income tax powers can be used to tackle inequality.
- ¹⁰⁹ Boyd, S. (2017) 'Do we really want a more equal Scotland?' in *Tackling Timorous Economics: How Scotland's Economy Could Work*. Luath Press Ltd.
- ¹¹⁰ Scottish Parliamentary Information Centre (May 2016) 'New Social Security Powers' <http://www.parliament.scot/parliamentarybusiness/99697.aspx>
- ¹¹¹ CPAG Scotland (February 2017) 'Using the Scottish Government's top-up powers – a detailed briefing' <http://www.cpag.org.uk/content/using-scottish-governments-top-powers-detailed-briefing>
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- ¹¹³ Scottish Government (December 2016) 'Procurement Strategy' <http://www.gov.scot/Publications/2016/12/1660>
- ¹¹⁴ NIDOS, the Scottish Council for Voluntary Organisations, the Scottish Fair Trade Forum, the STUC, and Stop Climate Chaos Scotland 'Civil Society Priorities for Procurement in Scotland' (2015) http://www.unison-scotland.org.uk/publicworks/Procurement-10asks-regs+guidance_Apr2015.pdf
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- ¹¹⁶ Scottish Government 'Local Government Pensions' webpage <http://www.gov.scot/Publications/2017/02/1688/338789>
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- ¹¹⁸ See for example Atkinson, T. (2015) *Inequality: What Can Be Done?* Harvard University Press.
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- ¹²⁰ Seery, E. (2014) 'Working for the many – public services fight inequality'. Oxfam. <http://policy-practice.oxfam.org.uk/publications/working-for-the-many-public-services-fight-inequality-314724>
- ¹²¹ See for example Eisenstadt, N. (January 2016) 'Shifting the curve – a report for the First Minister' <http://www.gov.scot/Publications/2016/01/1984>
- ¹²² Scottish Government 'Early Learning and Childcare' webpage <http://www.gov.scot/Topics/People/Young-People/early-years/parenting-early-learning/childcare>

- 123 Save the Children (2007) 'The poverty premium: how poor households pay more for essential goods and services' <http://www.savethechildren.org.uk/resources/online-library/the-poverty-premium-how-poor-households-pay-more-for-essential-goods-and-services>
- 124 See for example recommendation 2 from the Poverty and Inequality Adviser's first report. Eisenstadt, N. (January 2016) 'Shifting the curve – a report for the First Minister' <http://www.gov.scot/Publications/2016/01/1984>
- 125 Scottish Government Business Pledge <https://scottishbusinesspledge.scot>
- 126 Stuart, F. et al. (September 2016) 'Decent work for Scotland's low paid workers: a job to be done'. Oxfam, UWS and Warwick Institute for Employment Research. <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>
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- 130 Scottish Government press release (2015) <http://news.gov.scot/news/leading-the-way-in-tackling-inequality>
- 131 Scottish Government 'Scotland Performs' <http://www.gov.scot/About/Performance/scotPerforms>
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- 133 Scottish Government (March 2015) 'Scotland's Economic Strategy' <http://www.gov.scot/Publications/2015/03/5984/0>
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- 146 Dundee Fairness Commission <http://www.dundeepartnership.co.uk/content/dundee-fairness-commission>
- 147 Perth and Kinross Fairness Commission <http://www.pkc.gov.uk/fair>
- 148 Renfrewshire Tackling Poverty Commission http://www.renfrewshire.gov.uk/media/3522/Report-of-Renfrewshire-Tackling-Poverty-Commission/pdf/Report_of_Renfrewshire_Tackling_Poverty_Commission.pdf

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http://www.gla.ac.uk/news/archiveofnews/2016/december/headline_506154_en.html
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- ¹⁵² Scottish Human Rights Commission <http://www.scottishhumanrights.com>
- ¹⁵³ The Children and Young People's Commissioner Scotland www.cypcs.org.uk
- ¹⁵⁴ Office for National Statistics <https://www.ons.gov.uk>
- ¹⁵⁵ Office for Budget Responsibility <http://budgetresponsibility.org.uk>
- ¹⁵⁶ Oxfam have a formal partnership with the University of the West of Scotland and consideration could be given to ways to involve partnerships such as these in the work of the commission. For more information see <http://uwsoxfampartnership.org.uk>
- ¹⁵⁷ A separate, fuller, report is available, reported as Simpkin, M. and Freeman, R. (2017) 'The work of the Commission', Academy of Government working paper, University of Edinburgh. This is available from academyofgovernment@ed.ac.uk
- ¹⁵⁸ Commissions can go by a variety of different names: Commissions, Commissions of Inquiry, Royal Commissions, Committees and Working Parties. For the purpose of this analysis, we note that all of them operate in similar ways. Our focus is on groups convened to advise government as to how it should proceed in respect of a given policy problem.
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- ¹⁶⁰ Oral testimony has been edited where necessary and appropriate for ease of reading.
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