

Poverty and Inequality briefing Scotland



Updated March 2021
by David Bradwell

“Poverty is not only about shortage of money. It is about rights and relationships; about how people are treated and how they regard themselves; about powerlessness; exclusion and loss of equity.”

Participant at local poverty hearing held in Bradford

Before the Pandemic

Poverty and inequality were already huge problems before the pandemic. At the start of 2020 almost one in five Scottish households were living in poverty, representing around one million people¹. 230,000 children in Scotland – 24% were living in poverty even before Covid-19 had an impact on the economy.

Income inequality was high but had stopped rising – however inequality was still increasing as assets such as houses, pension pots or other stocks and shares increased in value. The least well off rarely own such things and so were locked out of these gains in national wealth².

After the Pandemic

The pandemic pressed down on the inequalities already present in society. The lower your income, the more likely you were to lose your job

¹ <https://www.jrf.org.uk/report/uk-poverty-2019-20>

² ONS Wealth and Assets Survey (2019)
<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthwealthingreatbritain>

or be furloughed. Alongside these drops in income, families' costs went up especially for those with children. With public transport restricted and people being instructed to stay at home many families were left with little option but to shop at expensive local stores.

Churches saw that people who were struggling financially at the start of lockdown were having their carefully constructed budgets shattered, and often needing to take on debt simply to survive³. Part of the legacy of the pandemic for the UK as a whole is 3 million more families in need of debt advice and around £10Bn extra debt for low-income families – much of it in unpaid bills, rent and council tax.

This inequality is made starker by the fact that higher income families who were more likely to be able to work at home and keep their income made substantial savings as their spending opportunities were restricted.

How could these elections lead to positive change?

The Scottish Parliament can control around 15% of the budget spent on benefits, with the rest decided by members of the UK Parliament (who are not up for election). Westminster also sets the rate for the national minimum wage.

³ Reset the Debt (2020) <https://resetthedebt.uk/> , JPIT & CAP (2020) <http://www.jointpublicissues.org.uk/corona-virus/gleanings/>
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The Scottish Parliament also controls rates and bands for the levels of income tax people pay.

Financial Support

Council Tax rates are set by Local Authorities, but rate increases have been capped in Scotland. This year caps have been loosened and rises of around 5% are expected.

There are schemes set by the Scottish Parliament to reduce Council Tax for families on low incomes. As Council Tax is one of the most regressive taxes – levied without reference to ability to pay – these reduction schemes are very important. They vary greatly from exempting low-income families completely, through insisting on at least a 30% payment regardless of circumstances, to demanding full payment of Council Tax if the family lives in a higher-than-average-value property.

The Scottish Government does have schemes to offer limited cash help in time of crisis.

Specific Scottish benefits are now delivered by Social Security Scotland and paid for from the Scottish budget. These include the Best Start Grant, Funeral Support Payment, Scottish Child Payment, the Carer's Allowance Supplement, Young Carer Grant, Job Start Payment, Child Winter Heating Assistance and Disability Assistance.

The Scottish Parliament has also in the past agreed the abolition of prescription charges and the expansion of free early learning and childcare for 3–4-year-olds.

An inclusive community

If you have no money to spend, there are often few opportunities to meet and share in community life. Local Government has a key role to play in ensuring that there are places where people can socialise and be part of the community which are available to all, including those with limited means.

Access to shared non-commercial spaces, such as libraries, leisure centres, playgrounds has reduced as local authorities have sought to cut budgets. Some sections of society can afford to buy these services from the private sector, but many cannot.

The Poverty Truth Commission model has become well-established since the first PTC was set up in Glasgow in 2009. A similar Fairness Commission is now working in Dundee. Poverty Truth Commissions seek to include those who battle poverty day to day in the decisions that affect their lives. These have provided important local insights but perhaps more importantly they have shown that the most diligent and well-intentioned local leaders are surprised by how poverty affects lives – and how services often don't respond to that reality.

Suggested questions for candidates

- 1.** How can the low-income families be better protected by changes to Scotland's income tax rates and bands and Council Tax, as well as for the benefits controlled by Holyrood?
- 2.** How can the Scottish Welfare Fund and other hardship payments be improved to better support families affected by the impact of Covid-19 on the economy?

3. How do you plan to include the ideas and opinions of people struggling against poverty in your decision-making processes?

Contact

We would like to know how this guidance was useful and what should be added or changed for future publications.

If you have questions, suggestions or comments please write to:

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