

This is a peer-reviewed, accepted author manuscript of the following article: Congreve, E. (2021). Are we doing enough to tackle inequality? Inequality in Scotland and the 2021 election. *IPPR Progressive Review*, 27(3), 286-294. <https://doi.org/10.1111/newe.12216>

Inequality in Scotland and the 2021 election. What can we expect?

This article looks ahead to the Scottish election in May 2021 which will take place in a world that we did not expect to find ourselves in. Many aspects of our lives have shifted since the start of 2020. There are new challenges that Covid-19 has placed upon our society. But some challenges were inherent before the crisis. Inequalities in our society remain prevalent and the pandemic has illuminated the impact that these inequalities have on people's lives.

This article explores some of the evidence on inequalities, how Covid-19 has highlighted the harm they cause, and what can be done to shift the course of poverty and inequality in our society. The pandemic may have awakened a new dialogue on what a fairer economy should look like. However, we need more than words to make that vision a reality. The response to the crisis has also shown us that seismic policy shifts are possible, and if the same level of reprioritisation was directed, post-pandemic, at tackling poverty and inequality, then it is feasible that far reaching ambitions, such as those encapsulated in Scotland's child poverty targets, could be realised.

Crises and inequality are mutually reinforcing

Many of the same risk factors that heighten the risk of catching and/or becoming severely ill as a result of Covid-19 are correlated with inequality. For example, the link between poverty and chronic ill health is well evidenced. Black and minority ethnic workers feature disproportionately as key workers and therefore have been more likely to continue in face to face roles, heightening their exposure to the virusⁱ. Shut-down sectors, where workers were unable to work from home like retail and hospitality, are filled with many low paid workers. In these sectors, women and young workers predominateⁱⁱ.

At the start of the crisis, many were talking about how disruption to 'business as usual' would allow a 'better' economy to emerge. For that to happen, however, will require more than just optimistic sentiments. So far, it is hard to point to anything demonstrable that has changed in terms of government priorities, and indeed there are examples of where inequalities have likely widened – for example, we've seen evidence on how women have taken on the bulk of additional childcare and cut back on paid workⁱⁱⁱ and the removal of support packages for those with learning disabilities who use social care services to allow them to live independently^{iv}.

This is not to say that these impacts were intentioned, or that there haven't been reasons why other issues have been more prominent in policy makers' eyes. The direct impacts of the pandemic clearly have taken huge energy and resources to tackle. However, as already mentioned inequalities present themselves clearly in the mortality statistics and hence pre-existing levels of inequality have made the pandemic harder to handle. Looking ahead, and preparing for the next crisis, be it related to public health, the economy, or climate change, we will find that those least able to survive the storm will be those who already face the greatest financial insecurity, whose health and wellbeing is already poorer, and who have little or no financial cushion to fall back on.

Can the government really change anything?

Yes. Governments can do a lot to tackle inequality. One route is legislation which can significantly reduce, if not eradicate, discrimination against certain groups. Government also has a clear role in providing support when there are barriers to taking part in 'normal' society – for example, due to age, caring responsibilities or due to a health condition or disability.

Government in the UK has had huge successes in overcoming discrimination and mitigating harms in some areas. Sex discrimination legislation has given women a legal footing when they are discriminated against in the work place and it is now far less prevalent. Pensioner poverty is no longer the issue it was twenty years ago.

These successes did not come about by accident. They required, amongst other things, effective policy levers, sufficient resources for implementation, and broad (albeit not necessarily total) support from the population.

A lot of this comes down to prioritisation. So whilst the Scottish Government has had tackling poverty and inequality as a clear, stated, objective for many years, they haven't always followed through with effective policy that has proven impacts.

Does the devolution settlement prevent the Scottish Government from doing more?

The Scottish Government is often perceived to be a government doing what it can, yet with one arm tied behind its back due to the lack of powers it holds. Although more powers have been passed to the Scottish Parliament in recent years, it is true that many of the policy levers that could make a direct and immediate impact on poverty and inequality remain reserved to Westminster. That includes employment regulation and reserved social security powers such as those underpinning Universal Credit.

However, this has not stopped the Scottish Government setting its ambitions and rhetoric high. We have seen multiple strategies, commissions and legislation committing the Scottish Government to make substantial inroads into removing inequalities over recent years, including the Child Poverty (Scotland) Act 2017. These are issues that the Scottish Government and the parliament believes is within their devolved competence to solve.

And indeed, with a resource budget of £35 billion, there arguably should be room for relative prioritisation. Even with a larger budget and more powers, the government would still need to prioritise what it does with them. There are examples of where the government have failed to deal with issues that are difficult, yet would have a positive impact on tackling inequalities – council tax reform being the obvious example.

What has the current Scottish Government committed to?

There are a number of commitments that the current administration has signed up to. For example, halving the disability employment gap, narrowing the gender pay gap, and most prominently, significantly reducing child poverty. This latter promise is underpinned by legislation, voted for unanimously by the Scottish Parliament.

It is highly unlikely that any party would even think about reneging on the Child Poverty (Scotland) Act. Hence it would appear likely that within the next parliamentary term, we will still have the child poverty targets in place, and indeed will see whether the interim targets, again set out in legislation are met: the 2023/24 data which the interim targets are tied to will be reported in Spring 2025, around a year before the next Scottish elections.

Are we on course to meet the Child Poverty targets?

The last data on child poverty that we had pre-pandemic showed a mixed picture. Three out of four of the target measures of child poverty reduced in the year 2018-19, albeit it only slightly. This data is often volatile from year to year and a number of years' worth of consistent data will be needed to determine if the trend is indeed downwards. However, the fact that these figures haven't increased

as was widely expected due to the impact of UK Government welfare reform measures (such as the two-child limit) does provide some encouragement. We remain a long way from the interim targets.

There is one policy on the horizon that should make more of a difference to these figures: the Scottish Child Payment which is due to roll out gradually over the next few years. By 2023/24 (the year of the interim targets) all children under the age of six will receive a top up to their family's Universal Credit payment of £10 a week.

It was believed that this would bring relatively child poverty down by 3 percentage points relative to where it would have been. However, even before this year, there was expected to be a large gulf between the interim targets and predicted levels of child poverty, even after the Scottish Child Payment.

The task of meeting the targets is likely to be made more challenging by the impact of Covid-19.

Lockdown entailed the closure of many businesses and places of work, with knock on effects for the labour force. The scale of the fall in economic activity has been far larger than anything seen during the previous financial crisis and recession.

As well as the reduction in demand for labour, there are also workers who may have been forced to reduce hours or leave employment due to caring responsibilities, particularly in light of the temporary closure of schools and childcare providers.

For many households, the Coronavirus Job Retention Scheme (CJRS) and the Self-employment Income Support Scheme (SEISS), have provided a financial lifeline. Yet not all workers have received support – either due to their employer's decision not to offer it, or due to ineligibility. For example, the Self-Employment Income Support Scheme is not available to those who are newly self-employed.

Unemployment rose significantly at the beginning of the crisis and has stayed at this level. Whilst undoubtedly the employment picture would have been worse without the UK Government's supports schemes, it still will have led to huge financial pressure for many families, many who will have turned to Universal Credit for help. The number of people claiming unemployment related benefit in Scotland has already increased by 113,000 compared to last year.

Universal Credit was temporarily changed to provide more support at the start of the pandemic. On the whole, changes have led to either an increase in social security payments, or greater security of payments due to reductions in conditionality. However, the benefit cap and two-child limit remain in place, and no equivalent uplift has been made to legacy benefit rates including income related Jobseekers Allowance, Employment and Support Allowance and Income Support.

Even with the increase in support through the social security system, in many cases the social security system will not have been able to fully offset any loss of earnings, or provide as much support as would have been on offer if households were eligible for the new government support schemes.

However, for some previous recipients of Universal Credit, who have not seen an offsetting reduction in earnings, the increased generosity of the social security system will have increased income overall.

The overall impact on poverty is hard to predict, even six months into the crisis, and indeed the pandemic is still ongoing. A decision on whether or not to extend the temporary increase in Universal Credit had not been made at the time of writing this piece, which will have a bearing on what happens to poverty. The extent to which people, either made unemployed or on furlough, are able to enter back into paid employment over the next few months and years is also crucial.

2020 has shown the effectiveness of policy making

2020 has shown us is that the government can do a lot of heavy lifting if they believe the moment demands it. Whilst a lot of this has either been UK Government driven (including additional money coming through the Barnett Formula) the Scottish Government and local authorities have also moved resources around in order to respond to this crisis. Whether or not some of the choices made in doing this were the right ones still needs to be examined (changes to provision for those that use social care services for example) but the fact that the government was prepared to make these choices shows that it is not beyond the government to reprioritise when there is consensus that an issue needs to be tackled.

Will we see the same resolve in the aftermath of the crisis and will ‘building back better’ become a reality? This is something that we are likely to see discussed in the lead up to the election in May. But with one in four children in Scotland already growing up in poverty, words simply won’t be enough. Nor will putting the blame on Covid-19 suffice. If anything, it has increased the urgency required in tackling the issue as many more are likely to be facing poverty.

Manifestos will need to show that they understand the barriers faced by individuals and families and have at least thought about how to tackle them. This cannot be an election where evidence-based policy plays second fiddle to soundbites.

The last, and often overlooked, part of policy making is the monitoring and evaluation. We need a lot more of this over the next parliamentary term to ensure that all understand the most effective way of tackling inequalities. Such a process will also help keep these issues front and centre of debates.

At the Fraser or Allander we intend to ensure that these issues relating to inequality are more prominent in our own analysis at this election. This isn’t a party-political issue, and we know that concerns on inequalities in our society are shared across all the parties in the Scottish Parliament. But they do need more prominence in mainstream political debate. Here’s hoping that we see more of that in the election next year.

ⁱ See <https://www.coronavirusandtheeconomy.com/question/why-are-people-some-socio-economic-groups-more-vulnerable-coronavirus> for a review of the evidence on the impact of Covid-19 on different socio-economic groups

ⁱⁱ See <https://fraserofallander.org/scottish-economy/labour-market/workers-in-the-tourism-and-hospitality-sector-who-are-they-and-what-support-may-then-need-in-the-future/> for analysis on the tourism and hospitality sector

ⁱⁱⁱ See <https://cep.lse.ac.uk/NEW/PUBLICATIONS/abstract.asp?index=7138>

^{iv} See <https://fraserofallander.org/learning-disabilities/how-has-the-pandemic-affected-people-with-learning-disabilities-in-scotland/>