House of Commons

Scottish Affairs Committee

Poverty in Scotland

Second Report of Session 2007–08

Volume II

Oral and written evidence

Ordered by The House of Commons
to be printed 11 December 2007

128-II
Incorporating HC 168-i to x, Session 2006-07
Published on 20 December 2007
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the office of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

Current membership

Mr Mohammad Sarwar MP (*Labour, Glasgow Central*) (Chairman)
Danny Alexander MP (*Liberal Democrat, Inverness, Nairn, Badenoch & Strathspey*)
Ms Katy Clark MP (*Labour, North Ayrshire & Arran*)
Mr Ian Davidson MP (*Labour, Glasgow South West*)
Mr Jim Devine MP (*Labour, Livingston*)
Mr David Hamilton MP (*Labour, Midlothian*)
Mr John MacDougall MP (*Labour, Glenrothes*)
Mr Angus MacNeil MP (*SNP, Na h-Eileanan An Iar*)
David Mundell MP (*Conservative, Dumfriesshire, Clydesdale and Tweeddale*)
Mr Charles Walker MP (*Conservative, Broxbourne*)
Mr Ben Wallace MP (*Conservative, Lancaster & Wyre*)

The following were also members of the Committee during the inquiry:

Gordon Banks MP (*Labour, Ochil & South Perthshire*)
Mr Jim McGovern MP (*Labour, Dundee West*)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/scotaffcom A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Dr Sue Griffiths (Clerk), Duma Langton (Committee Assistant), Karen Watling (Secretary), Becky Crew (Secretary) and Annabel Goddard (Secretary).

Contacts

All correspondence should be addressed to the Clerk of the Scottish Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6295; the Committee's email address is scotaffcom@parliament.uk.

Witnesses

Tuesday 12 December 2006	**Page**
Mr Cameron Stark, Honorary Clinical Senior Lecturer, Centre for Rural Health, **Mr Fraser Parr**, Chairperson, Inverness Trades Council and **Mr Sandy Brady**, Director of Strategy, Highlands and Islands Enterprise	Ev 4
Ms Carron McDiarmid, Head of Policy and Performance, Highland Council, **Ms Philomena De Lima**, Development Officer, UHI Policy Web, and **Ms Carol Greer**, Advisory Officer Citizens Advice Scotland	Ev 24
Tuesday 16 January 2007	
Professor Adrian Sinfield, University of Edinburgh, and **Professor John Veit-Wilson,** Newcastle University	Ev 53
Tuesday 6 February 2007	
Mr Peter Kelly, Director, The Poverty Alliance and **Mrs Carol Young**, Research Officer, Scottish Low Pay Unit	Ev 76
Tuesday 20 February 2007	
Mr Brian Gordon, Chair, **Ms Myra Mackenzie**, Secretary, **Mr Jim Milne**, Project Leader, Dundee Anti Poverty Forum and **Rev Erik Cramb**, Chair, NCR Rapid Response Group	Ev 95
Mr Andrew Girvan, Director, Children's Services, **Mr Joe Connolly**, Deputy Director, Children's Services **Ms Frances Tran**, Assistant Director, Children's Services, NCH Scotland; **Mr John Wallace**, Deputy Project Manager, Dundee Families Project and **Mr Ian Dobson**, Homeless Services Manager, Dundee City Council.	Ev 109
Tuesday 6 March 2007	
Ms Sue Middleton, Research Director, Centre for Research in Social Policy, Loughborough University and Adviser to the Joseph Rowntree Foundation Poverty and Disadvantage Committee and **Mr Guy Palmer**, Director, New Policy Institute	Ev 125
Tuesday 13 March 2007	
Mr Douglas Hamilton, Head of Policy and Research and **Ms Claire Telfer**, Policy and Parliamentary Officer, Save the Children in Scotland and **Mr Jason Strelitz**, UK Policy Advisor on Poverty, Save the Children	Ev 141
Tuesday 20 March 2007	
Mr John Dickie, Head, Child Poverty Action Group (CPAG) Scotland and **Dr Paul Dornan**, Head of Policy, Child Poverty Action Group	Ev 158
Tuesday 15 May 2007	
Mr Eddie Follan, Public Affairs Manager, **Mr Adam Scorer**, Director of Campaigns, energywatch and **Ms Elizabeth Gore**, Deputy Director, Energy Action Scotland	Ev 178

Mr Alistair Buchanan, Chief Executive, **Ms Sarah Harrison**, Managing Director, Corporate Affairs and **Mr Charles Gallacher,** Director, Corporate Communications and Scotland, Ofgem Ev 193

Tuesday 12 June 2007

Reverend Graham K Blount, Scottish Churches Parliamentary Office and **Ms Eileen Baxendale**, Chairperson, Baptist Union of Scotland Public Issues Advisory Group Ev 209

Tuesday 19 June 2007

Mr Mike Dailly, Principal Solicitor, Govan Law Centre, **Ms Susan McPhee**, Head of Social Policy and Public Affairs, Citizens Advice Scotland, **Mr John Patton,** National Development Officer, Scottish League of Credit Unions, **Ms Loretta Gaffney,** Manager, Glasgow Easterhouse, Citizens Advice Bureau and **Mr Chris Mallon**, General Manager, Association of British Credit Unions Limited, Glasgow Ev 228

Monday 26 November 2007

Councillor Harry McGuigan, Spokesperson on Community Safety and Well Being, **Mr Jon Harris**, Strategic Director, Convention of Scottish Local Authorities, **Mr Richard Cairns**, Head of Economic & Social Initiatives, Glasgow City Council, **Mr Brian Barker**, Policy and Strategy Manager, Argyll and Bute Council, **Mr Jim McCrossan**, Community Learning and Regeneration Manager, Argyll and Bute Council; and **Mr Matthew Crighton**, Capital City Partnership Ev 258

Stewart Maxwell MSP, Minister for Communities and Sport, **Mr Jamie Hamilton**, Social Housing Division, **Mr Mike Palmer**, Head of the Social Inclusion Division; and **Mr Neil Langhorn**, Head of the Antipoverty Strategy Team, Social Inclusion Team, Scottish Executive Ev 270

Tuesday 27 November 2007

Caroline Flint MP, Minister of State for Employment and Welfare Reform, **Mr Jonathan Portes**, Director, Child and Poverty Directorate, Department for Work and Pensions, **Jane Kennedy MP**, Financial Secretary to the Treasury, and **Mr Jonathan Athow**, Work Incentives and Poverty Analysis Team, HM Treasury Ev 298

List of written evidence

		Page
1	Highlands & Islands Enterprise	Ev 1
2	Highland Council	Ev 15, 38
3	Citizens Advice Scotland	Ev 20, 189, 223
4	Professor Adrian Sinfield	Ev 42
5	Professor John Veit-Wilson	Ev 47, 51
6	The Poverty Alliance	Ev 70, 90
7	Scottish Low Pay Unit	Ev 74
8	Dundee Anti-Poverty Forum	Ev 93
9	NCH Scotland	Ev Ev 105
10	Joseph Rowntree Foundation	Ev 120
11	Save the Children	Ev 137
12	Child Poverty Action Group	Ev 154
13	energywatch Scotland	Ev 171
14	Energy Action Scotland	Ev 174, 188
15	Office of Gas and Electricity Markets (Ofgem)	Ev 190, 200
16	Baptist Union of Scotland	Ev 203
17	Scottish Churches Social Inclusion Network	Ev 204
18	Govan Law Centre	Ev 221
19	Association of British Credit Unions	Ev 225
20	Convention of Scottish Local Authorities (COSLA)	Ev 247
21	Scottish Executive	Ev 252, 256
22	Scotland Office	Ev 281, 297
23	Finance Committee, Scottish Committee	Ev 314
24	West of Scotland Seniors Forum	Ev 317
25	Scottish National Carer Organisations	Ev 318
26	The Prince's Trust Scotland	Ev 322
27	Barnado's Scotland	Ev 325
28	Children 1st	Ev 329
29	Capability Scotland	Ev 331
30	Equal Opportunities Commission	Ev 333
31	Oxfam's UK Poverty Programme	Ev 339
32	Scottish Refugee Council	Ev 346, 350
33	Scotland's Commissioner for Children and Young People	Ev 353
34	One Plus	Ev 358
35	EURespond	Ev 368
36	Equalities Coordinating Group	Ev 370
37	Scottish and Southern Energy	Ev 372
38	Energy Retailers Association	Ev 374
39	Scottish Power	Ev 377
40	Scottish Gas	Ev 381
41	Scottish League of Credit Unions	Ev 382
42	Scottish Illegal Money Lending Unit	Ev 383

Oral evidence

Taken before the Scottish Affairs Committee

on Tuesday 12 December 2006

Members present:

Mr Mohammad Sarwar, in the Chair

Danny Alexander
Mr Ian Davidson
Mr Jim McGovern
Mr Charles Walker

Memorandum submitted by Highlands & Islands Enterprise

INTRODUCTION

The Highlands & Islands Enterprise (HIE) Network, comprising the core based in Inverness, Dingwall and Linicleat and nine Local Enterprise Companies (LECs), is the Scottish Executive's economic and community development agency for the north-west of Scotland, delivering also Careers Scotland services. The HIE area covers just over half of the landmass of Scotland, yet includes only 9% of the population.

HIE welcomes the opportunity to submit evidence to the Scottish Affairs Committee's inquiry into Poverty in Scotland since the development challenges facing the Highlands and Islands very much include those stemming from a traditionally low-earning economy set in a sparsely-populated region on the edge of Europe. A detailed analysis of the consequences of low earnings combined with geographical disadvantage is set out in the submission to the Committee from the Highland Council and we would in particular underline two key issues:

— the spatially-dispersed nature of deprivation in the Highlands and Islands; and
— the need to improve the measurement of multiple deprivation to take full account of the different nature of deprivation in sparsely-populated areas.

This submission therefore seeks to complement the Highland Council's submission by summarising the economic development challenges facing the area and the long-term aspirations for progress.

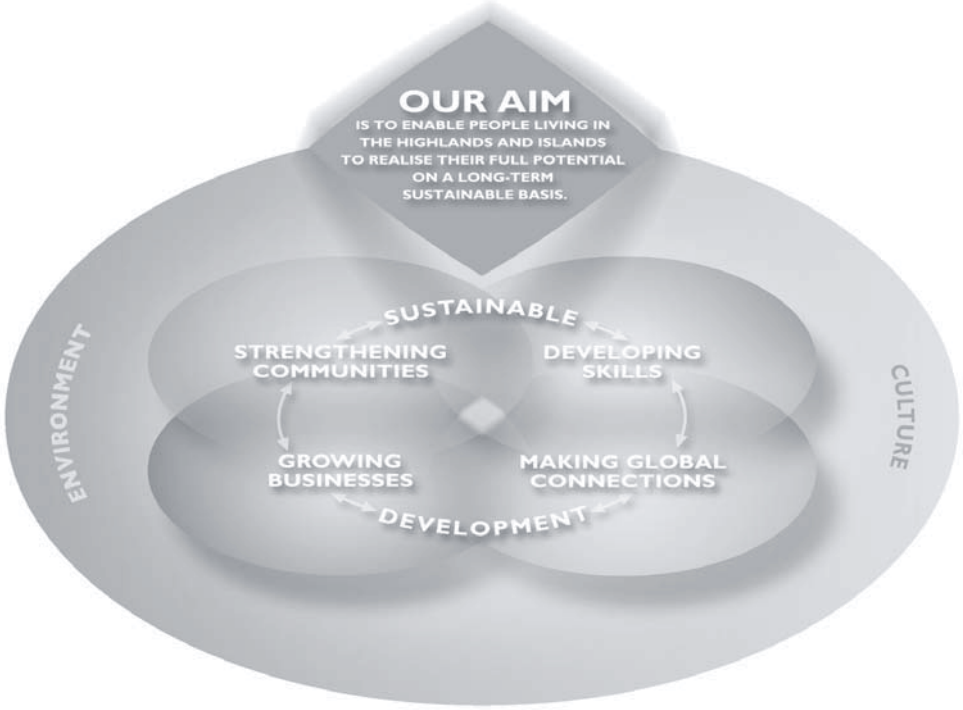
THE STRATEGIC CONTEXT

Our strategy, *A Smart, Successful Highlands & Islands*, sets out how the national priorities for enterprise development are tackled in the HIE area with its distinctive geography. The aim of the strategy is to ***enable people living in the Highlands & Islands to realise their full potential on a long-term sustainable basis***. This aim is being pursued through four strategic objectives:

— Strengthening Communities.
— Developing Skills.
— Growing Businesses.
— Making Global Connections.

The inter-relationship between these objectives and our integrated approach to achieving them is shown overleaf.

In seeking to interpret the national priorities and drawing out what is required in a Highlands and Islands context, we believe there are five crucial contributors to success:



— Population.
— Place.
— Productivity.
— Pay.
— Prospects.

On **Population**, it is clear that more people living, working and studying in the Highlands and Islands are essential to sustaining our long-term progress. These newcomers will embrace different groups of people coming to the area for different reasons: entrepreneurs seeking to develop their businesses; students coming to learn, study and research; former residents returning to settle, change career, etc. A determined drive to attract new residents must include stimulating the provision of affordable housing, including developing flexible planning policies towards housing in the countryside. The attraction of people also requires an open-arms approach to newcomers, recognising that the scale of population increase needed will not come from return migrants alone. That means aspiring to build a modern, progressive society that appeals to people from faraway places as well as those closer to home.

In practice, this means the continued growth of the city of Inverness, as well as bigger, busier towns and villages, offering wider housing, retail, services and facilities choices. But it also means increased rural population in the smallest of our communities, where their very viability will rely on attracting more residents to create demand for, and sustain, local service provision. The implications for housing and infrastructure investment are potentially large, but without creation of the required capacity, even modest population growth may prove difficult.

The importance of **Place** is becoming widely recognised as a key factor in both regional and national success. This is a very positive finding for the Highlands and Islands since we have one of the most attractive natural environments in the world and our research into recent in-migration bears this out. But we have to do more to enhance and capitalise on these assets, especially in terms of our built environment.

First, we have to build the role of Inverness and our main towns such as Elgin as international-standard gateways. The aspiration has to be set that high, because what needs to be done is to capture the heart of everyone who steps off the train, plane or ferry that this is the quality place they envisaged. International-standard gateways start with quality built environments, which civic leaders, planners, developers and, above all, the people who live there have worked consistently to turn into something both highly attractive and highly distinctive. Upgrading the built environment works more easily when development (and development cash) lubricates the process.

A Smart, Successful Scotland underlines the **Productivity** challenge facing the nation as a whole. The challenge is generally more acute for businesses in the Highlands and Islands where higher input costs can combine with lower volumes of output to keep overall unit costs high. These realities face the small hotel operator just as much as the maker of manufactured goods or the producer of livestock. Thus, we must aspire to create more businesses of scale, as well as exploiting those sectors where these realities are more able to be combated through internet-based working, etc.

The focus of business development efforts needs to be on raising productivity in all of our economic sectors. That will require ambitious leadership, supported by capital investment, allied with investment in skills, harnessing of research, creativity and innovation and greater effectiveness of management in driving improvements forward. Equally, the excellent work which has taken place on upgrading the area's physical infrastructure must clearly continue, with special emphasis on transport, as well as electronic communications, educational and community facilities.

Linked to the productivity issue is that of **Pay**. To be clear, absolute earnings levels in the Highlands and Islands have risen hugely over the last 25 years, as a result of the general growth and diversification of the economy. In relative terms, however, our position has worsened slightly over the last few years, measured against the national and EU averages. Recent research has indicated that the main causes include: the rundown in oil-related employment; a low share of national employment in higher-paying sectors; a lack of private-sector head offices; employment growth in lower-paid sectors; and out-migration of young people for higher education.

There is no single or easy answer to the low earnings challenge facing the Highlands and Islands. Long-term improvement requires a steady expansion of employment in higher-paying economic activities, for example, through building the knowledge economy and establishing the University of the Highlands & Islands.

Finally, we need people to believe in the area's **Prospects** for success. For alongside simple positiveness about the future helping to make a difference, one of the exciting aspects of the economic development process is that several of the projects, which might make the greatest difference, are presently unknown to us today.

In addition to the gateways, it is important to underline the need for a wide range of investment throughout the more sparsely-populated parts. This long-term investment must be aimed at improving the overall attractiveness of the area and underlining in residents' eyes that their communities' prospects are very positive. The area boasts a wonderful natural environment and correspondingly many natural heritage designations. These assets underpin many of our key sectors (such as tourism and aquaculture), though they need to be better interpreted and further invested in. We also need to invest more in our cultural assets and sport, if we are to achieve continuing acclaim for what the area has to offer.

The Low-Earnings Challenge in the Highlands and Islands

As summarised under the section on Pay, there are a number of contributory reasons for the area remaining characterised by low earnings, despite the substantial turnround in its economic fortunes over the last generation. There are of course compensating factors to be considered: some elements of the cost of living in the Highlands and Islands are lower than elsewhere, notably congestion and commuting costs, the price of some personal services and, indeed, housing prices, despite recent increases. Residents of the area also benefit from, for example, access to an outstanding natural environment, strong local support networks (especially in smaller communities) and generally lower levels of crime.

Notwithstanding these compensations, poverty in the Highlands and Islands is a significant and pervasive concern. The different forms which poverty can take are summarised in the Highland Council submission and in endorsing that analysis, we would like to stress the spatially-dispersed nature of both our rural population and the incidence of poverty in the small communities which house that population. It is also worth making the point that for island residents—numbering around 90,000 across the HIE area—the conditions leading to rural poverty are compounded by the impact of water crossings. This physical barrier exerts itself in every facet of island life from higher consumer prices for goods and services to the reality of arranging visits to the mainland around the timing and cost of transport (which is in turn susceptible to disruption by weather throughout the year).

An understanding of the different characteristics of poverty in sparsely-populated, remote areas is essential to achieving an appropriate measurement framework and, consequently, the necessary policy responses. The Scottish Index of Multiple Deprivation (SIMD) is often criticised in rural areas, not just for an apparent in-built bias towards populous areas, but more so because it fails to incorporate several of the distinctive characteristics of rural poverty. Based on the use of nationally-comparative statistics, any index is open to such criticism. While the solution to this may lie partly in the improved collection and use of small area statistics, the fundamental point, in our view, is that the challenge of addressing rural poverty needs to be based on a clearer conception of the issues facing those who have to endure it.

Concluding Thoughts

A Smart, Successful Highlands & Islands sets out a number of aspirations for the area over the next 20 years:

— A growing population (overall total approaching half a million, ie up around 15% on the 2005 figure) in every part of the area.

— A more diverse employment base (around 20,000 new full-time equivalent jobs, ie up around 10%), embracing the knowledge economy, science and technology, renewable energy, creative industries and higher education, as well as longer-established activities such as tourism and food & drink.
— Higher personal and household incomes (10–15% above 2005 levels in real terms).
— World-rated attractiveness of both natural and built environments, fully embracing sustainable development principles.
— A modern, progressive society, steadily building a sustainable future for the next generations.
— An open-arms approach to attracting people, with the Highlands and Islands an international shop window for Scotland.

The progress of the Highlands and Islands towards these aspirations will be the measure of the area's success. Together, these aspirations imply a desire that all residents in all communities across the area should share in the benefits of greater prosperity. The challenge of tackling rural poverty must therefore lie at the heart of economic and community development efforts.

December 2006

Witnesses: **Mr Cameron Stark,** honorary clinical senior lecturer, Centre for Rural Health, **Mr Fraser Parr,** Chairperson, Inverness Trades Council, and **Mr Sandy Brady,** Highlands & Islands Enterprise, gave evidence.

Q1 Chairman: Good morning. We are delighted to be here in Inverness for the first meeting of the Scottish Affairs Committee on our inquiry into Poverty in Scotland. I would like to thank the staff of the Highland Council for making these arrangements and I would like to welcome you as our first witnesses on our inquiry. Perhaps you would like to introduce yourselves.
Mr Stark: I am Cameron Stark. I am an honorary clinical senior lecturer at the Centre for Rural Health at the University of Aberdeen. The Centre for Rural Health is based here in Inverness. I am also a consultant in public health with NHS Highland.
Mr Brady: I am Sandy Brady. I am the Director of Strategy with Highlands and Islands Enterprise. We are the sister agency of Scottish Enterprise.
Mr Parr: I am Fraser Parr. I am an Operational Firefighter here in Inverness. I chair the Trades Council here in Inverness. I got hooked into this at short notice.

Q2 Chairman: Thank you very much for coming here. Before we start with the detailed questions, would you like to make any opening remarks?
Mr Stark: We would be happy to pick things up as you wish.

Q3 Chairman: In your view, what is the single biggest cause of poverty in the Highland region?
Mr Stark: From the health end, poverty in the Highlands is not that much different from poverty everywhere else and causes must be linked to low wages, job opportunities and access to education. All these things have exactly the same impact in the Highlands as they have elsewhere. One of the things I am sure we will come on to later is how difficult it can be to record some of these things in the rural areas.
Mr Brady: I think low incomes are a major part of that. The economy has over-representation of sectors which are traditionally low paying and correspondingly an under-representation of higher paying sectors that we see elsewhere in the economy. There is also an age profile effect in there. We have a disproportionate number of pensioner households which tend to be low income and correspondingly we have a gap in our younger age groups, largely in the age range of 18 to 34. That is caused by young people leaving the area principally for higher education. Those two are definite effects.
Mr Parr: I would just say low wages. I cannot say any more than what has already been said but low wages would be my take on the main impact on it.

Q4 Danny Alexander: Following up on that point, we are interested in the issue about low wages, and I am sure we will come on to that, but I think we are also interested in people who are not in paid employment as well. Obviously there are a number of things in the benefit system and the tax credit system that are there to help either people who are in work or people who are out of work, for example pension credits, winter fuel payments and tax credits, many of which were increased in-line with inflation by the Chancellor in his Pre-Budget Report last week. To what extent do you think those measures help to alleviate poverty? As a supplementary, can I ask to what extent those measures can be reformed in some way to help more to alleviate the sort of problems you have been describing with your experience in the Highlands?
Mr Parr: Talking about what you were saying there about the benefits, it is not directly back to your question I suppose, but I know that if anyone in your household is on benefits then you get opportunities to get training through the college and that sort of thing and that is open to the rest of the family. Perhaps an impact on that is to do with their social standing within the community. I know it is there, but a lot of them do not take the opportunity to go on any of these courses. It is very difficult to try and encourage people out of that environment which they find themselves in to go and take the first step.

Q5 Danny Alexander: Because there is a stigma attached to it and people do not want to have that highlighted.

Mr Parr: Yes, I think it has a stigma, but more than that I cannot say.

Mr Brady: I think benefits are very important for low income households, and things like fuel benefit are clearly a big factor in places like the Highland and Islands where we are, certainly some people say, colder, darker and wetter, particularly in the six winter months. It is very important that the cost of living for low income households is a little bit different in the Highlands and Islands than it is perhaps in more central parts. It is very important that such benefits as there are are trying to pick that up. Fuel is an obvious one and that is done at the moment, transport is another. Households in small communities are very dependent on transport. In many cases that can be public transport or it can be that the household has to have a car simply because it is more of a necessity in a rural area than it is in an urban area where public transport can be very thin. These are some of the costs that low income households have to pick up which horizontal benefits help with but they are not specifically addressed to.

Mr Stark: There were two points I wanted to pick up from that. One was about the nature of intervention in poverty. Most of the things that will obviously be done to target ill health and poverty have got the paradoxical effect of widening overall inequalities in that they improve the health of people who live in poverty but they have an even larger effect on the health of relatively affluent people, so the net effect is you widen the inequalities. One of the advantages of the fiscal measures that are targeted specifically at people who are relatively poor is that they do not have that automatic disadvantage. If one of the main aims is to reduce inequalities, then these targeted financial measures certainly make a lot of theoretical public health sense. The other point was to pick up Sandy's point about transport. The point about what a drain cars are on some households probably cannot be overemphasised. There was some good work by The Robert Gordon University of Aberdeen looking at car ownership and the fuel price escalator. One of the things they found in the rural areas examined was that 80% of households who did not own a car had an income of less than £10,000 a year, but paradoxically two-thirds of households who were earning less than £10,000 a year had a car. Pretty clearly it is hard to run a car on that kind of income, so something that is normally a sign of affluence in an urban area can be a major financial drain in some rural areas.

Q6 Danny Alexander: On that transport point, because it is clearly a very important one, if we are looking at how to tackle poverty in our report, and you are quite rightly saying in my own experience that transport costs are a greater contributory factor to household costs in remote and rural areas in the Highlands than perhaps in the rest of Scotland, are there particular fiscal measures or measures in the benefit system for example which could help to deal with that differential cost in communities like this one?

Mr Brady: I think there are. We need to be quite subtle because I think we need to address the heart of what the problem is rather than simply arguing for higher transport subsidies. Another thing to say is it varies greatly from community to community. In Island communities, for example, there is absolute dependence on ferry transport, and the ferry services in the Highlands and Islands are supported by subsidy and that keeps charges down. In remote areas sometimes they are dependent on bus services which can be very, very thin with two or three services a day, so that imposes another kind of cost which is that you can get into the local town but you may have to spend four hours there for something like a single doctor's appointment or something like that. That is another hidden cost which rural communities face. There is a need to think about what happens in rural areas and to think about tools that can be used to address that. A very small-scale one would be mail order, for example, which is a means by which people, particularly older households in rural areas, buy goods. We look askance at some of the conditions which apply to that which they allow free delivery, for example, to anywhere with a UK mainland address but not to Island communities. That is a form of subtle discrimination which hits low income households in Island communities, that they do buy things through mail order but they have to pay a surcharge to get those brought to them. I do not think there is a single bullet that answers that particular problem, it is a question of reflecting on the kind of challenges they face and trying to find ways of dealing with that.

Q7 Mr Walker: The cost of shopping is much higher in rural communities, is it not? If you live in Inverness you go to Tesco's, if you live in rural communities you go to the local shop and, of course, the cost of supplying that shop is much higher, they have much greater transport costs to fund, then you might also have to drive to that shop. I would imagine that is a fairly significant impact on a family or even an individual, the cost of feeding and supporting oneself.

Mr Brady: We did a number of surveys on this on a regular quarterly basis for about 20 years, but we have ceased to do them now because in a sense we worked out what the effects were. We took a baseline as being somewhere like Aberdeen or Inverness and we had local volunteers collect the price of a typical basket of groceries and consultants put together the numbers, but the pattern was quite an interesting one. In the main towns around the Highlands the price differential above the likes of Inverness or Aberdeen was only 2 or 3%. In places like Kirkwall, Stornoway, Oban and Thurso there was a price differential but it was relatively modest. Where the big price differential came in was in much more scattered communities where typically price levels were 10, 15, even as high as 20% above the baseline and it is the people in those communities who suffer most. Yet when we spoke to the people who have retail outlets in those areas, as you can probably imagine, they were not making vast profits, they were barely making a living. All the problems of

economies of scale, of the high cost of purchasing goods and then having to put some kind of mark-up on them before selling them on, that is what resulted in the higher prices. That pattern of higher prices has been pretty consistent as far as we can see over the last 20 years or so.

Mr Stark: The point about transport, I want to pick up a couple of things on that before we move on. There is probably not a one-size-fits-all answer because rural areas themselves are not one type. The Western Isles, for example, have been relatively successful in organising bus services but that is because of the way the communities are arranged. It is relatively easy to have a bus service in Lewis. The Robert Gordon work, for example, found that something like 97% of the people they spoke to in Lewis were on a timetabled bus route; by contrast, less than half the people they talked to in Sutherland were on a timetabled bus route and that is because of the different characteristics of the community, they are much more spread out and much more sparsely populated. What I am arguing is that there is unlikely to be one single answer for all the different types of area.

Mr Parr: I would agree with that, it is very difficult to standardise everything here. Picking up what you were saying, if you lived in the West Coast somewhere, never mind the Islands, Scourie, Lochinver, Achiltibuie, to get to a bus you are going to need a car because it is maybe four, five or 20 miles to get to somewhere where a bus is going to pass and you are lucky if it is going to be once a day, never mind four times a day. If there is a bus, because there is no real transport network in the more rural areas, and if you have to shop at the local shop, which is the local post office as well, and if that shuts, which looks like it is getting planned anyway, where are you going to shop? You are going to be far more dependent on having your own car. How could you afford that on a minimum wage, I do not think you could.

Q8 Mr McGovern: Charles makes an important point about the difference in the prices of shopping, but I am intrigued, I cannot see a solution to that. Have you got any idea how that should be addressed?

Mr Brady: I do not think there is an easy solution to that. It is one of these things, it is raw economics working. People who live in rural areas reluctantly accept that that is part of their lot. There are other compensations in terms of the cost of living which are to their benefit, there are not many but there are some there. Despite changes in house prices over the last little while, house pricing in some communities remains relatively modest and that is good. There are other rural communities where a lack of housing is putting pressure on prices, they are beginning to rise and that makes it very difficult for local people. Housing is one area. Another one which is often put to us is car insurance, that while the cost of running a car is expensive, at least one compensation is that car insurance in remote parts of the Highlands is relatively low compared with others, but that is only one small example against a large number of goods and services where you do have to pay more.

Mr Stark: There is a kind of linked problem of sustainability of local shops. The Aberdeen work found that one of the things that sometimes happened if you improved transport markedly was people did not use it to get to the local shop, they used it to go to a Tesco and you ended up with a big drain of cash outwards. One of the things they have tried in Norway is looking at targeting money on local infrastructure and making local shops more accessible, perhaps encouraging them to do some of the home delivery type things that you get on a larger scale online. It might be that while I do not suppose you can tangle with economics there might be some things you can potentially do to help it work better at a local scale.

Q9 Danny Alexander: Partly we are looking at this from a Westminster perspective and the fiscal measures that could be taken. One which has been put forward is if you look especially at rural areas—and this was put to us in one of the communities we visited yesterday—there is a huge variation in the price that you pay at the pump for petrol. If you are running a car and you are filling up at a small station on the West Coast you might be paying five or 10 pence more per litre than if you are filling up in Inverness, let alone in Perth, Edinburgh or Glasgow. One idea which has been put forward there is to have a lower level of fuel duty in the rural areas to try and compensate for that difference. I wonder whether you think that is something which would make a difference to folk in these parts?

Mr Brady: It would certainly make a difference because, as Cameron has said, when you are on a very low income and you still have to run a car then these costs absolutely come right out of your pocket. I think a mechanism like that which has a differential in fuel duty would have an enormous impact, both financially and psychologically as well, in terms of sending a signal that there is an attempt here to try and create a level playing field. One of the things I know is being widely talked about in the Highlands at the moment is the potential of moving towards some form of road pricing, how would that work at a UK level? Clearly, if it were to completely replace things like vehicle excise duty and fuel tax then potentially that could have a beneficial effect on remote rural areas. We are a long way from going down that particular road but it is an interesting one because it would rebalance the thing in favour of places like Sutherland and Caithness.

Mr Parr: It might be 10 miles to the nearest shop, it might be 50 miles to the nearest petrol station, so you have got to get there first and get back again. I think that way of addressing it would possibly be a benefit. To grasp the distances people have to travel to do that—you are not going to see it in Westminster or the Central Belt—it is a stark reality and it costs a lot of money. Perhaps you should be looking at the benefits the people receive in that area, they should be higher.

Q10 Mr Davidson: I want to pick up that angle if I can because I think some of the issues which have been raised with us relate to problems of rural areas generally. Presumably the subsidy for petrol in rural areas would allow Mohamed Al Fayed to fill up cheaply as well, it would not necessarily be targeted at those in greatest need. I want to pick up, if I can, the sort of things the Government has been doing to try and help poor people and try and clarify the extent to which they have been successful. For those who are in work, the national minimum wage and Working Families' Tax Credits and other things, it is my impression—I would be grateful if you could clarify whether or not I have got this wrong—that wage rates up here tend to be much less than they would be in the Central Belt. I am originally from the Borders and I remember what it was like there with almost feudal employers who would be paying as little as they could get away with. In that area the national minimum wage was undoubtedly giving a considerable boost to people who either were not in trade unions or did not have any bargaining power at all. Similarly, the tax credit mechanism has also been clearly targeted at those who are in greatest need. I am presuming that in areas like this where wages again, even if they are on the minimum wage, are lower than elsewhere, they would be disproportionately effective in tackling poverty for poor people. Is that a fair assessment?

Mr Brady: I think that is right. The minimum wage has been a boom for rural parts of Scotland and for the Highlands and Islands in particular. It has had an impact on the economy which has been an important one. As I said in some of my introductory remarks, the thing we still suffer from is we have an economy which is based on the rural staples of tourism, agriculture, fish farming and so on, where traditionally wage levels have always been low. Part of the long-term improvement comes from trying to diversify the economy into higher paying sectors wherever you can. For example, the financial services sector is very poorly represented in the Highlands and Islands, we do not have many jobs there. We are working very hard to bring a university to the Highlands and Islands. That is one of our gaps at the moment because the higher earning people who would work in a university and the spinouts from that are something we do not have in the area. Those types of things over time will help to reposition the economy. Yes, you are absolutely right, those horizontal Government policy measures have had a beneficial effect as far as we can judge.

Mr Stark: Perhaps we are saying that there are still issues about the seasonal nature of some jobs in that there are folk who can get jobs in the summer who cannot necessarily get jobs in winter. Often one of the measures which is sometimes used is the proportion of people who are unemployed, but of course it is relatively common in rural areas to have people with two or three relatively low paying jobs, some of them at different times of the year.

Mr Parr: I think the minimum wage was a real boost and should have been implemented years ago. I personally think it should be a lot higher. I was reading about what happens in employment tribunals, if they are awarding someone a week's wages in a calculation that works out at something like £290 for that week and they make multiples of that, that is approximately £7 an hour. I think you should be looking at increasing wages to something like that, although what has happened has been excellent, and it was long overdue to get away from employers just setting any wage. In the rural areas where there may have only been one employer, they could have been paying anything they wanted and people would have had no option but to either take that on or take it on as a part-timer. Tourism and farming are definitely no higher paid and people up here would rely on most of that. I think tourism would also benefit from having some kind of structure for their employees so that if somebody goes for a job in a hotel or restaurant or whatever, at least they are given some kind of career out of that, training through colleges or universities or whatever, so they can develop themselves and perhaps improve their chances of getting employed maybe in the Central Belt or wherever. All of these things should be considered.

Q11 Mr Davidson: I wonder if I can follow that up. It is my impression that in areas like this the minimum wage has become the maximum wage in a whole number of areas and also that there is a whole string of employers who are hostile to any sort of trade unionism, which generally in the Central Belt and elsewhere has had the effect of allowing wages to be negotiated up. Is that a fair impression?

Mr Parr: I would agree with that. The biggest employer in the Highlands is LifeScan and they are determined that you are not going to get a trade union in there. I believe the GMB or someone tried to get in there and they have had no impact there at all. I can understand people's fears of forcing that issue because it is a fickle employment market and I am sure that perhaps LifeScan would say, "Okay, we will just go and move somewhere else or go into Europe or South America", I think they are already there. It is how do you achieve that without chasing these employers away. I do not think they pay the minimum wage in LifeScan but, again, why not be unionised so you can have some kind of collective bargaining or representation. What has happened also throughout the Highlands is it is very difficult to have a union. I do not think there are many unions in Tesco's, Safeway's and Morrisons. We are certainly not seeing people coming to the Trades Council here from the unions who would be representing the shop workers, but I think that is possibly needed. We would like to see people encouraged to join unions for the sole fact that it gives them a better collective bargaining power.

Q12 Mr Davidson: I was told also before I came here that the fish farms were pretty anti- union employers and at all costs resisted allowing unions in and were paying just the minimum wage. I wonder why the Highlands and Islands Enterprise seem to be encouraging either anti-union or low wage employers so much and why you seem to have a relationship with these employers who tolerate that

sort of behaviour? Certainly we would not have it in the Central Belt to the same extent, we would expect a more co-operative attitude both from employers and from Glasgow Enterprise or what have you. Are things different up here?

Mr Brady: No, I do not think so. We are very, very happy to see union arrangements with employers across the Highlands and Islands, and if Fraser says there are not as many as there should be then I think we would certainly like to see more. There are sectors like fish farming where it stems from the difficulty that big companies face in trading in what is now an international and very competitive market, costs are difficult and obviously the Norwegians and the Chileans are major competitors there, but in the long run we would like to see the level of wages in these sectors rise. It has been down at the bottom for some time now but there are signs that with prices beginning to rise in the fish farming sector, and salmon farming especially, there is the prospect of doing a bit more there. Another thing that is a low wage sector which is perhaps unseen in the Highlands and Islands is the self-employed sector. We have something like 30,000 people in the self-employed sector and that is very good because these are people who have their own businesses. There is a significant proportion of those who are not making substantial amounts of money. They are providing very valuable local services but sometimes some of these businesses—we spoke about the retail ones a little bit earlier—are just making a living and no more. It is a challenge to try and find ways of driving those things up, but we want to see the level of earnings in the Highlands and Islands rise in real terms over the future. It is all very well having low earnings and being able to argue for European funds to come to the area but there is no pleasure or pride to be taken from that. We would like to see earning levels rise across the economy in all sectors, from things like tourism and fish farming where they are lower into the higher technology sectors like LifeScan and call centres and so on; we would like to see the wage levels rise.

Q13 Mr McGovern: It has been suggested that work should not be the only route out of poverty, for example there should be greater money advice for parents, encouragement to improve the take-up rates of benefits and perhaps to equalise the national minimum wage for young people. Could I ask how you view suggestions such as these?

Mr Stark: There has been some very good qualitative work on poverty from Shetland that you might have seen, if you have not I would be happy to copy it to the Committee[1]. One of the things they found, which I think fits with anecdote, is that people were relatively reluctant to take up benefits in some rural areas, partly because of the complexity of the system, but also because of a feeling of stigma, of being marked out or being different or having to be self-sufficient. Anything that can encourage past that or make it easier certainly seems well worthwhile.

[1] Not printed.

Mr Brady: I think the delivery of that advice is very important. As Cameron says, there is a subtlety there of trying to ensure that people understand the full range of benefits available and yet within sparsely populated areas there is a limit as to how you can do that overtly. It is very important that existing networks within rural communities are the ones through these kinds of messages get passed. Family and friends, particularly around elderly households, are very important in trying to ensure that elderly people who are perhaps not aware of the benefits or do not wish to claim them are made aware of the fact of what is available and that it is their right to have those benefits. That is one thing. I think also where it is possible technology and the use of websites and so on to make this information available are very important. You may not reach the elderly by that means but at least you will reach some of the active people within small communities that way.

Mr Parr: On the youth side of things, I do not know what else you can do to encourage young people to go on and train, but I certainly think the way it is set up now with apprenticeship schemes, although I would like to see the big profit makers being forced to take on far more apprentices and put some of their profits back into developing young people, if you are on an apprenticeship scheme you do not even have to pay the minimum wage, which I think makes it even more difficult for youngsters. Maybe they could get paid more for doing a labourer's job somewhere where it gives them better cash-in-hand than attempting to get on to an apprenticeship scheme. Nipping back to the point about fish farms, I think also it is an escape out of hours of work. They can vary hours of work to suit themselves which perhaps does not suit the employees and yet that is why they want to pay the minimum wage as a maximum and that is what sets it across the board for most of the employers up here.

Q14 Mr McGovern: As a supplementary, someone said yesterday, I think it was at the Merkinch Centre, that a council department for welfare benefits goes out to the communities to make them aware of what benefits they are entitled to rather than the constituents or people coming to the benefit centre or the job centre, is that correct?

Mr Brady: As far as I know, yes, but I would have to seek the details of that from the council themselves.

Q15 Mr Walker: Going back to Mr Parr, who are the big profit makers up here who you feel are not pulling their weight as far as apprenticeships are concerned? You said you would like to see the profit makers investing more in apprenticeships and I am wondering who the big profit makers are in this part of the world?

Mr Parr: We have lost all the engineering that was located at Inverness which was an apprenticeship scheme here. The building companies that are putting up houses all over Inverness and the rest of the Highlands, I do not know what the score is there or how many apprenticeships they take on, but we just talked about self-employed people, I think most

of the people in the building trade are self-employed and if you are self-employed you are not going to take an apprentice on because it is someone that you have got to look after. That is what I am talking about. Safeway's, Morrisons, Tesco's, I do not know if they do apprenticeships, butchers, that sort of thing.

Q16 Chairman: It is obvious that the national minimum wage has made a difference and has helped people to tackle poverty. Government initiatives, minimum guaranteed income for pensioners, tax credits, child tax credits, pensioner's tax credits, have these made a difference to alleviate poverty?
Mr Brady: I think it has been a major contributor. These horizontal measures have helped in the Highlands and Islands across communities. I still think there is a need to try and recognise that some of the facets of poverty in rural areas cannot be got at easily by horizontal measures and there is a need to think about what some of the local solutions for some of the problems are. Heating, fuel, quality of insulation in elderly households are ones where there would be returns for some very sharply focused investment but that is very specific sometimes to individual households within small communities. Fuel poverty in the Highlands and Islands, as some of the submissions to you today have said, is a significant issue but it is a very dispersed issue spread across sparsely populated communities.

Q17 Chairman: One other issue is that because of the complex nature of these application forms for these tax credits and minimum guaranteed income a lot of people are not taking up these benefits. What do you think the situation is in the Highlands and Islands and what more can you do to make sure that the people take up these benefits?
Mr Brady: I think it comes back to the old struggle between horizontal measures, which can be very effective if they are spread across the community, and means-tested types of measures. Means-tested measures have their place but they are difficult to operate generally within society and are particularly difficult to operate in traditional Highlands and Islands' households, many of whom would not apply for means-tested benefits. Things like winter fuel support, which are horizontal, are very effective. Pensioners see these as being a fair return for being an elderly person living in a difficult to heat house. I think the challenge is to try and devise measures which are so far as possible horizontal but do recognise that there are particular challenges that are different in rural areas from urban areas and might involve something which is available in rural communities but not in urban communities and is not means-tested in the way it is applied in rural communities.

Q18 Chairman: Let us say the Government had a certain amount of money and somebody is enjoying a pension of half a million pounds and you want to increase the pensions, why should that not be targeted at the people who really deserve it and who are in the most need rather than giving it to the rich people?
Mr Brady: I think that exemplifies the difficulty of horizontal versus means-tested. There are communities in the Highlands where the income of individual households within a crofting community can vary literally as you go from croft to croft between single person, elderly pensioner households to much younger households with three, four or five wage earners and that is part of the difficulty.

Q19 Danny Alexander: I want to go back in the conversation slightly because part of this conversation is about the difficulty of getting people to take up benefits and some of the barriers which exist. I know that across the country, but particularly in the Highlands, there have been closures of Jobcentre Pluses, a reduction in that service, which often makes it harder for people in rural communities to access that sort of support. I would be grateful for your comments on that. Also, one of the things that is important in relation to the point which has been made about the extra costs, for example in terms of heating and transport, is the back-to-work calculation which is made for people when they are looking to get off benefit and into work, working out will you be better off if you get a job or not? This is something we were talking about in a couple of communities we were in yesterday, that if you are in a rural part of the country and perhaps the nearest place you can get a job is 20 miles away you have got to factor into that the cost of travel and that makes the back-to-work calculation, which in any case given that some people can face benefit withdrawal rates of 70–80%, even harder to then say to that person definitively, "You would financially be better off in work" but of course I am sure, Dr Stark, there are lots of other benefits to work which are non-financial and also have a knock-on effect.
Mr Parr: I think the back-to-work differential is a big thing and that is what people do work out; it is definitely a big deciding factor. Means-testing, I think if you had somebody on a pension getting half a million pounds they would know how to fill in any forms regarding means-testing, but if a pensioner or somebody in the back of beyond gets a means-testing form dropping through their letterbox, I bet you a pound to a penny they will not know how to fill it in and they would probably be frightened of it anyway. The information that is circulated and put out regarding how you collect your benefits or what you are entitled to, if you can read it and understand it then you are a better man than me because I cannot. One of my daughters was on the jobseekers thing and she came to me with the forms and I said, "You need to go and speak to somebody in the job centre because I cannot make head nor tail of this". Perhaps when you are talking about crofts, each one being different, each income being different, that is still a particular way of life up here and crofting has always been a supplementary income to people who work in that type of environment. The only way to get around that would be to visit them personally, sit

down but not with a Government uniform saying, "This is what we are here to do and help you", you need some method of conveying the information to people in a user-friendly fashion that they would find acceptable.

Q20 Mr Davidson: I wonder if I can particularly pick up that point. I have raised this question of take-up particularly in some of the organisations we have been at, things like pension credit, and it does seem to me that the council here and other organisations have not been as vigorous as they have in perhaps some other areas. I know that in my own constituency, for example, they have had leaflets through every single door, into mother and toddler groups saying, "Would one of your grandparents be eligible for this?" to try and get children to apply for their parents or grandparents. Am I right in thinking that there has not been the push on getting pensioners to pick up pension credit here that there has been in a number of other areas? Why is the council falling down on this?
Mr Stark: I do not know if there have been specific council campaigns. Certainly when we speak to the NHS centre or Aberdeen University we find that community nurses, for example, are often asked to help with forms and often suggest it to people as part of the assessment.

Q21 Mr Davidson: They respond if they are asked.
Mr Stark: Yes, although they also pick it up, they also do ask. Under the single shared assessment process they do also ask a bit about it and what people are claiming sometimes, so they do sometimes suggest it, but I entirely take the point that it is not systematic.

Q22 Mr Davidson: Are home helps briefed to specifically ask people about pension credit in order to push rather than waiting on people to ask them?
Mr Stark: I do not know the answer to the home help question.
Mr Parr: Twenty years ago in the Fire Service up here we did that, we got the home helps and district nurses to ask if they would like somebody to come out and visit them and give them fire safety information or a talk or just check around the house to make sure the house was safe. We got quite a good response from that. Now we have been modernised and we are all going out and giving community fire safety advice around the houses, knocking on everybody's doors like insurance people. We do still give talks to groups, and I would have thought that the council should have been doing that a long time ago, especially with pensioners' groups. We have got the Mackensie Centre up there where people go on a daily basis. It should not just be for them, they should be targeting youngsters and wherever they are congregating so they can give the information to them regarding what they are entitled to. I found it surprising that when my daughter was entitled to go on to benefit with this jobseeker or whatever it was she was on before she got employed, it entitled the whole family to free college courses. I could have gone and got a course in a college if my time off would have fitted in around it. I do not think many people know that.

Q23 Mr Davidson: Chairman, maybe we could get the Fire Service to do fire safety and pension credits!
Mr Brady: Whilst we are out selling insurance!

Q24 Danny Alexander: Quite a broad question, what do you think are the most important steps the government—and I guess we mean government at any level—could take to alleviate poverty?
Mr Parr: Give everybody more money.

Q25 Mr Davidson: That is the minimum wage, is it?
Mr Parr: Yes.

Q26 Chairman: What do you think the level of minimum wage should be then which would satisfy you?
Mr Parr: As I mentioned at the beginning, £290 a week is what the Employment Tribunal calculated a week's wages to be and what are the multiples of that. If you are sacked for whatever reason and you go for a claim that is what they calculate on and apparently that works out at £7 an hour. I would imagine there would be a certain amount of Government input on that Employment Tribunal agency for setting these figures. If they are setting that figures for that, why not set the minimum wage to reflect something along that line. If that is what they see as a reasonable wage to be calculated on then let us start looking towards that.

Q27 Mr McGovern: I think that is also the statutory minimum used for the calculation of redundancy pay, is it not?
Mr Parr: I am not sure about that, I have never had to go through that.
Mr Brady: I am not sure what the right level would be. I think there is merit, however, in trying not to have any major dislocation within labour markets. If there is a feeling that the level needs to be raised then a way of doing that is to raise it steadily year-on-year with some degree of targets set so that in five years' time that is the level we want to be at because that allows the economy to respond to that. That would be good but it is a question of trying to decide the rate at which you want that increase to go.
Mr Stark: Again, I do not have any blinding insight into what the level should be, but going back to some of the theory underlying poverty and health, apart from the specific health related initiatives, Michael Marmot is one of the big theoretical workers in this area and he would argue that you could think about three areas: one is about the overall level of wages, and that would relate to your minimum wage point; the second is about access and support for education, because we know there is a big association between education and poverty and that poverty in turn affects whether you are likely to access education; and the third would be a safety net type issue for older people who are particularly likely to be income deprived. I suppose I would try and hit all three.

Q28 Mr Davidson: I think we are trying to hit all three, are we not, in terms of what the Government's strategy is, in terms of wages. We have got the national minimum wage and the Working Families' Tax Credit and so on. The routes out of poverty for children, there is a big focus on educational spend and then there is the safety net element. Chairman, while you are on that, can I ask about the routes out of poverty issue because this is one of the things the council has raised with us. Because poverty in the Highlands is perhaps more dispersed I would tend towards the view that in schools, for example, in a constituency like mine where maybe you will have 90% of the kids on free school meals, there is then a concentration which requires special effort because there is a whole community that is getting no stimulation at home. Whereas here, if you have a couple of children who are on free school meals, not necessarily but maybe with less stimulation at home, if they are then in a class where the others are being adequately stimulated, they in turn will be brought up and therefore the focus need not quite be in exactly the same way and additional resources, because you have got poverty but it is dispersed, are not necessarily as justifiable as additional resources on poverty because it is focused and concentrated.

Mr Stark: Perhaps it is more a question of how you spend the additional resource rather than whether it is worthwhile. It is in the Council's submission that one of the problems, as you say, is poverty is relatively dispersed. A couple of facts on that: in Glasgow in the SIMD 2003, 31% of employment deprived people were in the most deprived 20% of wards. In the Highlands in the 2003 SIMD the comparable figure was about 9%. If you target you miss most of the folk, but that does not mean the folk have any lower level of needs, it just means it is harder to get at. I am not saying there are not some areas in the Highlands where it is well worth targeting but, equally, you are not going to get all your return for that, you have got to go for some of these measures which Sandy and Fraser have talked about.

Mr Brady: I think another effect which we have not talked about is population. Our concern is that the cost of delivering public and private services to rural areas is rising faster than inflation for a whole range of reasons. We see one of the long-term important planks here for rural communities is to grow the populations of these communities. We have seen places like the City of Inverness grow remarkably in the last 20 years but in a sense that looks after itself now. It is much more about not only the smaller towns like Thurso, Portree and Fort William but also about the rural areas and it is also ensuring that we try to get the populations to grow in the rural areas. That increases the demand for services, it makes the cost of delivery per unit much lower and it helps to provide the kind of support networks to help low income pensioner-type households where there are simply more younger and active people living in the community. We have seen examples; I guess the Island of Skye would be a good one in the last 25 years where the population has grown significantly, something like 50% over the last 25 to 30 years. All the benefits of that flow: the primary schools are busier, they have got bigger roles and the range of public and private services are much better than they were a generation ago. The alternative to that, if population is declining, is a loss of services, the closure of shops and the inability of the local authority to provide small rural schools and so on.

Q29 Mr Walker: That brings me on to my question. I am going to play the devil's advocate here, but are rural communities in large parts of Scotland viable in the long-term? Are you just like the little boy in Holland putting his finger in the dyke? You have talked about education and actually you will be educating people to leave these communities. They have very poor transport links and they are a long way away from international, global or even regional markets. Skye is perhaps an exception that might prove the rule bearing in mind that Madonna has moved up there and it is becoming the playground for the rich and famous. I am concerned about this because you are here to talk about poverty and obviously there is a diet of misery in a number of these places, but really you and we are delaying the inevitable, which we should do, are these communities actually in 30, 40 or 50 years going to be viable?

Mr Brady: We have set a target in our strategy for the next 20 years for the Highlands and Islands of a growing population in every part of the area. That might not be exactly every last small crofting community or every last small island but we would regard ourselves as having failed if the population continued to grow in the Moray Firth area, which is doing relatively well, but declined in other parts of the area. Skye is not the only example we have; places like Arran, the Firth of Clyde, Wester Ross and parts of Argyll have seen their populations grow in the last 20–25 years. The challenge is to try and learn the lessons of what has happened in those areas and apply them into some of the more difficult places. In recent times the Western Isles, for example, had a population of around 30,000 and that is now down to 26,500. I guess our ambition would be to see that number rise back towards the 30,000 mark.

Q30 Mr Walker: Why are people going to move to these communities? We have just heard there are low rates of employment, low wages, what on earth is going to convince people to move to a number of these communities unless they are retiring and want to buy their rural idol which may result in some of the population growth you have talked about, but young vibrant communities, how are you going to create those?

Mr Brady: I think retirement will play a part in it, there is no doubt, and the differential in housing prices has helped in some of those areas. Again, the examples of those areas which have done well is that while there has been in-migration of retired people, there has been in-migration of people in economically active age groups, particularly I guess in the 40 to 55 age group. Many of these people have come in and started their own businesses or found

paid employment and have made a contribution to the economy. We think that can be replicated elsewhere. Yes, people cannot make jobs out of thin air and we have to try and work in generating employment in new sectors of activity which will come along. The use of broadband technology has brought jobs to parts of the Highlands that we would not have dreamed of before. We have people who are earning very good incomes living in remote parts of the area because they are able to do their business from their computer: graphic designers, international collaborators and so on. There is a growing trend in that and that is something we want to see more of. Again, there is no easy answer to that, it involves a lot of people making lifestyle choices. Some of those are about trading-off material benefits from a high paid job in a city environment to a lesser level of income but, nevertheless, a good level of income within a rural community.

Q31 Danny Alexander: Mr Stark, I am going to ask a question specifically of you. There is obviously a very close link between poverty and poor health, and mental health is something I am very interested in and I know it is one of your specialisms. I wonder if you could describe for us how particularly poverty and mental health interact in a rural environment?
Mr Stark: The core association is probably the same. If you are relatively poor then you are more likely to develop many mental illnesses from anxiety and depression to sometimes more serious illnesses. What is probably different is help-seeking, access to services and stigma and these probably confound some of the problems. We know from research from the University of Dundee and the University of Glasgow that as many people who find it supportive to have a mental illness in a rural place find it unhelpful to be in a relatively rural environment. The reasons they cite are people knowing your problems, people knowing your history, going back years in some cases, and the fact that if you seek out help and contact a service it is very likely that other people are going to know about that. There are issues about help-seeking and accessing services. There are probably issues about infrastructure to support you if you have a particularly serious illness, you have been off work and you have to return to work, then a lot of the services and some of the jobs you might return to are not necessarily local, so it probably compounds it.

Q32 Mr McGovern: Again, this is a question for Mr Stark. I realise that you said in part of your answer to one of the very early questions that poverty was poverty unless I misunderstood you, but you seemed to be saying that it is much the same wherever it occurs.
Mr Parr: Yes.

Q33 Mr McGovern: I think possibly in an urban setting the knock-on effects of poverty are more visible, crime et cetera. I believe you worked in Argyll, Clyde, Ayrshire and Arran before you came to the Highland region. Would you say the mental health aspects of poverty are more pronounced in an urban setting or more so in a rural setting?
Mr Stark: There are higher rates of mental illness in urban settings. There are a few quite good national cross-sectional studies, particularly one done by the OPCS in England and Wales which gets a clear gradient that you get higher rates of mental illness in urban areas. There seems to be something particularly toxic about the combination of urban settings and great poverty which seems to be very bad for you. I would not suggest that you do not get very substantial burdens of mental illness particularly in some of these deprived settings. What I was arguing was the services are often there as well, they are often more local and you are often relatively anonymous. All I was suggesting was that the impact might not be precisely the same in the two areas, but I would not pretend for a second that there are not higher rates of mental illness in some urban inner city areas.

Q34 Mr Walker: Although Lincolnshire has very high rates of suicide in England, does it not, some of the highest rates in the UK and that is a very rural setting?
Mr Stark: Suicide might in some ways be a slightly different phenomenon. A lot of people who kill themselves have a mental illness but not everyone does. There are probably issues about method choice that might be quite important in rural areas too and it may be back to some of these issues about help-seeking.

Q35 Danny Alexander: Mr Brady, could you explain a bit to the Committee about how Highlands and Islands Enterprise works with other organisations such as the Highland Council, for example, to combat poverty and perhaps particularly to what extent the Highlands and Islands Enterprise, in working with other organisations, targets its effort at those areas where poverty is most prevalent and the need is greatest?
Mr Brady: We work very closely with all of the local authorities and other public sector partners across the Highlands and Islands. Community planning has brought that to the fore within Scotland in the last few years. In the Highland area we have a thing called the "Wellbeing Alliance" which is a grouping of the council, ourselves, a northern constabulary and NHS Highland who look together at some of the problems faced within the Highland area. I guess that has been in existence now for five to eight years. That is the way we try to bring that together both at a regional level but also in terms of things that are done at a local level. In terms of our own targeting of resources, we have a thing that we call the "formula share" within our budget whereby we positively discriminate in favour of those parts of the Highlands and Islands which we see as having the greatest need. For example, we give a disproportionately high part of our budget to the Western Isles, to Caithness and Sutherland, for example, where we see the problems being the greatest. Correspondingly, we are able to put less

funding into places like the wider Inverness area because the level of economic progress there is that bit greater. That is something we feel very strongly about. We have tried to take that not only from our own budget but also into the use of European structural funds in the area over the last 12 years to try and ensure that they reach out to the furthest flung parts of the area where the infrastructural needs are greatest.

Q36 Mr Walker: Talking about investing in the area, every year I am one of those English people who come up and holiday up here at Lochinver, and there is that huge fish unloading dock which cost millions and millions of pounds to build and it employs two people part-time in this huge modern infrastructure. What was the point of that? What benefit has that brought to Scotland? It is not manned by local workers, the boats coming in there are Spanish and Portuguese, they unload their catch on to Portuguese, Spanish and Greek lorries, funnily enough, and I am absolutely staggered that that level of investment has generated probably less than one full-time job in probably one of the most deprived economic parts of Scotland. Surely the money could have been better spent on something else, could it not?

Mr Brady: I think the fishing sector is a challenging one whichever way you look at it. There are other parts of the Highland, notably Shetland, where the industry is very much still a local industry and where the benefits both of the fish catching and the fish processing are captured there. Lochinver has played an important part in West Coast fisheries over a long generation, and while the current pattern is not the one we would desire to see, nevertheless there is more to it than simply the jobs on the end of the pier. That fishery is an important one and it is part of a Common Fisheries Policy, so to that extent we recognise that we are part of a European catching sector and a European processing sector.

Mr Walker: I do not want to get into a debate about the merits of the EU, but if I was living in Lochinver and I saw that I would be absolutely staggered, I would be appalled, because there is not one deep-sea fishing vessel that uses that base in Lochinver, the only boats left are shrimp and scallop boats. To me it is just outrageous that that level of investment has generated less than one full-time job. I know that is not your problem but I am standing united with my friends in Lochinver on that, and I could not let this opportunity pass.

Q37 Mr Davidson: I am afraid I do not think I have got a friend in Lochinver but anyway, we will not discuss the Common Fisheries Policy and how appalling it is! Could I ask in terms of getting people in the area "job-ready" how much work you are doing? You have indicated already that there are substantial degrees of under-employment and part-time work and so on and what I am not clear about is whether or not the people who are there as a reserve pool can be considered to be "job-ready" so that if you brought people in they would be ready to fill these sorts of posts?

Mr Brady: I think one of the most important things to say is unemployment, as conventionally measured in the Highlands and Islands, is at a very, very low level. We are talking about under $2\frac{1}{2}\%$ across the area. That does disguise a degree of under-employment and part-time employment and so on, but in conventional terms it is quite low. In the NEET group we do not have as huge a proportion as there is in other parts of Scotland, but they are significant, Once again, they are widely dispersed. It is a challenge for us to try and get some of these young people especially ready for work. One of the ways we have gone differently in the Highlands and Islands from the rest of Scotland is we have embraced Career Scotland into the HIE network where the Scottish Enterprise are currently hoping to see a parting of the ways there. We believe that careers' advice for young people especially is something that should be part and parcel of our effort. That starts at school and goes right through trying to ensure that we identify the youngsters who are potentially going to go into the NEET group and try and find ways of getting them ready for work, raising basic life skills and so on, so that the size of that problem in the Highlands and Islands, relatively small though it is, is reduced to something very, very small. I guess that is one of the targets we have for the next three to five years. We believe we can make a really significant impact on the size of the NEET group because it is a wasted resource. In small communities, again, these young people are people who are visible, it is well known who they are, and I think with the right mix of careers' advice and apprenticeships and training we can make some kind of impact there.

Mr Parr: Just on that, I do not know how much it costs HIE to put in for each job they generate but to go back on what you were saying about the fishing—I am not going to go into it in any great depth and they never used to land the fish, it was just transferred from ship to ship. The number of people who are employed in Lochinver is symptomatic of what was done when they built the yard over at Kishorn. The people who came from around there, or the people who managed to travel in to get jobs there, were not given skilled jobs, they were not given training, they were given a brush and told to get on with it. I think that was an opportunity missed where we could have developed apprenticeships. How we generate industries or jobs in the rural areas, I do not know, I will leave it to cleverer people than me. To pick up on a wee point that I missed earlier on the school meals, we are attempting to put a motion to STUC to say that everybody should get free school meals anyway, primary schools and secondary schools. It would remove the stigma as well as the burden on poorer families who take it. On the Skye thing which I think was touched on, I do not know about the growing population on Skye, I go back and forth to Skye pretty regularly, it is older people and the crofts there are de-crofting house sites, the people who are able to afford to buy the house sites to come over and live there are retired people. I do not know what their contribution will be to the workforce once they arrive on Skye, are they

then just going to retire totally and put their feet up or are they going to be taking part in the activities? There are only so many craft shops or candle shops you can have in these places for tourists to buy things.

Q38 Mr Davidson: Following this point about developments and the extent to which local people get jobs in them, in my own area we have the development of a really big shopping centre and part of the deal with the developers was that they and their contractors had to take local people, they had to give out apprenticeships and they had to give the first go of all the jobs coming up to people from the local area. From what you are saying the Highlands and Islands Enterprise does not seem to do that. Is that a fair assessment and if not, why do you not do it?

Mr Brady: We do do it. I guess one of the obvious ones would be the tourism sector. Whatever financial assistance we give to tourism businesses is based on the fact that they will have a business plan, and part of that business plan will be they will put significant resource and effort into staff training. One of the bugbears of the tourism industry is the rapid turnaround of labour and the lack of local people working in hotels and being in the frontline with people who expect Highland folk to be working in Highland hotels and Highland centres. That is one of the things we are exceedingly keen on. At the end of the day, in some rural areas we get the feedback which is, "We would like to do that but it is not always possible. We have recruited all the local people that we can and we have to top-up sometimes with migrant workers". That happens in the tourism sector increasingly worldwide as well as in places like the Highlands.

Q39 Mr Davidson: Can I clarify that because I wanted to ask about the impact of migrant workers. One of the issues we have been hearing about is under-employment, yet the fact that so many migrant workers have come in and managed to get jobs indicated obviously that there were posts there. It would be helpful if you could clarify that for us. As I understand it, a lot of them have gone into tourism where people are low paid, trained badly and generally the staff are treated fairly badly. Is it because local people do not want to work in those sorts of occupations and that is why the only people they can get are migrant workers, or are there some other forces at play that we have not picked up?

Mr Brady: It is difficult to generalise. The first thing to say is a number of migrant workers in the tourism industry have been here now for two, three or four years and have worked their way up in the business and are now beginning to appear in first-line supervisory and managerial type jobs and they are making a contribution to those businesses. Some of the best tourism businesses in the Highlands and Islands have got some very able people, notably Eastern Europeans with very good English and very good customer skills working for them and that is an asset. I think it is fair to say that in some places, yes, local businesses would like to recruit locally if they could do so but have drained that labour pool, particularly in small rural areas, so that they are dependent on using migrant workers where they can. There are challenges there with housing, particularly in the tourism sector. If you have got people working in tourism businesses in remote areas housing or even accommodation availability may be quite tight. Again, some of the better employers will do something, they will either provide it in and around the hotel or they will have local arrangements which will enable people in their workforce to stay locally. It is a challenge because there are other areas where people working in bars have to drive 10, 15, 20 miles to do an evening shift which is unique to rural areas.

Mr Parr: They are usually split shifts as well, so they have got to go and come back again. On the point about migrant workers coming up and filling jobs, they are. One of the big employers here, apart from the tourist and the hotel industry, is the fish processing factory. Again it is minimum wages which comes back to the balance that you were talking about earlier, "If I am here on the dole, how much better off am I going to be working in this cold, smelly place for £5 a week less or £5 a week more?" I do not think the incentive was there for possibly getting people in there. I know for a fact the way they were recruiting was if you had a criminal record you were ideal because nobody else was going to take you, "We will have you, and if you work more than one week we will give you a bonus of a tenner a week. If you work two weeks you will get £20" because they were that desperate to hang on to people. Now we have got a lot of Polish people in particular working there doing a grand job, where they stay is another thing. The accommodation they have got to try and find for themselves is generally in these houses of multiple occupancies which are far from desirable but they put up with them. Once they get themselves up the ladder, as somebody mentioned a minute ago, then they will be able to afford something which is slightly better but certainly they will not be able to afford a house.

Q40 Chairman: Can I thank the witnesses for their attendance this morning. Your evidence will be very useful to us when we compile our report. Before I close the meeting, if there are any final remarks anyone wants to make perhaps on an area which we have not covered in the questioning they may do so?

Mr Brady: No, I do not think so.

Chairman: Thank you very much.

Memorandum submitted by the Highland Council

Executive Summary

It is universally recognised that poverty is no longer just about no or low incomes. Poverty is multi-dimensional and this is especially true of the Highland Council area. In addition to the traditional issues surrounding poverty, the rural dimension across the Highlands introduces considerable pressures.

The Highland Council have highlighted several key areas in the following submission to inform the Committee's inquiry into *Poverty in Scotland.*

- The difficulties posed through the **low wage rural economy**.
- The **higher costs of living**, transport and housing placed on people living within rural areas.
- **Lack of access to essential services** such as banking, post offices, cash machines and financial advice.
- Households within Highland spending proportionately higher amounts on heating their homes leading to **fuel poverty**.
- The national focus upon **spatial concentrations** of deprivation whereas in rural areas deprivation is **spatially dispersed.**
- The disadvantage placed on rural communities through the use of the Scottish Index of Multiple Deprivation as a proxy for need in **resource allocation** and in national policy interventions.

1.1 The area served by the Highland Council is considerable. Covering 26,484 square kilometres, it spans an area nearly 25% larger than the whole of Wales. It is an area of extremes with rapidly developing urban centres around the inner Moray Firth yet a vast rural hinterland. The overall population density for the Highlands sits at 8 people per square kilometre, in comparison with 66 across Scotland as a whole. Half of the region's population is found in the inner Moray Firth area. Only 25% of the population live in settlements of over 10,000 people and 40% in settlements of over 1,000 people. The nature of rural living in Highland is also characterised by the extent of remoteness experienced by a significant proportion of the population:

- 37% live in Remote Rural data zones, defined as settlements of less than 3,000 people and with a drive time of over 30 minutes to a settlement of 10,000 people or more;[1]
- 26% live in Super Sparse areas, defined as anywhere which is more than 40km (25 miles) by road from any settlement with a population of 7,000 and over.

1.2 It is universally recognised that poverty is no longer just about no or low incomes. Poverty is multi-dimensional and this is especially true of the Highland Council area. Whilst Highland has many of the expected causes and consequences of poverty associated with urban settings, the rural dimension introduces further pressures. Poverty in rural areas can be a consequence of the lack of access to resources, lack of access to suitable housing, fuel poverty and rural isolation. The costs of living are generally higher within rural areas, whereas wages and incomes are on the whole lower. People are often restricted to these areas and are tied to these higher costs of living due to an inability to access adequate transport to reach cheaper market sources. Poverty within rural areas though is often invisible. The geographical mix within rural areas can result in individuals experiencing extreme poverty living alongside households of considerable affluence. These pressures, although less conspicuous than areas of concentrated multiple deprivation, have considerable effects on the population but yet there is little recognition given to spatially dispersed deprivation and poverty while the current focus is on concentrated and therefore urban deprivation and poverty.

2. Highland's Economic Picture

2.1 *Wage and income levels*

Employment and unemployment have a considerable impact upon poverty levels. Although unemployment within the Highland's is relatively low, in comparison with the national average (2.2% Highland and 2.8% Scotland), wage levels and income are also low and impact upon poverty levels across the area.

2.2 Table 1 below notes the differences in the Gross Annual Pay of individuals employed both full and part time across Highland, Scotland and the UK. This highlights the lower level of wages in Highland in comparison with the Scottish and UK averages.[2]

[1] Scottish Executive's "Urban Rural Classification"—the most rural classification is "Remote Rural". http://www.scotland.gov.uk/library5/rural/seurc-00.asp

[2] National Statistics, *2005 Annual Survey of Hours and Earnings*, Office for National Statistics, 2005.

Table 1

	Gross Annual Pay—Mean	*Gross Annual Pay—Median*
Highland	£18,880	£15,960
Scotland	£20,592	£17,370
UK	£22,000	£18,200

Source: Annual Survey of Hours and Earnings 2005.

— Mean pay in Highland is 91% of the Scotland mean and 86% of the UK mean.

— Median pay in Highland is 92% of the Scotland median and 88% of the UK median.

— Only six local authorities have lower average earnings than people living within the Highland Council area.

2.3 The survey also highlighted that our lowest paid workers are generally paid less than their counterparts in the rest of Scotland.

Table 2

	Gross Annual Pay—10%ile	*Gross Annual Pay—20%ile*
Highland	£5,250	£8,010
Scotland	£5,510	£9,260

Source: Annual Survey of hours and Earnings 2005.

2.4 Highland has a relatively high proportion of part time workers. The Annual Population Survey 2005[3] showed that 74.4% of employed people in Highland worked full time (and 25.6% worked part time) compared with a national rate of 76.1%: 22 other Authorities had a higher percentage of full time workers. Therefore this impacts upon the overall earnings of the Highland population and results in a higher proportion of individuals on lower average incomes.

2.5 *Seasonal unemployment*

Highland experiences greater seasonal fluctuations in unemployment than the rest of the country due to the nature of the dominant service sector economy. Longitudinal data on people moving in and out of employment is not available but analysis of monthly figures between May 2005 and April 2006[4] shows that during this period:

— the highest unemployment figure was 3,393 (February 2006).

— the lowest unemployment figure was 2,602 (September 2005).

— simple analysis at data zone level shows that up to 2,300 people in Highland could have suffered from seasonality of employment/unemployment.

2.6 Analysis for all data zones in Scotland over the same period shows that out of the 292 data zones in Highland, 52 were in the 10% of data zones in Scotland with the highest seasonal fluctuation in employment rate, and 88 were in the top 20%. Highland has two data zones, Glengarry and Portree West & Rural, with the joint highest seasonality rate in Scotland. Seasonal unemployment impacts in particular on some of Highland's most vulnerable rural areas. The lack of employment opportunities within rural areas dictates the dependence of individuals on the tourism and service sector who tend only to require staff for the peak summer period.

2.7 The societal as well as individual consequences of seasonal employment are considerable. The lack of permanent employment for the individual can result in an inability to qualify for credit facilities or mortgages and be forced to undertake multiple employment in order to survive. One household may need at least four or five part time posts in order to survive. For these families it is then very difficult to leave that community or seek new employment opportunities as they are tied to a number of positions. Seasonal employment also impacts upon society and rural communities as a whole. The lack of permanent positions can lead to an inability to attract people into the area which in turn leads to the demographic decline experienced in many rural areas. This, and the lack of graduate level jobs, can result in the forced out migration of a community's young people who find they cannot access suitable employment.

[3] The Scottish Executive, *Annual Population Survey in Scotland 2005,* Scottish Executive 2006.
[4] National Statistics, *NOMIS—Official Labour Market Statistics*, Office for National Statistics 2006.

3. Poverty in Rural Areas

3.1 The Highland community is diverse. Over recent years there has been considerable growth within urban areas around the Inner Moray Firth, a housing boom across the area and unemployment is at its lowest level. However this growth masks the difficulties and problems faced by rural communities. Centralisation of services in urban centres poses difficulties for rural communities in terms of accessibility, increasing dependence and can lead to the decline of local services. It can also compound issues of isolation for vulnerable members of rural communities.

3.2 Rural deprivation is often difficult to identify and define. Many rural communities appear affluent and thriving, yet pockets of poverty are often hidden behind these successful exteriors and spread throughout the area. Poverty in rural areas is not clustered but spread often over considerable distances. This has considerable implications when trying to quantify deprivation. *(Please see section 4)* A study using the British Household Panel Survey showed that between 1991 and 1996, one in three people in rural areas are poor at some time.[5]

3.3 Poverty and deprivation are often associated with urban situations, with less recognition of rural experiences. Many families in rural areas will run a car at the expense of other essential requirements in order to access education, employment and essential services. In addition, food and fuel are often more expensive within rural areas. Issues such as increased travel costs to access employment and services, low pay—often linked to seasonal employment as documented in section 2—and the historical low take up of benefits in rural areas all compound the issues of poverty within rural areas across Highland. There is also little doubt that the general problems associated with poverty are compounded when combined with the issue of isolation.

3.4 The financial inclusion agenda within Highland has highlighted a number of challenges facing residents, especially within rural areas. Accessing essential services such as post offices, banks and cash machines can prove complex and restrictive. Individuals facing financial difficulties can also struggle when trying to access money and welfare advice and support.

3.5 The development of credit unions to provide local financial support have met with only limited success within Highland. The need for such organisations to work only within a defined geographical area inhibits their use across more dispersed communities. The sparse and dispersed nature of many rural communities does make the provision of services more expensive and difficult to provide.

3.6 The difficulty of individuals to access money advice and credit can lead to the operation of high interest money lenders. This is still essentially a hidden problem across the Highland area but has considerable social and personal implications. An increase in the level of resources is required to identify and tackle this issue effectively.

3.7 The advent of greater computer technology into banking systems and personal usage of computers is changing the way that many individuals access banking services which in turn is affecting the number of local banks in Highland. This also has implications for people who do not have access to IT or are not computer literate.

3.8 The majority of people now use Automatic teller machines (ATMs) to access their money but the introduction of ATMs is not always a sufficient substitute banking services. Additionally the number of ATMs which charge a fee to access money has grown to around 40% of the total UK case machines.[6] In rural areas in particular people often have no choice to use these machines where banking services have closed. This is targeting individuals with among the lowest incomes, for which a charge of £1.50 can have a considerable impact on an already limited income.

3.9 The threat of closure on rural post offices across the Highland also raises concerns about the ability of people to access their money and advice free of charge. With the closure of a number of rural banks, the Post Office has become the only option through which people can access their benefits and money. An investigation by Postwatch Scotland[7] estimated that 86% of elderly rural residents would lose their independence should their local post office close. There are also more general implications for rural communities. 75% of rural post offices are attached to another business, generally a shop. The study estimated that 77% of these businesses would be unable to survive should the post office be forced to close. Over a third, 38%, were the only shop in that area.

3.10 Despite government intentions to encourage benefit payments direct into bank accounts, security and fraud now require considerably more personal identification checks when opening accounts and reduced accessibility to accounts. Awareness of this needs to be promoted and work undertaken with organisations to overcome any possible obstacles for customers.

3.11 Recent research also indicates a clear geographical dimension to income status in old age.[8] Older people in remote and rural areas are found to be worst off. Remote rural areas are typically low wage economies. Low incomes during retirement are likely to reflect earlier employment and income patterns. The

[5] Institute for Social and Economic Research, *British Household Panel Survey*, University of Essex.

[6] CAB Evidence Briefing, *Out of Pocket—CAB Evidence on the Impact of Fee-charging Cash Machines*, Social Policy Department Citizens Advice, July 2005.

[7] Postwatch Scotland, *The Importance of Rural Post Offices*, Postwatch 2006.

[8] L Philip et al, *Income in Old Age: Rural/Non-rural Perspectives on an Ageing population in Great Britain*, RGS-IBG Annual Conference, September 2005.

research highlighted the importance of benefit income to the overall income of older people but also the lower than average uptake of state benefit within these areas. This will have considerable implications for the future. In common with the rest of Scotland and Western Europe, Highland has an ageing population, but the ageing population in Highland is growing at a faster rate with projections suggesting that the proportion of those over 65 is likely to increase by 65% by 2024.[9]

3.12 There has been an increasing demand on social rented housing in the Highlands over recent years. The lack of available housing has led to a considerable increase in the number of people presenting as homeless within the Highland area. The increase in number of homelessness applications has been at a rate far higher than the national average. The increase between 2002–03 and 2003–04 was the highest in Scotland. Between 2001–02 and 2005–06 there has been a 148% increase in the number of homeless applications in Highland. Although the majority of homeless applications came from the Inverness area, homelessness is a problem across all areas of the Highlands.

4. Measuring Deprivation

4.1 The Scottish Index of Multiple Deprivation (SIMD) 2004 allows a comparison of relative deprivation at small area level (data zones) across Scotland and pockets of deprivation to be identified. Of the 6,505 data zones within Scotland, 292 are in Highland with an average population of 800 people per data zone.

There are 17 data zones within the Highland Council area that fall within the 20% most deprived areas in Scotland. Of these, three data zones fall within the 5% most deprived in Scotland.

4.2 When examining population, 6.2% of Highland's population fall within the 20% most deprived wards in Scotland. This appears relatively low in comparison with Glasgow City where half the population live in the most deprived data zones. However, although the SIMD has allowed examination of deprivation at a lower level than previous, concerns exist regarding its ability to capture deprivation within rural areas. The SIMD concentrates on identifying **spatial concentrations** of deprivation whereas in rural areas deprivation is **spatially dispersed**. As a result, the Council feels that the SIMD does not capture or reflect the scale of the problem within rural areas. The index itself shows that in Highland 90% of income and employment deprived people live outwith the areas where deprivation is concentrated.

4.3 There are considerable implications in relying on the SIMD to identify deprivation within Scotland. SIMD has compounded the view that poverty is a predominantly urban issue and as a result, policies are focused upon tackling the causes of urban deprivation. *(Please see section 6)* In addition, there is evidence that the SIMD has been used as a proxy for need generally in resource allocation and in national policy interventions. The Council, along with other rural Councils and partnerships has campaigned against such inappropriate use of the SIMD.

5. Fuel Poverty

5.1 Within Highland one of the main challenges is that households need to spend a higher proportion of their income on heating their homes than most other areas of Scotland. A household that needs to spend more than 10% of its income on household fuel is said to be in fuel poverty. Extreme fuel poverty is when households need to spend more than 20% of their income on fuel. This level of spending is disproportionately high and can force people to make difficult decisions about whether to keep their homes warm or spend their money on food and other essentials.

5.2 Those most affected tend to be among our most vulnerable in society, often on low incomes: older people, lone parents, disabled people and those with a long term limiting illness. They are all people who are often at home more than most households and use heat for more of the day. However, fuel poverty is common among all housing tenures and is also common amongst those households that do not receive any benefits.

5.3 A number of factors can lead to fuel poverty including poor energy efficiency, low incomes and high fuel costs. Fuel choice is often limited within many parts of Highland. Mains gas, which has tended to be the cheapest of energy sources, is only available in a small number of areas. The way fuel systems are operated can also lead to fuel poverty. Fuel suppliers develop attractive deals for customers paying by direct debit. Those on low incomes who choose certain methods, such as expensive pre-payment meters, are often penalised as a result.

5.4 The age and type of houses within Highland also contribute to fuel poverty. Properties with thick stone walls are often difficult to heat and the harsh climate also results in a greater need for heating. 16% of households in Highland are energy inefficient.[10] This is double the Scottish average and of the five authorities with higher energy inefficiency, all are predominantly rural areas.

[9] Highland Council Planning and Development Service, *Policy and Information Briefing Note 12—Council Area Population Projections 2004–24*, The Highland Council 2006.

[10] House Condition Surveys Team Communities Scotland, *Fuel Poverty in Scotland—Further Analysis of the Scottish House Condition Survey 2002*, Scottish Executive/Communities Scotland, 2002.

5.5 It is difficult to know exactly how many people are in fuel poverty because households can move in and out of fuel poverty as their circumstances change. The Scottish House Condition Survey is one of the best sources of data on fuel poverty.[11] Highland has a considerably higher proportion of households in fuel poverty than the Scottish average. 21% of Highland Council households were experiencing fuel poverty in comparison with the Scottish average of 13%. 7% of these households were in extreme fuel poverty. Highland had the fifth highest proportion of fuel poor households in Scotland. All areas with higher proportions of fuel poor were also predominantly rural areas.

5.6 The effects of fuel poverty impact on society as a whole with both health and social consequences. Cold homes can lead to ill health, aggravating illnesses such as heart disease, strokes and respiratory diseases. Fuel poverty can also have wider social effects increasing social isolation. Older people may not wish to go out because they will return to a cold home but may not want to invite people to their home if it is cold. 35% of pensioner households within Highland were in fuel poverty, with 15% experiencing extreme fuel poverty.[12]

5.7 Survey results tell us that people living within rural areas are more likely to experience fuel poverty which explains the higher proportion within Highland experiencing fuel poverty.

It is worth noting that the SIMD does not include fuel poverty as an indicator of deprivation.

6. Impact of Government Policy on Poverty

6.1 The Scottish Executive's Financial Inclusion Action Plan,[13] is a key document in the fight to tackle poverty and deprivation in Scotland. It has brought to the fore many of the challenges faced within Scotland and sets out a series of priorities for public and private sector organisations to address over the coming years. However, the new resources made available across Scotland to address some of these priorities have been targeted at those areas that the Scottish Executive categorises as having the "greatest current problems". None of this new money has come to Highland, although the issues here, as highlighted above, are considerable.

6.2 Scottish Executive policy has come to rely on the use of the SIMD to quantify deprivation and poverty within Scotland. In recent years the Executive has utilised the SIMD to allocate funding and this has considerable implications for the Highland area. When used to target resources at the 15% most income deprived areas in Scotland, few areas within Highland are included. As has already been noted, 90% of the income and employment deprived people in Highland fall out with this bracket and are therefore excluded from assistance.

6.3 However the Scottish Executive are not only using the SIMD to direct resources at the most disadvantaged but are using it to direct a range of funding from Supporting People allocations to new teacher allocations. This has considerable implications for the Highland Council area. Rather than tackling the issue of rural deprivation, this policy is in turn compounding many of the factors causing deprivation within rural areas.

6.4 Academics involved in the construction of the SIMD have stressed that measuring deprivation at the small area level does not imply that this is the most appropriate scale at which to intervene to tackle deprivation. A single index for both urban and rural deprivation does not work. Urban deprivation is spatially concentrated while rural deprivation is spatially dispersed. A complementary approach is needed for rural areas.

6.5 The Scottish Executive has recently announced the creation of Rural Service Priority areas. However, the funding to support these areas is limited to one year and this will not make any changes sustainable. There is an overall feeling that this does not go far enough for rural communities. There is a need for the Scottish Executive to develop a strong evidence base for rural deprivation, built upon methodologically sound processes. This as of yet has not happened.

6.6 In England there is a Commission for Rural Communities which is an expert body in watching out for the interests of rural communities and people, especially those suffering disadvantage. The Commission is currently undertaking work on a major study about rural disadvantage to address gaps in the evidence base. The study was due to conclude in 2006. The Commission has a role in rural proofing all government policy and assessing the extent to which rural service entitlements are met. There is no equivalent body at present in Scotland to protect the interests of rural communities although the situation in Scotland is more prevalent.

[11] Scottish House Condition Survey 2002.
[12] Scottish House Condition Survey 2002.
[13] Scottish Executive, *Financial Inclusion Action Plan*, Crown, Edinburgh 2005.

7. Priority Areas

7.1 The Highland Council welcomes the opportunity to submit evidence to the Scottish Affairs Select Committee on the issue of *Poverty in Scotland*. The following are priority areas and actions which the Council feels are crucial to addressing the challenge of poverty within Scotland and specifically the Highland area.

— The Council seeks support for the development of an evidence base for rural deprivation and exclusion, linked to an agreed national Rural Development Strategy. This is currently being undertaken in England, whose rural exclusion is far less extreme that it is in Scotland.

— There is a Commission for Rural Communities in England which is an expert body watching out for the interests of rural communities and people, especially those suffering disadvantage. The Council seeks support for the consideration of such a body or remit within Scotland given the extent of peripherality and super sparsity.

— The Council seeks agreement that the Scottish Index of Multiple Deprivation should be used only for issues around concentrated deprivation and not to be seen as a proxy for need or deprivation more widely.

— The Council views with real concern the large energy price increases which have already been imposed in the current financial year. The increases are disproportionately affecting low income consumers and fuel-poor households in the Highlands and driving more people into poverty. The Council therefore supports the initiative taken by Energywatch who have launched a campaign to stop penalising the poor.

— The Council supports the call on all energy suppliers to reduce the prepayment meter tariffs and bring them into line with prices paid by quarterly bill payers.

— The Council shares Energywatch's fears that increasing numbers of consumers will disconnect themselves or severely ration out energy use because they will not have enough money to feed their meters.

— The Council is concerned that the widespread practice of energy suppliers installing prepayment meter system to recover energy debt is both unfair and counterproductive.

— The Council calls on the UK government and specifically the Chancellor of the Exchequer to ensure that the large energy price increases are seriously taken account of when the government begins its benefit uprating process later in the year.

Alison Clark
The Highland Council

October 2006

Memorandum submitted by Citizens Advice Scotland

Executive Summary

Citizens Advice Bureaux regularly deal with issues relating to poverty in Scotland. This response considers problems associated with poverty and:

— ill health and disability;

— welfare benefits;

— energy use;

— debt;

— lack of affordable credit; and

— financial services.

It concludes that further effort is required to tackle the problem, particularly with regard to income maximisation, early access to advice and a concerted effort to address the lack of affordable credit.

Poverty and the CAB Service

1. Citizens Advice Scotland welcomes the opportunity to contribute to the Scottish Affairs Select Committee inquiry on Poverty in Scotland.

2. In 2005–06, the 76 Citizens Advice Bureaux across Scotland dealt with 442,550 enquiries.

— the largest area of enquiry regards state benefits (31%), followed by consumer (including debt) (22%), employment (11%) and housing (10%);

— the single biggest issue is consumer debt (14%); and

— the second biggest issue is disability benefits (6%), which has risen from fourth biggest to second biggest in just three years.

3. Enquiries are therefore dominated by issues which arise from, or contribute to poverty. Whilst people of any income can use their local CAB, in general, bureau clients are more likely to live in council housing (32.8% compared with 20.6% of the population) or other rented accommodation (21% compared with 10.1%). They are less likely to be in full time employment (20.7% compared with 45.5% of the population) and significantly more likely to be unemployed (21.2% compared with 4.5%).[14]

4. We know from the annual Households Below Average Income Survey that poverty in Scotland affects:

— 140,000 pensioners (16%);

— 540,000 people of working age (18%); and

— 240,000 children (23%).[15]

5. Since the previous year there have been modest reductions on pensioner and child poverty (down by 20,000 each) but no reduction in those of working age who experience poverty.

6. This submission is not an exhaustive treatise on a complex issue but rather seeks to highlight some of our recent work and ongoing concerns regarding poverty as it presents to the CAB service.

Poverty, Health and Disability

7. "Paying the price—the real cost of sickness and disability"[16] is a recent detailed survey of 417 CAB clients claiming Incapacity Benefit, Disability Living Allowance, or both. It found that amongst this group:

— 69% have a monthly income of less than £800;

— 48% reported reducing their heating, lighting or cooking because of difficulties paying for fuel;

— 78% say their health was fluctuating or getting worse;

— 29% felt that their health would allow them to work again; and

— 62% were in financial difficulty, five times higher than the general population.

8. Many had extra needs associated with their illness or disability, including prescription costs (51%) and transport/mobility (49%)—but less than one-third (32%) were exempt from prescription charges and less than one-fifth (18%) had a concessionary travel pass. They were trying to meet these extra needs through help from friends or family (53%) or by reducing expenditure on other things (47%). Almost a quarter (24%) said some of their extra illness/disability related costs were not met.

9. Poverty as both a cause and an effect of ill health is well known. Studies show that income maximisation has a significant positive effect on health. A University of Liverpool report[17] showed a measurable and statistically significant health gain associated with welfare benefits advice. Increasing the incomes of patients provides them with the ability to:

— meet essential expenditure on things such as diet and heating;

— access better accommodation; and

— participate in mainstream community life.

10. Building on many years of experience in providing advice in health care settings, Citizens Advice Scotland is currently working with the Scottish Executive on the NHS Independent Advice and Support Service[18]. This will provide assistance with complaints as well as health improvement advice, including welfare benefits and money advice, where appropriate.

Poverty and Welfare Benefits

11. Our research on DLA and IB clients has fed into the government's proposals for reform of Incapacity Benefit. As a founder member of the Scottish Campaign on Welfare Reform[19], we have been working with over 40 Scottish organisations, including CPAG, the Poverty Alliance and Capability Scotland to highlight ongoing concerns with the proposals in three main areas:

— compulsion of individuals;

— adequacy of benefit levels; and

— resources available for reform.

[14] Social profile of CAB clients, May 2005.
[15] HBAI 2004/2005 http://www.scotland.gov.uk/Resource/Doc/95793/0023203.pdf
[16] Paying the price, July 2006 http://www.cas.org.uk/payingtheprice.aspx
[17] Abbott S & Hobby L (2000). Welfare benefits advice in primary care: evidence of improvements in health. Public Health 114, 324–327.
[18] CAS press release, 1 September 2006, http://www.cas.org.uk/pressrelease192006.aspx
[19] Joint letter to MPs, April 2006, http://www.cas.org.uk/scottishcampaignonwelfarereformlettertomps.aspx

12. The government has stated in its five year strategy for the DWP that it is cutting 30,000 jobs, and some JobCentre Plus offices in Scotland have already closed. This reorganisation is having a major impact on both clients and CAB offices. The switch to telephone based applications is causing hardship for some clients as well as unnecessary delay and frustration for clients and CAB advisers alike. It is therefore particularly disappointing that the DWP has received £268,000 through its use of 0845 telephone numbers for benefits claimants.[20]

13. One of the government's flagship schemes for tackling poverty has been the introduction of the tax credits system. Where this has been working it has been successful but it is ironic that a system designed to alleviate poverty is actually causing it in some cases. Hardship caused by recovery of overpayments was highlighted in a joint report with Citizens Advice England and Wales[21] and we remain concerned that HMRC practices are jeopardising the policy intention.

Poverty and Energy Use

14. Recently there have been significant and sustained increases in the price of gas and electricity. This has a particularly dire effect on those on a fixed low income. Communities Scotland has modelled that for every 5% increase in prices 30,000 households in Scotland are plunged into fuel poverty. Since 2003 domestic gas prices have risen by 87% and domestic electricity prices by nearly 56%[22].

15. This is reflected in the Paying the Price research, which found that almost half of CAB clients on IB or DLA had reduced their heating, lighting or cooking in the last year because of difficulties paying for fuel. There is currently no additional support for fuel expenditure offered to people with disabilities or health conditions who are under 60.

16. In addition, those on prepayment meters pay the most for energy and their use is concentrated in low income households. In partnership with Energywatch Scotland, we have been calling for equalisation of prepayment meter and standard tariffs, as well as an end to the practice of backdating price increases when meters are recalibrated.

17. In our response to the DTI energy review, we also suggested an inquiry into the lack of competition in the energy market in Scotland as well as measures to explicitly link regeneration with tackling fuel poverty.[23]

Poverty and Debt

18. In 2003 we conducted a major study of CAB debt clients, "On the cards"[24]. Amongst its key findings were:

- The average debt owed was £13,380, a 64% increase on 2001.
- For every £1 in monthly income, an average of £22 of debt is owed.
- Half of clients had a monthly income of £800 or less.
- 14% of clients have five or more credit card debts.
- 25% have been harassed or pressurised for repayment.

19. Follow up analysis looking particularly at low income debt clients[25] found that:

- The lowest incomes are most prevalent amongst debt clients of the youngest age group (16–24 years) and single adults.
- Two in five CAB debt clients mention low income as being a reason for their debt problems.
- Debt clients with lower incomes are more likely than other CAB debt clients to have done nothing about dealing with their debts.

20. CAB clients' debts vary by income group. The clients in the lowest income third had an average monthly income of just £291. Clients in this group are more likely to have:

- Rent arrears, related to the fact that a higher proportion of this group are tenants.
- Utility debts and social fund debts.
- Hire purchase agreements, which is indicative of restricted access to credit.

21. The methods creditors use to recover money is a significant area of concern to the CAB service. Formal methods utilise legal proceedings in the courts, whilst informal methods utilise any means of recovery that does not involve the courts.

---

[20] rightsnet news, 29 Sepember 2006, http://www.rightsnet.org.uk/cgi-bin/sub_client/search.cgi?template2=news/user_details2.htm&output_number=1&sort=news.submission_date+desc&news.ID=92915024141

[21] Money with your name on it, June 2005, http://www.cas.org.uk/moneywithyournameonit.aspx

[22] Energywatch press release September 2006 http://www.energywatch.org.uk/media/news/show_release.asp?article—id=983

[23] Response to DTI energy review, April 2006 http://www.cas.org.uk/dtienergyreview.aspx

[24] On the cards, February 2004 http://www.cas.org.uk/onthecards.aspx

[25] Low income debt clients, November 2004 http://www.cas.org.uk/lowincomedebtclients.aspx

22. Informal debt recovery in Scotland is governed by the Consumer Credit Act and the Office of Fair Trading. The OFT debt collection guidance was introduced two years ago and has been very welcome. It has made a difference in terms of some companies being much more aware of which practices would constitute breach of their consumer credit licence. However, our evidence shows that there are still large problems with many creditors who do not comply, even when the guidance has been specifically pointed out to them.[26]

23. Formal debt recovery is devolved to Holyrood, and differs significantly from England and Wales. The Bankruptcy and Diligence (Scotland) bill, currently before the Scottish Parliament seeks to modernise many forms of diligence, including important new protections for bank arrestment and sequestration. Of concern is the new diligence of land attachment, which means a debtor can lose their home for an unsecured debt as little as £3,000.[27]

24. A further difference concerns council tax collection, which can be pursued by summary warrant. This means there is no opportunity to defend the debt in court and incurs an immediate 10% surcharge. We have raised concerns that council tax in itself disadvantages those on low incomes[28], but this is compounded by the debt collection practices of local authorities, who are the largest users of formal debt recovery in Scotland.

Poverty and Affordable Credit

25. A longstanding concern has been that those on the lowest incomes pay the most for credit. This means that when borrowing is unavoidable—for example when a major household appliance breaks down—the costs to those least able to pay is actually the greatest. For example:

- a 70 year old retired woman with a loan running an APR of 246% or;
- a female client with mental health problems with a loan running at an APR of 177%; and
- a lone parent owing £500 to one lender, who negotiated reduced payments of £20 per month. After interest and charges only 15 pence was going towards the debt.

26. In response to the Competition Commission's inquiry into the home credit industry, we have been strongly supportive of proposals for home credit providers to provide greater transparency on product pricing, clear and regular statements, and not to penalise early repayment.[29]

27. Credit unions have a vital role to play as an alternative source of credit. The Scottish Executive has put significant investment into developing credit unions, which are already further advanced than elsewhere in the UK. They will never be the whole solution, however.

28. The social fund could be another significant means of addressing this problem for those on the lowest incomes but it remains unfair and underfunded. The move to telephone applications has only compounded the inequity in the system.

29. We have also been working with the Scottish Executive on six financial education pilot projects, seeking to test different methods of delivery with groups and individuals at key transition points in their lives. The final evaluation recommended rollout of the service across Scotland, commenting that "the projects deserve praise for their ability to link with relevant partner organisations, often working with people in vulnerable and hard to reach groups, to make a qualitative and quantitative difference in a relatively short timescale of fifteen months."[30]

Poverty and Financial Services

30. It is not just the high cost of credit—the cost of engagement with the financial services sector can be prohibitive, and in some instances punitive.

31. We recently published a report with Citizens Advice England and Wales highlighting the gross inequality of ATM charges. "Out of pocket"[31] exposed the link between deprivation and fee charging ATMs. Such practice is particularly troubling at a time when DWP is increasingly moving towards the payment of benefits directly into bank accounts. As a result of the briefing and attendant media coverage, several high street banks have made welcome announcements to address this issue.

32. The charges levied by banks are another area of major concern[32]. Again, those on the lowest incomes are hardest hit. We have been working with Govan Law Centre, developing a toolkit for CAB advisers to use to challenge these charges, with notable success. The recent OFT announcement that charges were unfair[33] is welcome but there remains a significant problem. We are therefore continuing to work with Govan Law Centre on legislative ways to tackle this problem.

[26] Response to OFT debt collection guidance review, September 2005 http://www.cas.org.uk/debtcollectionguidanceformal compliancereview.aspx
[27] Bankruptcy bill briefings, May 2006 http://www.cas.org.uk/bankruptcybill.aspx
[28] Council tax briefing, January 2006 http://www.cas.org.uk/counciltaxbriefingsheet.aspx
[29] Home credit inquiry, September 2006 http://www.cas.org.uk/competitioncommissionhomecreditremedies.aspx
[30] Financial education project evaluation, July 2006, Niall Alexander.
[31] Out of pocket, July 2006 http://www.cas.org.uk/outofpocket.aspx
[32] Bank charges, May 2006 http://www.cas.org.uk/bankcharges_1.aspx
[33] OFT press release, April 2006 http://www.oft.gov.uk/News/Press + releases/2006/68-06.htm

IN CONCLUSION

33. Poverty remains a significant problem in Scotland. As both a cause and effect of ill health, and of financial difficulty, it is particularly pernicious. Income maximisation, early access to advice and a concerted effort to address the lack of affordable credit have a significant role to play in tackling this enduring issue.

David McNeish
Parliamentary and Policy Officer

October 2006

Witnesses: **Ms Carron McDiarmid,** Head of Policy and Performance, Highland Council, **Ms Carol Greer,** Advisory Officer, Citizens Advice Scotland, and **Ms Philomena de Lima,** Development Officer, UHI Policy Web, gave evidence.

Q41 Chairman: Good morning and welcome. Perhaps you would introduce yourselves?
Ms Greer: My name is Carol Greer. I am the Advisory Officer for Citizens Advice Scotland. The area I cover is Highland, the Western Isles and Grampian. My remit is to support the Citizens Advice Bureaux that are operating in that area.
Ms McDiarmid: My name is Carron McDiarmid. I am Head of Policy and Performance with the Highland Council.
Ms de Lima: My name is Philomena de Lima. I work for a unit called the UHI Policy Web at the University of the Highlands and Islands. It aims to generate research and debate on the way in which policies impact on rural communities.

Q42 Chairman: Before we start with detailed questions, would you like to make opening statements?
Ms McDiarmid: Yes. Thank you very much for the opportunity to give evidence to the Committee today. I hope you found the study tour helpful yesterday, but I have a sense that you will have found that it is not very easy to see poverty in the Highlands and it is not as conspicuous in rural settings as it is in urban setting. That is largely because of our population pattern, meaning it is dispersed. You will not find concentrations of poverty where you do not have concentrations of people, it is really that simple. Also, the nature of a settlement pattern in rural areas means that you have very affluent households living next door to poorer households. Very often that can mask the extent of poverty which exists in rural areas. I think also in our written submission to the Committee we set out our sense of the nature of rural poverty and that covered issues around low wage and income levels, the extent of part-time working, which is higher certainly in Highland than other parts of the country, and a higher level of seasonal employment and seasonal unemployment. In addition to that there is an interesting rural dimension to income status in older age and some very useful research which was done by some academics in Aberdeen University, which basically found that older people in remote and rural areas are indeed the poorest people. In Highland we have a population which is ageing faster than elsewhere in the country, so this is a real concern for us. We have heard also this morning that the nature of rural life brings extra costs, a car is an essential item rather than a luxury, food and fuel prices are higher and that coupled with isolation and a lack of access to services can make life a lot harder in rural areas. We also have some defined fragile areas within Highland and these are defined as areas that suffer from remoteness, an ageing population, poor access to services as well as a lack of economic opportunity. In terms of targeting rural poverty, we need to look at fragility rather than an urban approach which looks at concentrations of multiple deprivations. In the written submission we provided we supplied information on the extent of fuel poverty in Highland. I am not sure if you want to ask questions about that, I can provide some information on that in a moment. That is a real problem, not just in Highland but for all of rural Scotland where you are much more likely to be fuel poor if you live in a rural area and there are lots of reasons for that. Access to services is another issue, and the council tries hard to make sure that service delivery is kept local to keep jobs and services available to people. Also in our submission I think we mentioned the costs of providing services to super sparse areas where we do not have additional Government funding to deliver services which cost more to deliver because we do not have economies of scale. I have some figures on that if you are interested. That is all I would like to say just now.
Ms de Lima: Is it possible for me to pick up on a couple of points which were raised in the previous discussion?

Q43 Chairman: Yes, if you would like to, but very briefly.
Ms de Lima: Basically, I think there was an issue discussed around the lack of public transport and the way in which that is a barrier. Lack of transport could be a big barrier in terms of getting into work and I know you have a particular interest in getting people who are out of work into work. One possible way of overcoming some of the transport problems might be to provide some sort of grant or loan system for young people who would like to get into work but do not have access to a car, for example. That could be one way of providing some support for people initially to get into work by providing them with some kind of grant or subsidy initially to get them on their feet. That is one possibility and it has been suggested by researchers before[2] when they have looked at rural poverty. I do not know how complex it is because I do not know enough about it,

[2] *Note from witness:* Shucksmith, M (2000) 'Exclusive Countryside? Social Inclusion and regeneration in rural areas, Joseph Rowntree Foundation at www.jrf.org.uk

but hypothecation of, for example, fuel duties in rural areas could be used to be reinvested in transport measures[3]. You might look at things like subsidised taxes for targeted groups, dial-a-ride schemes and community transport, so there might be a way of generating an income to enable transport initiatives to take place at a local level, although I do not know the practicalities of how the fuel duty might be hypothecated. I just wanted to make those two points.

Ms Greer: Many of the problems which Carron has alluded to apply also to the kind of clients we see. There is very clear evidence from the clients who come to Citizens Advice Bureaux in rural areas of income deprivation: low income; employment issues, particularly low wage and seasonal employment; fuel poverty; debt, particularly housing and homelessness; and access to services. We obviously have our own challenges trying to provide services to clients in rural areas. We share many of the same problems as the other agencies in that respect. We are finding particularly that the withdrawal of services like Jobcentre Plus is having an adverse effect on our clients, and we have produced quite a lot of social policy evidence to that effect. There are issues around the withdrawal of local advice and support services for people who have an expectation of agencies like Citizens Advice Bureaux filling that gap without necessarily the resources being provided to us to do that. I have got some statistics for you for Highland for client use of our services if you are interested, but very broadly just to give you an idea. For April 2005 to March 2006, within Highland we dealt with nearly 11,500 issues relating to benefits and of those 2,500-ish related to disability benefits or disabled person's tax credits. Those are people who have particular access problems. Over 2,500 issues related to debt, just over 2,600 related to employment and about the same number related to housing. As Carron said, it is difficult sometimes to see those poor people but our statistics bear out that they do exist and they can be hard to access. As I say, we are particularly finding that clients are affected by closures of Jobcentre Plus and other local support. In terms of resourcing, we are also very concerned about the use of the Scottish Index of Multiple Deprivation because we do not think it identifies the hard to reach people in remote rural areas and a look needs to be given to that as it is used as a way of identifying where resources are going to go. We do not think that is appropriate for remote rural areas. The other quick issue to mention perhaps is the possibility of looking at discretionary travel passes for people with disabilities. At the moment only about one-fifth of CAB clients with disabilities have those discretionary passes, and it could make a significant difference to them if more of them have those. Similarly, access to financial support for fuel expenditure for people with disabilities who are aged under 60 in our view would be something worth considering. Just to reiterate many of the issues we come across are ones you will have heard about yesterday and from other witnesses today.

[3] *Note from witness: see* Shucksmith, 2000.

Q44 Chairman: Thank you. There are a number of factors contributing towards poverty, but in your view what is the single biggest factor contributing to poverty in the Highlands?

Ms Greer: I think our evidence would suggest low income for a number of different reasons. If you look at the statistics for the clients coming to CABs, as I say, by far and away the biggest number are to do with welfare benefits, which suggests issues to do with income.

Ms McDiarmid: I would agree, it is the nature of the rural economy where average pay in the Highland is 91% of the Scottish average and 86% of the UK average, but also a higher rate of part-time and seasonal working.

Q45 Mr Walker: Can I pick you up on that. When we were going to do poverty in the Highlands and heard about the disparity in wages, I got frightfully concerned. Then when you hear it is 86% of the UK average I am less concerned when you factor in the cost of housing in parts of the east of England and the Midlands. Despite the growth in the economy over here the housing costs are significantly lower than they are in large parts of England. Really an income of 86% superficially does not seem that big a deal. You could argue that a lot of people would be a lot better off than a lot of their contemporaries in the east of England, the Midlands, earning significantly more. That 86% masks a lot of people who are earning a great deal less because we have sat in some rooms on this visit where you have had a couple of GPs sitting in the room with you and, of course, that significantly skews average earnings in the room by tens if not twenties of thousands. Really, the 86% is almost a red herring. Where are the greatest disparities in earnings in the Highlands? What communities really are struggling, and what would be the differentials between that 86% and the reality of their daily annual incomes? Do you understand what I am saying?

Ms McDiarmid: Yes. It is not possible to say, "This community is more disadvantaged or poorer than another", because in a rural setting you have rich and poor people living next door to each other. You have to view the landscape differently in trying to understand rural poverty. The issue about house prices is an interesting one. I would agree that generally house prices tend to be lower, but in some communities within Highland, particularly those on the West Coast, very attractive communities and very appealing for people to move in to retire there who can afford the houses, house prices are entirely out of the reach of local people who could be working in seasonal jobs only or are on very low incomes. Those people are having to leave those communities because they cannot afford to stay there, they cannot afford to compete in a market where houses are sold to people who are retired moving into the area or they are sold because they have B&B potential.

Q46 Mr Walker: That is the same across the UK, that is just not cued into the Highlands. If you go to Cornwall, to Devon, anywhere, that is an issue.

House pricing is an issue for many young people and many people of all age groups, how do they access the housing market? That in itself is something which I do not think is unique to the Highlands. I am still concerned as to why you cannot identify rural pockets of poverty. We went to Bonar Bridge and when I mentioned this 86% I was nearly lynched by the audience: "What, we are earning £18,800, of course we are not earning anything like £18,800 a year". I was nearly lynched by them. I had to say, "These are figures not from me but from Scottish Enterprise and the National Statistics Office". Their view is that the vast majority of people in Bonar Bridge are earning significantly less than 86% of the national average. Can you give me an indication of what the average wage of Bonar Bridge is compared with the national average?
Ms McDiarmid: That information is not available.

Q47 Mr Walker: Why is it not available? Do you not collect it?
Ms McDiarmid: The source of information we use for that is the Annual Survey of Hours and Earnings and those figures relate to 2005, it is not designed to look at that level.

Q48 Mr Walker: So it is the 86%?
Ms McDiarmid: The council has asked for a long time to be able to have information on incomes, possibly through Inland Revenue. That information has not been made available for social policy purposes and it is a real gap in our understanding.

Q49 Mr Walker: I bet it is.
Ms McDiarmid: We have to use what is available to us. In terms of trying to identify communities, the Government statistics this year from the 2006 Scottish Index of Multiple Deprivation has quantified that there are nearly 24,000 income deprived people living in Highland, that is the Government's figures, but 84% of that number are located outwith the areas where multiple deprivation is concentrated. For example, in applying policy across Scotland, the Index of Multiple Deprivation has been used to target resources at the 15% most deprived communities. When we look at that figure for Highland, 84% of income deprived are outwith those communities, so it is much more dispersed because their settlement pattern is dispersed and diffuse.

Q50 Danny Alexander: I think this is a very important point which both you and Ms Greer also made. If the formula that is used to assess deprivation is concentrating on targeting funds towards poverty in a geographical concentration then the way in which poverty exists in the Highlands and Islands is not going to be addressed by that funding formula.
Ms McDiarmid: Absolutely.
Ms Greer: That is exactly it.

Q51 Danny Alexander: This may be a particular question for the council because I am sure this is a question on which you are in regular discussions with the Scottish Executive about, for example. Are there other features of poverty in the Highlands and Islands that you think can be taken into account in those calculations to ensure that while not in any way wishing to take away from the serious problems which exist in urban communities where geographical concentrations of poverty are much easier to identify, a fair share of funds to help address poverty could be made much more available where poverty exists in this very spread out and dispersed way?
Ms McDiarmid: Yes. I have to say, the Index which was revised this year did take into account better information in terms of access to services and we were very grateful for that. However, one key indicator of poverty is fuel poverty and that is not included at all in the Index. Within the Index there is a housing domain which looks at different housing features, but fuel poverty is not included. Fuel poverty is much more prevalent in rural Scotland than the rest of Scotland.

Q52 Danny Alexander: It seems utterly astonishing that fuel poverty is not included in a formula which is used to allocate funds to tackle poverty. That seems utterly bizarre. Is there a reason you have been given for that?
Ms McDiarmid: The reason we have been given is that the information is not available at the data zone level, but we have good information on fuel poverty from the Scottish House Condition Survey. For example, the last survey in 2003 identified that one in five households in Highland were in fuel poverty. Fuel poverty is defined as if a household spends more than 10% of its income on household fuel. Fuel poverty affects vulnerable people disproportionately, so older people, people who have a disability who may be at home or families with children who need the heating on all the time are disproportionately affected. One in three of the pensioner households in Highland at that time were regarded as being in fuel poverty. Since then electricity prices have gone up by over 60% and oil prices and gas prices have risen, so we can only assume that is a real underestimate of the prevalence of fuel poverty in the Highlands.

Q53 Chairman: Do you not think it is important to identify the pockets which are the most deprived areas? I will give you one example. In my own constituency, which I represented until last year, Pollokshaws, was the most deprived area in my constituency, but when the statistics came from the council, because one of the rich areas was connected with this pocket, all of the figures were high in terms of employment and earnings but then we questioned the council, "Why do you not do the survey specifically for this pocket?" and that was the most deprived area in Glasgow. Obviously if you want to tackle poverty in those pockets which are the most deprived then you have to have figures for that particular pocket.
Ms McDiarmid: There is absolutely no denying the need to tackle concentrations of multiple deprivation, however our point is that there is more

than one geography of poverty. In rural communities poverty is placed differently because of the settlement pattern. 40% of our population in Highland live within communities of less than 1,000 people. That is a massive proportion of our population living in dispersed and diffuse communities. You cannot identify concentrations of poverty if your population is not concentrated.

Q54 Mr Davidson: Can you identify individuals? What are you doing at the moment to target council services at poor people?
Ms McDiarmid: A number of things. There are universal services obviously which the council provides, including our education service.

Q55 Mr Davidson: I understand that.
Ms McDiarmid: Specific services around fuel poverty, the council has got its own housing stock, it has a programme of warm and dry improvements where the majority of its capital funding is invested. For example, last year over five million pounds was used to bring energy efficiency improvements to around 1,000 homes.

Q56 Mr Davidson: Is that only on poor people's homes?
Ms McDiarmid: That is on council houses.

Q57 Mr Davidson: No, the point I am making to you is what are you doing specifically targeted at poor people, these poor people who are dispersed? What in particular do you do for them?
Ms McDiarmid: In terms of council housing we focus our improvements on the lowest energy efficiency.

Q58 Mr Davidson: That is the house, you are targeting that at the house and there might be five earners living in the house, so that particular house will not necessarily be occupied by somebody who is poor because you are doing a street.
Ms McDiarmid: Generally they will be poorer than home owners.

Q59 Mr Davidson: In general but not necessarily.
Ms McDiarmid: Other things are to improve rural transport.

Q60 Mr Davidson: That is not specifically targeted at the poor because everybody in the local village will use the bus. That is not specifically targeted at poor people, is it? They will benefit from it but I am seeking to identify what it is you target at poor people at the moment?
Ms McDiarmid: Targeting at individuals, there are a handful of things. I think the first thing to talk about is the council's approach to welfare advice and money advice. In Highland I think we are quite peculiar as an authority in that we procure most of that service through the advice network. We have a very small in-house team of money advisers and a small team of people promoting benefits. We provide funding to an advice network of nine providers and an umbrella organisation of over one million pounds per annum to provide that service. We do it that way in Highland because the service is good but also because it can bring in volunteers.

Q61 Mr Davidson: Do they have an open door?
Ms McDiarmid: Yes.

Q62 Mr Davidson: So they are not targeted specifically at poor people? That would be a money advice service which anybody could come to and access?
Ms McDiarmid: Yes.

Q63 Mr Davidson: Again, what I am asking you is what do you have which is targeted specifically at poor people?
Ms McDiarmid: We have a targeted approach to benefit take-up.
Mr Davidson: That is not universal then, that is specifically at poor people?
Danny Alexander: It would only be the poor who are entitled to benefit.

Q64 Mr Davidson: The issue I am trying to pursue with you is this question of in my own area I have got poor areas where the council clearly puts resources in and it focuses them on these particular areas. You are arguing that your poverty is dispersed and, therefore, you ought to have equivalent resources of some sort. In fact, as far as I can see, you do not identify any of your spending specifically on poor people in order that that can be enhanced because most of your services are universal services. I recognise that you have got problems of rurality and sparsity and so on, but that is a slightly different set of issues from poverty issues.
Ms McDiarmid: I will give you another example, and I have got a leaflet I can give you. The council has a high-life card which provides access to all of our leisure facilities, swimming pools and leisure centres, so for households in receipt of certain benefits they can access all of these facilities for 50 pence. People who are under 18, are in full-time education or are over 60 get half price. We do have ways that we can make sure people can access services and not be deprived of that because they are poor.

Q65 Mr Davidson: If you are getting 50 pence access to swimming pools, for example, it might cost you a large amount of money to get there, so that would only benefit those who were in relatively close proximity to the pool, say, in Inverness.
Ms McDiarmid: Or they can use the subsidised public transport which the council invests in.

Q66 Mr Walker: Going back to the income issue. What percentage of your households are workless, where there is no-one in work of working age across the Highlands?[4]
Ms McDiarmid: The employment deprived population is 13,500.

[4] *See* Ev 38

Q67 Mr Walker: A household where no-one is in work?
Ms McDiarmid: No, that is the total number of people who are not working and could be in employment.

Q68 Mr Walker: You do not have any figures of households where neither the woman nor husband or two partners are not working?
Ms McDiarmid: I do not have that, I can see if I can provide that as written evidence.

Q69 Mr Walker: Secondly, we know what the gross annual pay is for the Highlands, but what is the average household income in the Highlands which is completely different from average wage? What is the average household income?
Ms McDiarmid: In Highland as of last year from the Annual Survey of Hours and Earnings it was £18,800.

Q70 Mr Walker: No, that is not the average household income, that is gross annual pay which is completely different from average household income.
Ms McDiarmid: We do not have that information.

Q71 Mr Walker: This is what amazes me. I think every other council has these figures or knows what the average household income is in the area they represent. I cannot understand how you do not know what the average household income is in this part of the world.
Ms McDiarmid: This is the best information we have.
Ms de Lima: There is an issue around an information gap and there are two aspects to it. One issue is around the way in which national surveys are undertaken and the under-representation of samples, for example in the Highlands and Islands. I know there have been discussions on the part of the Highlands and Islands Enterprise and so on, so there is a boost on samples and we can have some of this information at root level. I would also like to go back on the issue around individual households and how do you find out about the individual household poverty. There was a study done in 2003 which was commissioned by the Scottish Executive which looked at the issue around the Index of Multiple Deprivation and what should be adopted. One of the recommendations which was consistently made throughout that report was that the Scottish Index of Multiple Deprivation was a pragmatic solution to looking at spatial deprivation and that should be adopted. They also made a recommendation with the Scottish Executive, which others have chosen not to take up, which was that there was an issue around trying to understand dispersed deprivation. One way of doing that would have been by complementing it with surveys which targeted individual households and developed a picture of household poverty over a period of time. That recommendation has fallen by the wayside and has not been picked up. I am aware of this from the unit I work in about the issue around the Index of Multiple Deprivation being a blunt instrument. It recognises there is a need for it but it is a blunt instrument. Therefore they need to adopt some alternative measure which is really in the form of surveys being undertaken to get a sense of individual household poverty. Unfortunately, I do not know who is in a position to take that forward, where are the resources for this and at what level this should happen, but there certainly has been that kind of recommendation on that sort of issue. Again, I know this was an issue which came up in the last discussion around what is the impact of the recent fiscal or welfare measures that the Government has implemented around Pension Credit and so on. I have to say, we are not in a position to say the extent of that impact on communities because we do not have the data or the research which has been undertaken. There is an issue around "Whose role is it to commission that research to give an understanding of it?", therefore, what we find, certainly as a researcher, is that we are going round and round in circles. We have lots of discussions around the Index of Multiple Deprivation and why it is poor without looking at how we might address that issue in the longer term.
Ms Greer: I take your point about the need for targeted resources on areas of particular deprivation. When we are looking at our service delivery we would look at those and make sure we had adequate services there, good marketing and that kind of thing. The advantage though of the council funding us to do open door services is that it enables us to identify those people who do not think they are poor, who do not think, "I am a poor person". I do think there is a balance to be struck. At the moment in terms of resource allocation nationally that balance seems to me to be overly focused on the identified areas.[5]

Q72 Mr Davidson: Like the Highlands, I have got pockets of severe deprivation in my constituency and I have also got deprived people who are not in those areas. We have a mix of universal services, such as the CAB which does all the things you are saying, but we also have a clear focus on areas of deprivation. What I am not clear about in terms of the discussion that we are having in Highlands is (a) whether or not the council does actually do anything which is specifically targeted at poor people who are dispersed and (b) if they do not, what justification is there for saying that you ought to get more money because you have got poor people who are dispersed. If you are arguing that you want to be able to help these poor people who are dispersed but you are not doing anything for them at the moment, then it is difficult to see why you should get more money. It is the point about transport, I accept that transport is a difficulty for poor people but it is a difficulty for everybody and, therefore, subsidies for the bus services or subsidies for petrol or whatever benefit Mohamed Al Fayed just as much as they benefit the poor person in the community. That is where I have got some difficulty in terms of what you are saying to us.

[5] *See* Ev 38

Ms McDiarmid: I think what you said crystallises the real dilemma that we have. We know there are more people living in rural communities who are income and employment deprived, Government statistics tell us that, but they are not conspicuous, they are hidden because they do not all live next door to each other. The difficulty we have in reaching those people is that when the Government makes decisions around allocating funds, for example the new financial inclusion strategy for the country was launched, the funding for that was targeted based on SIMD and we got nothing at all from that fund because we did not score high enough in that Index, yet we do have a high number of employment and income deprived people in the Highlands.

Q73 Danny Alexander: Can I ask the opposite question to Ian's question, in a sense. Are there things you would like to do to target those individuals who are dispersed to a much greater extent than elsewhere in the Highlands if the resources were available?
Ms McDiarmid: We would certainly want to do more benefits promotion work in taking information out to communities and to particular venues. We do that at the moment but it is restricted by the amount of funding and staff resource we have for it. We have also just conducted a major best-value review of advice provision within the Highland which we have done jointly with the advice sector and the recommendations from that came out last year. We have been working through those to see how we could implement that model. That is probably going to be more expensive to implement in order to have consistent services across all of the Highlands so that if you are in need of financial advice or welfare benefits advice in North West Sutherland, you can get the same service as you can get in Inverness, which currently you cannot because the service coverage is not the same everywhere. If we had more of a resource we could improve the service we provide around benefits information and benefits take-up.
Ms Greer: We could also provide a range of ways of accessing that because at the moment it is a combination of face-to-face, if people can attend a Citizens Advice Bureau or another advice agency, and some telephone advice. In an ideal world we would want to expand telephony in particular to cover out-of-hours services and weekends and do a lot more home visiting than we can do at the moment. We are not resourced to do enough of that at the moment. For very deprived people in remote rural communities who cannot travel, for whatever reason, we would like to do more of that. There are also huge opportunities for us to do more outreach in GP surgeries and the kinds of settings where people are comfortable going and are less stigmatised than going into other agencies that have got "CAB" or "I have got a problem" written on them. There is huge potential for us to make our services very much more accessible, even using things like the internet, email advice services and text message services for younger people, all resource dependent obviously. We could do very significantly more than we are doing in partnership with the council and separately, but there is always the problem with resourcing that.
Ms McDiarmid: I am not sure if you are interested in the extent of debt, whether you are taking that into account in your inquiry or not, but I have got some information from a very small money advice team the council has which has four advisers and a manager. In the last financial year they dealt with over 400 clients with multiple and complex debt and the debt totalled almost five million pounds at that time. That is just our money advice service, there are also money advisers who operate through the advice network.

Q74 Mr McGovern: It is possible that my question has been answered in bits and pieces. If my colleagues had not launched in without the permission of the Chairman, I might have got in earlier! I think you were here earlier in the first evidence session and you may have heard me asking the question possibly of the wrong person. I asked Mr Brady of the Highlands and Islands about the money advice project, and someone said to me yesterday at the Merkinch Centre that they felt the money advice project was quite proactive rather than reactive in as much as it went out to communities. I would like to know a bit more about that. It is in line with what Ian was asking and possibly was answered earlier. Is there a campaign bus that goes around or do you advertise that the money advice people will be in the parish hall on the first Friday of every month or how is it done?
Ms McDiarmid: Yes, we have a benefits promotion team and they run road shows across the area and promote benefits advice. We also target particular places with information, residential homes, pensioner groups, lunch groups and lunch clubs, that sort of thing, but the team is very small and we have to fund that from core council resources. There is no additional funding to deliver those services which other local authorities benefit from.

Q75 Mr McGovern: I must have heard at least a dozen times in the past couple of days that this area is geographically bigger than Belgium and there are only four people to provide that advice throughout that whole region?
Ms McDiarmid: That is the money advice team, they are accredited money advisers and are slightly separate from benefits promotion teams, a smaller team of about a half a dozen people. That is in addition to the funding we provide for the advice network for all of their benefits advice they provide.

Q76 Mr McGovern: Are these people expected to not only man an office somewhere but also go out into the community campaigning on a bus?
Ms McDiarmid: Yes, they do home visits.

Q77 Mr McGovern: I must say I am not really surprised that apparently there is a low take-up.

Ms McDiarmid: The money advice team last year visited 233 clients at home and that was a small team of four. That is because they need to visit people to give advice because they are not always accessible.

Q78 Mr McGovern: Are there some sorts of regular surgeries in regular areas once a month?
Ms McDiarmid: The council has got 37 service points throughout the area and staff there are also able to give introductory advice around benefits. They can arrange for more advice to be provided by those who work in that full-time.[6]
Ms Greer: There are also six Citizens Advice Bureaux and three independent advice agencies and, again, they operate very similarly. There is a kind of open door for people to come and discuss debt or they can phone up or they run outreach clinics and do home visits and things as well, so that supplements what the council is doing. We do work very strongly in partnership with the council obviously to try and join up the services. We are talking about doing more of that in the future. As you say, there is always room for significantly more; we can never meet the demand, particularly for money advice, everybody is really busy.
Ms McDiarmid: The council had some independent work done to quantify the cost of delivering services in super sparse areas and that was quantified at over £12 million per annum. This is an extra cost for keeping our services local and accessible and that includes the cost of having to do home visits for certain services. That is not recognised in our grant settlement.

Q79 Mr Davidson: Can I pick up some points that we raised earlier on about what the Government has done already. We heard glowing reports earlier from the people we previously met about the impact of the national minimum wage which we see as being something which is specifically targeted at people who are being badly paid. Our impression is that this has been an unalloyed benefit to the area. Is that your idea as well?
Ms Greer: I have to say, if you look at the number of employment enquiries that we get, very many of those are to do with seasonal employment. Arguably, yes, for a short time it may raise some incomes higher than they might otherwise have been but it does not deal with the seasonality issue. We also have large numbers of enquiries from people who are not being paid the national minimum wage for a number of different reasons. I think it is a partial solution but it will only ever be a partial solution because the minimum wage is still very low. It is still a low wage.

Q80 Mr Davidson: That is three points, all of which I think are very helpful. I do not think it was ever designed to deal with temporary or part-time work, I do not think we can deal with that. On the question of the national minimum wage not being paid, clearly, Chairman, we would be very interested to hear about employers in the Highlands, or a substantial number of employers in the Highlands, who are refusing to pay the national minimum wage because that is clearly an issue of law. That is a breaking of the law and I think we would very vigorously want to pursue that. Certainly if CAB has any information on that I think we would want to hear that right away and we would be passing that on to the enforcement authorities as quickly as we possibly could.
Ms Greer: It is not so much the issue about the paying of the minimum wage, it is issues to do with tips, the provision of accommodation to people, and the degree to which people understand what their rights and responsibilities are if the employer is saying, "We are deducting x and y from your wages for those kinds of issues". It is not necessarily a clear-cut, "We are not paying you the bottom line amount of money you should be getting paid".

Q81 Mr Davidson: If there is any suggestion of improper or illegal deductions then I think we would want to know about it and I am sure either the local Member or ourselves would want to pursue that most vigorously. Certainly your third point was the question of the level. I would certainly agree, and I think the group we saw earlier would agree, that it is not at an adequate level. Do the CAB have a view as to what the appropriate level would be?
Ms Greer: I do not think so, I can check for you. I am not sure because it is not the social policy side I work on, but I can check for you and give you any information I can on that.

Q82 Mr Davidson: In terms of the council, I just want to check about the question of the minimum wage.
Ms McDiarmid: I think it is better than not having a minimum wage, that would be the council's view, but we do not have any evidence on the impact of it yet.

Q83 Mr Davidson: The council is in favour of the national minimum wage, is that what you are saying? There is some doubt in my mind about that.
Ms McDiarmid: It is viewed as a positive development.

Q84 Mr Davidson: And the council was in favour of increasing the national minimum wage, was it?
Ms McDiarmid: I am not sure about that, I do not think it has been debated in the council.

Q85 Mr Davidson: I think there is an issue for us about the attitude of Highland Council towards the minimum wage because before we came here we were led to believe that the council was dominated by basically those who were running tourism businesses and farmers and so on. We see from the corporate planning priorities that included in there is a call for more subsidies for farming and to reduce the taxation burden on tourism businesses, but there is no mention at all about the national minimum wage or the need for an increase. In the statement that you gave us as a council it mentions fuel poverty, which I understand, and issues of rurality,

[6] *See* Ev 38

which I understand, but nowhere does it mention any support for an increase in the national minimum wage or, indeed, endorses the introduction of the national minimum wage which makes us think that perhaps the council has been captured by those who do not particularly like the national minimum wage.
Ms McDiarmid: The council has not debated the national minimum wage as far as I am aware.

Q86 Mr Davidson: And they have no view on it as far as you are aware?
Ms McDiarmid: There has not been a debate on it is what I am saying.
Ms de Lima: Can I make a point about the national minimum wage. I have been involved in two major studies around the issue of migrant workers in the Grampian region and in the Highlands. I think there is an issue around the lack of transparency in what migrant workers are being paid with regard to the minimum wage, and this especially applies to the tourism sector and the fish processing industries to some extent because there are some employers who may provide accommodation amongst other services and within this context there is a lack of clarity about whether people are being paid the right amount or not. Certainly the employees themselves are not able to work out whether they are getting paid the right amount or not. I have to say, this is consistently the case in terms of the evidence I have found through our research, both in the Highlands last year and in Grampian which is ongoing at the moment; there is an issue around all of that. There is also an issue around the employment of migrant workers, and if you look at the evidence they are affecting rural areas disproportionately. There are large numbers of East Europeans who specifically come to rural areas because of the nature of the economy and labour market opportunities. I think there is a really interesting issue which at the moment we do not understand, which is the impact of migrant workers on the workless households, how that is impacting on the ability of people who might have been working in fish processing factories or the tourism industry, how is that going to affect those communities in terms of accessing work? There is an issue around that sort of aspect of the labour market as well.

Q87 Mr Davidson: My impression from my own area is because of the influx there would be displacement, that those who we are trying to move from welfare into work would be displaced by migrant labour and the effect of migrant labour would be to hold down wages so that the minimum wage becomes the maximum wage.
Ms de Lima: I think it is an interesting issue as well because it is not in the interest of some of the public sector bodies to find out too much about this. I am not going to be more explicit than that. There is an issue around not probing this whole issue enough. I also think there is a role for some public sector organisations possibly, such as Highlands and Islands Enterprise, in their procurement and in their dealings with the private sector to start establishing a good framework, a good code of practice in relation to employment issues. I have to say, I have not seen a lot of evidence of that as yet.

Q88 Mr Walker: I have still got concerns about statistics here, and I am sorry to keep coming back to it but I think statistics are very important for understanding the scale of the problem one is facing. What percentage of households in the Highlands are in fuel poverty?
Ms McDiarmid: As at 2003, 21%.

Q89 Mr Walker: Can I ask you a question, and I am sorry if I sound like I am trying to catch you out. How on earth do you know it is 21% if you do not know what household incomes are because fuel poverty is based on the percentage of household income spent on heating a home? About 20 minutes ago you said there were no numbers for what household incomes were, so somewhere along the line there is a problem here.
Ms McDiarmid: Philomena explained that what we have to do in the Highlands is conduct surveys to find that because normal statistics do not always reflect the position in the Highlands. That is based on the Scottish House Conditions Survey and that is based on surveyors going into homes and looking at the condition of the house and speaking to the householders. When they were asked, "How much are your fuel bills and what proportion of that is your income?" that is how they calculate whether or not people are in fuel poverty. If it is greater than 10% of their income spent on household energy then that is fuel poor.

Q90 Mr Walker: I think these are pretty dodgy statistics here.
Ms McDiarmid: That is a nationally applied standard and it is the same approach used throughout the country.
Mr Walker: It could be dodgy nationally. I do not understand how, if you do not know what average household incomes are, you can have any real view that has some basis of fact of what household fuel poverty is. It could well be that this is being underestimated as a result. It would strike me that knowing what household incomes are across this region is an essential challenge before you can start addressing the issue of poverty.

Q91 Mr McGovern: A point of information for Carol. Quite a lot of MPs are actively involved in campaigns which could have a positive impact for those on the lowest incomes. For example, a number of MPs are involved in a campaign to outlaw the practice of including tips in the calculation of the national minimum wage. Recently a number of MPs have also been involved in campaigns to ensure that free ATMs are installed in the lowest income areas and that has been successful, HBOS and the Royal Bank of Scotland have agreed to install hundreds of them. Also, three of the six power companies have recently agreed that clients who are using prepaid tokens for their energy, when the tariff goes up and the metre has not been recalibrated they are not going

to be seeking back payments. These are the results of parliamentary campaigns, I would say. There are a lot of positive things happening and MPs are working to help people on the lowest incomes.

Ms Greer: Yes, we work very closely more in Scotland because our colleagues in England and Wales tend to work more out of Westminster, but absolutely, yes. Obviously if we can give you social policy information which is useful we absolutely will.

Q92 Danny Alexander: Another point related to the one which Jim has quite rightly made, and this is a question for Carol but I would be interested in other views as well. In terms of service delivery at a local level, one of the things mentioned earlier was the role post offices can play in having a very locally community-based, particularly for financial services, financial inclusion of debt. As Jim would know, if all the major banks allowed post offices to access their cash cards at post offices then more or less every village would have a free to use ATM. I wonder what your perspective is on the role that post offices can play in the Highland context and what impact taking the services away, which will be announced this week, is likely to have?

Ms Greer: I think it is safe to say that Citizens Advice Scotland has been doing quite a lot of lobbying and campaigning to keep local post office services for precisely the reasons you are mentioning, particularly access to financial services. One of the big issues for people in poverty is access to affordable credit and the prevention of people getting into debt because the guy from the Pru comes and knocks on the door. If you provide local financial services, post offices are crucial for that, they are absolutely vital. We would very strongly support local post offices remaining in place. I have got some evidence about paying ATMs. I have extracted a social policy report about a client from this area who uses ATMs to manage her money, so she only takes out a little bit at a time so she cannot spend too much basically. The only way she can do it free is by using public transport to get to her nearest small town. When she cannot afford to go to the small town she has to pay for the ATM in her local shop. In one month that couple incurred £13.50 worth of ATM charges which, of course, they could not afford on a very low income. I know ATMs are a slightly separate issue from post offices but it goes along with it. If you take the village I stay in, the post office runs a free ATM and next door the shop runs one which people have to pay for. If that post office goes then it is going to be a paying ATM and I am sure that will apply across the whole area. We would be very strongly supportive of keeping the post office service and also expanding the free ATMs, as Mr McGovern was saying how important that is and in rural areas even more so because to access a free one you are going to have to spend money on public transport to find one, so absolutely, yes.

Q93 Mr Davidson: Can I come back to something else we have done like the national minimum wage and that is Pension Credit, and I would like to hear your views on that. It has been clearly designed to target those pensioners who are in the greatest need. My impression is it has been universally successful where it has been taken up but there is an issue of take-up. I get the impression that the council here again are not as vigorous with others in promoting take-up here as they are in other areas. I think I am aware of people's anxiety of it not being seen to be in the parish and we have that in my constituency and elsewhere. Can you illuminate us as to whether or not (a) where it has been applied it has been successful and (b) whether or not there are any particular take-up issues here that we ought to be aware of which could not be overcome by more vigorous campaigning?

Ms Greer: I do think there is an issue about take-up and you see that issue you are raising applies to benefits and tax credits also probably equally. We do encourage people and we do take-up campaigns, but part of the difficulty from our perspective is resourcing if we get a high demand for that. We do take-up campaigns on these issues but they tend not to be particularly high profile if we are under-resourced to deal with a large volume of enquiries generated from that. I have statistics for last year and for the bit of this year up-to-date. For Pension Credits in Highland 2006–07, that is for the current year, we have had 248 enquiries in the year to date. Pension Credits for the year before that was 586, so we are getting people coming to us asking about Pension Credits, but what we do not know is the unmet need for that which will probably be high.

Q94 Mr Davidson: Certainly my own council, as well as myself and councillors doing stuff, were informing home helps, for example, and getting them to be active in terms of approaching people about claiming Pension Credit. Is Highland Council equally active?

Ms McDiarmid: I would say there is a general effort made for people who work front-line with people in need to know that they can apply for benefits, but to have the detailed knowledge of who will qualify and who will not qualify would not be for home helps, it would be to signpost those people to get help from the benefits promotion team or from an advice bureau.

Q95 Mr Davidson: The benefits promotion team are a small group of people covering an area the size of Belgium, as I think we heard already.

Ms McDiarmid: Most of our resource for advice provision is directed to the advice network almost one million pounds every year paid to the network to provide advice to the Highlands. To a large extent that service is outsourced and we do it with the voluntary sector because they can bring in volunteers so it is more economical and it can be a useful route for those volunteers to get into paid employment.

Q96 Mr Davidson: When we were speaking to people in the groups we met I certainly got the impression that the council is not as vigorous here in promoting the take-up of Pension Credit as it is in other areas. You are suggesting to us that is unfair, are you?

Ms McDiarmid: I would have to look at that more carefully to give you an answer rather than giving you one just now. I can supply that as written evidence if you would like.[7]

Ms Greer: Can I add that the Citizens Advice Bureaux do have a good relationship with the Department for Work and Pensions and we do exchange information. If we know of somebody who is aged 60 or over who would benefit from a home visit to discuss Pension Credits, amongst other things, then with the client's permission we would pass that information to the local pension service who would go out and do that visit and vice versa; they will swap client contact details with us. We have a project funded by Macmillan Cancer Relief in Grampian where we have set up a formal arrangement for patients with cancer because it is Macmillan who is funding the project. We have got a formal referral system set up there so we can refer people backwards and forwards. The pension service people would go out and do those home visits. If they cannot answer all of those enquiries they will pass the person back to us. If the person needs a review or an appeal then, again, they will let us know the outcome of the case and refer them in to us so we can take that up and immediately do the reviews and the appeals. That is a model we are very keen to pursue in Highland now, and at the moment we are discussing with Macmillan Cancer Relief about setting something similar up in Highland so it is very much closer and there are benefits us and them and saves everybody money, hopefully.

Q97 Mr McGovern: A fairly simple question but there is probably not a simple answer to it. What do you consider to be the most important steps the Government could take to alleviate poverty in the Highlands and Islands region?

Ms McDiarmid: I think there are a number of fairly straightforward things which could be done. Looking at the level of the winter fuel payment would be a good thing to do given the fuel price increases and the extent of fuel poverty in rural areas. It would be useful to not just attach the warm deal of energy efficiency improvements to those in receipt of benefit but also to look at how they could be used for families on low incomes. There is more work that can be done to encourage energy providers to make sure that pre-payment meter charges are brought in-line with those paying quarterly by direct debit, for example. Fundamentally, I think the Government needs to be much more sensitive to the geography of poverty in rural areas and not look through an urban lens at the issues.

Ms Greer: I would agree very much with that, and I would add for the Government to look at issues to do with debt, the extent to which creditors lend and the terms under which creditors lend. I would like to see some more concerted action to prevent creditors lending money to people who cannot afford to repay it. There are schemes—I cannot remember, I think it might be in Australia or New Zealand—whereby if creditors lend inappropriately then they are asked or—presumably it is legal—have to give money to the advice services who then support the people. I think there are issues around looking at credit and preventing people getting into the kind of debt they are getting into by being encouraged to borrow when really they should not be. They should also look at issues to do with the amount of interest that is charged. I also think when the Government is considering things like closures of Jobcentre Plus they rural proof those and look at the disproportionate effect that can have on people in rural areas in terms of them then having to travel to the nearest job centre for what are mandatory interviews. These people do not have a choice about whether they go for these interviews, they must do it. They incur the travel costs and the inconvenience with that. If you take, for example, the closure of the Thurso Jobcentre Plus, people are then having to travel to Wick and that costs them around £3.90–£4.00 to get there on an unreliable, infrequent bus service where they are probably then going to have to wait for a long time when they get there, depending on when their appointment is, so they are going to have to shelter and have a cup of tea or whatever.

Q98 Mr Davidson: What is the answer to that then, outreach, because obviously we cannot keep offices open everywhere? Is it sending people out on outreach to do that?

Ms Greer: In my view, yes. I think the pension services has proved that could work very well.

Ms McDiarmid: Carol has just inspired me; another opportunity there is to look at how different types of Government services can be co-located in areas. The council invests in a network of 37 service points to make sure that no-one in the Highlands is more than 30 minutes away from a council service point. There is no reason why these service points cannot be developed to host, either on a permanent or temporary basis, Jobcentre Plus staff as well as other advice providers. We do that with the tourism sector in some of our areas but we would be very keen to co-locate services to keep them local.

Q99 Mr Davidson: Have you asked the DWP about that?

Ms McDiarmid: We have asked that question of passport offices. I am not sure if our staff working in the service point network have done that for DWP but we can.

Q100 Mr Davidson: We do not want to go away and give them a row for not doing it if you have not asked them to do it.

Ms McDiarmid: No, but it would help for you to encourage them to consider that as a request and also to emphasise what Carol was saying about the importance of keeping services local, for the council to do that, that needs to be reflected in its grant allocation and for the super sparsity information to be taken into account better.

[7] *See* Ev 38

Q101 Mr McGovern: You will need to excuse my ignorance on the point, but if these interviews are mandatory are the transport costs not paid for them?
Ms Greer: No.
Danny Alexander: They are if you are travelling to a job interview but not if you are going to a mandatory—
Mr McGovern: Jobcentre interview?
Danny Alexander: A job seeking interview.

Q102 Mr McGovern: Has the Highland region benefited from the relocation of the headquarters of the Scottish National Heritage from Edinburgh to Inverness and if so, how has it benefited?
Ms McDiarmid: I would say absolutely, yes. There are more better paid jobs in the area and the building which has been designed is a flagship of sustainable development for the Highlands and one which other developers should take into account.

Q103 Danny Alexander: This is to the Highland Council specifically. In paragraph 3.11 of your written submission you mention that the ageing population in the Highlands is growing at a faster rate than the rest of Scotland and you made that point in your opening statement as well. Could you tell the Committee what are the main problems faced by the elderly in remote and rural areas, for example heating homes, poor access to banks and post offices, feelings of isolation and so on? As that share of the elderly population grows what additional stress does that place on the service provisions to tackle those issues?
Ms McDiarmid: Because we tend to have a low wage rural economy your income in old age is often related to your income when you were younger and when you were working, so your pension is going to be lower. It is a real time bomb for the Highlands. As we have more people on low wages they will also be poorer in their older age. Just because of our demographic profile our ageing population is growing at a faster rate in Highland. You can already see some of the difficulties attached to that around fuel poverty where one in three pensioner households were assessed as being in fuel poverty from the Scottish House Conditions Survey compared with one in five of households generally in Highland. That is far higher than it is for Scotland as a whole. The research which was done by Aberdeen University was very clear that older people in remote rural areas rather than just rural areas are particularly disadvantaged and that is not helped by having poorer access to services. There are some real issues for the council around the provision of care for older people, for them to remain in their own homes, and that we have to pay for home carers to travel to provide that support at home. That costs a lot more than if you have got a carer who is dealing with two or three people in the same street; it is not that straightforward. There are extra costs around service delivery. We would not want to disadvantage older people by them having to leave their community and their home to move somewhere else to have residential care; that is the worst case scenario for us. In terms of providing care, in terms of keeping services local and looking at our ageing population, there are some significant issues for the council.

Q104 Mr Davidson: Following on from that point about the question of people retiring on low wages and therefore low pensions, I think you would accept that both by reducing the national minimum wage, which the council has not got a policy on, and also Pension Credits we are trying to address both of those issues. What I want to clarify is the question of to what extent is the increase in the ageing population a result of people moving in here as distinct from locals growing older? Are there particular issues which are caused as a result of an influx of elderly retirees?
Ms McDiarmid: There is a geographical pattern to answer that question. Some of the West Coast communities have had a higher proportion of people moving into the area who are older, but generally our inward migrants to Highland are of working age. In parts of Wester Ross and Skye a higher proportion of inward migrants are older.

Q105 Mr Davidson: These are the so-called "white settlers". Are there any particular issues which arise from that other than you having an increase in the number of elderly? Do they bring any particular problems with them that we ought to be aware of?
Ms McDiarmid: Where we have more people living in remote areas who are older and they then develop care needs, it is more expensive and more difficult for the council to provide that.

Q106 Mr Davidson: They pay their council tax all their life down South and then they come up here and the burden falls on you?
Ms McDiarmid: We welcome all incomers.
Mr Davidson: You are very diplomatic.

Q107 Danny Alexander: In your submission, again this is specifically about the council, you are criticising the Scottish Executive for its limited funding of the rural service priority areas and also suggest that Scotland would benefit from the equivalent of England's Commission for Rural Communities, of course quite rightly pointing out that there is a larger proportion of rural communities living in Scotland. Is that something you have discussed with the Executive? Do you have any views as to why such a commission has not so far been established in Scotland?
Ms McDiarmid: I have been very impressed by the work of the Rural Commission in England. The key role they have in a rural proofing policy appears to be very useful, and Carol has also raised how useful that would be in terms of understanding the impacts of Scottish Executive policy so that rural needs are taken into account. We have asked for the same type of work to be done in Scotland and initially SERAD expressed an interest in looking at how to understand rural disadvantage better, but that offer seems to have been withdrawn fairly recently. I am not very sure why there is a feeling that we do not

need a rural watchdog or a rural commission for Scotland when we have more extremes of rurality than exist in England.

Ms de Lima: Over the last 18 months or so the UHI Policy Web has been in some discussion with universities as well as some public policy agencies to set up what is called a "Scottish Academy for Rural Policy". The idea of the Scottish Academy for Rural Policy is that it would bring all the disparate interests across universities as well as public agencies together to start looking at the issues affecting rural communities in a coherent and co-ordinated way. It would also set up a mechanism for rural proofing policies and to evaluate what is happening in terms of policies impacting on rural communities. These discussions are still ongoing, although there seems to be some reluctance to engage. I think the concept is seen as a good idea, however there is a lack of clarity about what the right mechanism should be. I know there are also rural observatories, for example I think there is one in England and one in Wales, which provide a similar sort of function where they make observations on what is happening in rural areas and perhaps produce an annual report and so on. Discussions are ongoing and it is a bit unclear about where it is all going to end up. I know that the Commission for Rural Communities in England has been looking at rural proofing but I understand that the practice of rural proofing is far from wide spread and consistent in England as yet. Carol has already raised the issue about the way in which maybe a closure of the Jobcentre Plus might mean nothing in another area but could have a significant impact on rural communities. That is just one example of other issues where we need to rural proof policies. We need a mechanism for it and we are not quite clear why agencies such as the Scottish Executive appear not terribly keen on having something independent.

Q108 Mr Davidson: Can I ask about the University of Highlands and Islands and also the colleges and so on that there are here. To what extent are they providing a full range of services to people who need either higher or further education for the job market?

Ms de Lima: The different colleges with the UHI are independent; although they are part of the University of the Highlands and Islands they also operate as independent entities. I am aware that through the Scottish Funding Council colleges have to produce business plans that look at their local communities and address the issue around the labour market needs.

Mr Davidson: I was wondering whether or not there are any major identified gaps?

Danny Alexander: Construction is a huge one.

Q109 Mr Davidson: Why is that a gap and why is that gap being allowed to remain?

Ms de Lima: I think there is an issue around how much public funding is available for apprenticeships, as I understand it. I have had some interesting conversations with the construction companies as well as the Construction Industrial Training Board over the last two years or so that I have been doing the work on migrant workers. My understanding of it from the sector is that the sector to fund more apprenticeship places than are currently being made available through the public funding mechanisms which exist.

Q110 Mr Davidson: You are saying that they are not doing that?

Ms de Lima: They would claim that there is not enough funding for the number of people who would want to take up an apprenticeship.

Ms McDiarmid: Mr Davidson, there was a study done two years ago looking at construction sector skills and it was jointly done with HIE, Communities Scotland and the council. That showed that there was a current gap and the gap would continue to grow unless there was some kind of intervention. I am aware that one of the things which has happened since that study was done is that with all housing association developments—and they build all the new affordable housing in the area of around 500 units per annum—there is now a requirement for contractors to employ apprentices and that is monitored through the CITB. The first monitoring report has been produced and the results of that have not been as good as they might have been, so there is now work underway to make sure that part of the contract is complied with better. I am also aware that I think Inverness College is specifically looking at training for those in the construction sector around renewable technologies which is very important for this area because of the growth of renewable energy sources and projects.

Q111 Mr Davidson: Does the council make a similar stipulation in its contracts that there has got to be numbers of apprenticeships and does the health board do the same?

Ms McDiarmid: The council also has its own apprenticeship scheme within its own workforce. I am not sure about the health sector. I can send you the summary of the research if you would be interested.[8]

Q112 Mr Davidson: That is helpful in identifying the question, but are there other areas in which the local colleges and UHI are not meeting identified demand?

Ms McDiarmid: I am aware that in the council we have skills gaps in a number of professions: engineering, social work, social care and also for a while in teaching, but the council has developed particular approaches to each of those so that now, for example, you can train as a teacher and stay in the Highlands without having to go to Aberdeen, Glasgow or Edinburgh. That work is being done jointly with Aberdeen University.

Q113 Mr Davidson: One of the issues we were discussing earlier was the whole question of progression into employment and so on and, apart from the one you identified with construction, there

[8] *See* Ev 38

should be no other gaps in terms of the job market identifying vacancies and people being able to train for those.
Ms McDiarmid: I think the health service struggles to have consultants in some of the more remote parts of the Highlands.

Q114 Mr Davidson: Yes, but, to be fair, you would not expect them to be trained locally. In terms of things that you would not normally expect local people to train for and then work locally there are no major deficiencies?
Ms McDiarmid: I think there are difficulties but there are different routes being developed for each of those, so the school example is one, also for bringing more Gaelic teachers into the Highlands there are different arrangements for that. If you want I can provide some written evidence on what the council is doing in those areas.[9]

Q115 Mr Davidson: It would be helpful to know that.
Ms de Lima: I think different colleges will have different strategies. I am not aware of there being a co-ordinated approach or mechanism for that. For example, the North Highland College will have—I do not have the information here—a lot of links with Dounreay. I think different colleges will have different links to their local employers. There is not an overview, as far as I am aware, of mechanisms for addressing labour market shortages and needs, it is very much dependent on each college and each department sometimes even within a college.

Q116 Mr McGovern: Does the college provide courses that are specific to the construction industry?
Ms de Lima: They do.

Q117 Mr McGovern: I know that many years ago when I served my own apprenticeship I was allowed day-release to go to college in Edinburgh. The contracts that you mentioned earlier were the various housing associations, the health board and the council's own departments, is there a stipulation in these contracts that the apprentices must be allowed release to go and attend these courses?
Ms de Lima: For the construction industry certainly Inverness College is one of the very successful departments where that is happening, but I could not speak on behalf of the other colleges and what is happening elsewhere. It is certainly better. The construction industry is by far one of the most successful and very buoyant aspects of the college. There are also initiatives with the NHS around access courses for nurse training as well which I am aware of. There are those sorts of initiatives taking place. It would be very difficult to say who would have an overview of it in the context of the Highlands and Islands.

Q118 Mr McGovern: That covers the courses which are available and I am delighted to hear that, but are apprentices guaranteed to be allowed to attend them?
Ms McDiarmid: I would be surprised if they were not. They should be.
Ms de Lima: They do have block releases and things.

Q119 Mr McGovern: Yes, but 30-odd years ago when I served my apprenticeship, for example—at that time it was a City and Guilds, London Institute certificate you were trying to get, I think the equivalent now is the SCO FEC or something else—some firms allowed the apprentices to go and others said, "No, it is a waste of time, you are not going to the college". Where contractors are dependent upon council or housing association contracts, does it stipulate that they must allow the apprentices to attend these courses?
Ms McDiarmid: I will check that and put it in writing to you.[10]

Q120 Mr McGovern: Where do the majority of the students come from? Upon completion of the degrees or vocational courses do they tend to stay in the Highland region or go back to where they came from or migrate to somewhere else in Scotland or the UK or even beyond?
Ms de Lima: On the basis of my own experience of contributing to the social sciences aspect of it, most of the students came from the local areas, for example around Inverness and Ross-shire, so they tend to be mainly local students. For example, in the social sciences increasingly they are young students studying at Higher National Certificate/Diploma level. It was a course designed for mature students but increasingly young students who do not want to be away but want to spend an extra year or two in the Highlands will take up that opportunity and then possibly move on to other degrees. With the UHI coming on-stream now people have the opportunity of staying on and doing degrees, so you do get that kind of grouping of people. In terms of where people end up working, again the college will have a system of tracking where these students end up because there is now a system for sending questionnaires out to students but it does depend on them returning them. My experience of working at Inverness College for 12 or 13 years is that most of the students tend to find work locally, they do not tend to move away, but they tend to be mature students who usually have very good reasons for staying here.

Q121 Danny Alexander: One of the things we heard this morning from Sandy Brady from Highlands and Islands Enterprise was about population, the structure of population in the Highlands and there being this 16 to 35 age group where there is a substantial dip in the population compared with the rest of the country. I wonder whether you would see the development of UHI, and particularly the development potentially of a UHI facility with a campus in Inverness, as being a route to bring more

[9] *See* Ev 38

[10] *See* Ev 38

people into the Highlands to study to counteract the outflow of people who will inevitably get to go to university but are going elsewhere?

Ms de Lima: That is very much seen as where the University of the Highlands and Island ought to be going in the longer term. We are all aware that young people will want to leave and experience life somewhere else, indeed I am sure that people in the Highlands would want them to do that, the key issue is if they go away would they come back if they were given the right job opportunities? There is that aspect of it. There are also issues around the University of the Highlands being attractive to young students from elsewhere. It is a long-term strategy and I think we have a long way to go yet and that is not surprising because universities take a long time to get established. In my view, I am sure, that is what the longer term objective should be, attracting younger people to come here and selling the Highlands and Islands to a much wider audience than is the case at the moment.

Ms McDiarmid: We are fortunate in that most of our inward migration is of people in the working age group. The majority, I think it is 82%, of inward migrants coming from the accession states are aged between 18 and 34.

Q122 Chairman: My question is to Carol. The people who come to you or to your organisation for advice, what percentage of those people coming to you for advice are coming with problems related to poverty?

Ms Greer: That is a very difficult question, but I would have said that if you look at our stats the vast majority—I will leave some statistics with you for the last complete year and for this year to date—by far and away the biggest area of inquiry for us is welfare benefits, so by definition people who are certainly on low incomes and arguably living in poverty. That is the biggest overall area of inquiry. The second biggest single issue is debt, which obviously affects people's income. It is hard to say exactly because obviously we do have an open door policy but if you look at the range of enquiries that people bring to us and if you look at welfare benefits, the total over the last complete year was 11,478 which was 40% of the overall total. If you added those together with some of the other ones which are indicators of poverty, like debt, the percentage would be very high. I could not give it off the top of my head, I would have to work it out from the figures, but I would say the majority. When I first started in this job about 11 years ago we dealt with very many more things like simple consumer enquiries. What is very noticeable in the trend of enquiries is the degree of complexity of them and the number which are relating to poverty related issues like welfare benefits, debt, housing, homelessness, those kinds of issues.

Q123 Chairman: Do you have people coming to you with health issues or marital difficulties?

Ms Greer: Very many, yes. In Scotland we have set up a strategic partnership between Citizens Advice Scotland and NHS Scotland via the Executive. Part of the rationale for that is to try and provide more general advice and information to people on issues which affect their health, poverty obviously being a key one and low incomes being a key one. We are working at the moment to try and translate that into local partnerships between Citizens Advice Bureaux and NHS boards so that they will fund what we are calling an "Independent Advice and Support Service" which has got two functions: one is to support people if they want to complain about the NHS; and the other one, probably more important from our perspective, is the delivery of advice and information to people who need it about things which affect their health, like income, housing, relationships, debt and so on. We are in the process of negotiating it at the moment, but we do get large numbers of specific health related enquiries as well, very many about disabilities and long-term illnesses.

Q124 Mr Davidson: In terms of the profile of the questions and enquiries you get, is it vastly different from that across Scotland as a whole? Is there an enormous peak in a couple of subjects that you do not encounter elsewhere in Scotland or is it pretty much the same sort of pattern?

Ms Greer: It is fairly standard. Nationally welfare benefits is the biggest area and nationally debt. You do get some local variation. There are pockets in the Highlands, as other people have said, where housing is particularly difficult, so in those areas you would probably get a higher ratio. If you look at the specifics of things like consumer debt then you will get much more catalogue debt and related debt in some areas than you might in others where there is more access to shopping. There is some local variation but it is not very significant.

Q125 Mr Davidson: I am aware of what the CAB does locally in my own area, but what I am not clear about is whether or not the patterns of poverty and misery which they deal with there are replicated here or whether or not there are any particular issues here that they would not have picked up otherwise?

Ms Greer: I would have said not really, no. Where you are looking at issues like access to Jobcentre Plus, like I said earlier, our perception certainly, and we think clients' perception, is that they are disproportionately disadvantaged by that but it is the same issues that are coming up broadly underneath that.

Q126 Chairman: Can I thank you for your attendance and for your evidence. Before I close the meeting if you want to say anything in conclusion, perhaps on an area which has not been covered during our questioning, please feel happy to say so.

Ms Greer: No, thank you.

Chairman: Thank you very much.

Supplementary memorandum submitted by The Highland Council

1. The Number and Proportion of Workless Households in the Region

The oral evidence provided stated that the employment deprived population of the region is 13,500. The source of this information is the Scottish Index of Multiple Deprivation (2006). The Scottish Household Survey does provide information on the number and proportion of workless households, but the definition includes every household where the head of the household is aged 16 years or older. It therefore includes the retired population and this inflates the figures, particularly for rural Highland where a higher proportion of the population is older. For Highland the 2003–04 data identifies 33,098 households, 35.7% of all households in the region. Clearly this is inflated to the extent that it is not usable. We have looked at how we can refine the survey data for our area to take into account those of working age but the sample size is too small (around 1,000 households) to make the answer robust.

2. Average Household Incomes

On the average incomes for the Highland population the oral evidence provided quoted £18,800 gross average annual pay from the Annual Survey of Hours and Earnings and that we did not have information on annual average incomes. Having checked all data sources available to us I can confirm that national data on household incomes is available from one source, CACI Paycheck. The provider of that data advises that "Paycheck profiles all 1.6 million postcodes in the UK using information on over four million households from lifestyle surveys and Census and Market Research data. It is available as a mean, median and mode figure for each postcode or as a PayCheck type". It claims to have information from 16% of households in the UK.

The most recent figures from this source (2005) show the annual average household income for Highland at £28,825 compared to £29,909. The median figures are £24,692 and £25,248 respectively. Within the Highland area there are significant variations in the average household income from this source with some parts of rural Sutherland the average household income figures are 75% of the Highland average. In the Bonar Bridge are visited by the Committee members, the average household income is 88% of the Highland average.

Although this data source corroborates other data showing that Highland income levels are lower than the Scottish figures, historically the Council and its partners have tended not to rely on this source of information because of concerns about data reliability. Detailed information is not available from the provider on the surveys used, the geographical coverage, and the way in which profiles are built up or the analytical techniques used to cope with varying coverage.

3. Incomes Data Generally

The difficulties in quantifying the extent and distribution of poverty, in terms of incomes, in the region are clear from the oral evidence provided and from this supplementary evidence provided. Committee members will no doubt recall the evidence from Philomena de Lima (in answer to question 71) which highlighted academic concerns about the way in which national surveys are under-taken and the under-representation of samples in the Highlands and Islands.

It is worth noting that the Scottish Index of Multiple Deprivation (the source used most often by the Scottish Executive) itself measures income deprivation not from incomes data but from take up of certain benefits, namely: Income Support; Pension Credit; and Job Seekers Allowance. It seems that the lack of reliable incomes data is not peculiar to the Highlands or to the Highland Council.

The sense of frustration showed by some Committee members from the lack of reliable data is shared by the Council and its partners. **It would be extremely helpful if the Committee could consider how its enquiry may press for better incomes data, improvements to sampling methods in the Highlands and Islands and to consider whether there is a role for information to be provided from any other Government source including the Inland Revenue.**

4. Promoting take up of Pension Credit and the Work of the Council's Benefits Promotion Team

The oral evidence provided explained that the majority of the Council's resources for promoting benefit take up are routed through the independent advice network, amounting to almost £1 million each year. Service Level Agreements are in place with the network of nine providers across the region, also detailed by the evidence provided by Carol Greer. In addition to this the Council has a small dedicated in-house resource comprising:

— A money advice team (five accredited money advisors plus one accredited manager).

— A Benefits Maximisation Team (two staff members). This team has exceptionally high skills in all welfare benefits and completion of applications for all welfare benefits, including Pension Credit (PC), Attendance Allowance (AA), disability benefits etc. In the last year the team achieved total gains of £626,322 the following take-up:

AWARDS AND GAINS BY BENEFIT (1)

CTB Awards	*CTB Gains*	*HB Awards*	*HB Gains*	*PC Awards*	*PC Gains*	*AA Awards*	*AA Gains*
164	£162,108	49	£108,040	40	£88,468	23	£64,411

AWARDS AND GAINS BY BENEFIT (2)

DLA Awards	*DLA Gains*	*CA Awards*	*CA Gains*	*Other Awards*	*Other Gains*	*Total Awards*	*Total Gains*
16	£54,855	14	£20,342	47	£128,099	**353**	**£626,322**

The work for this team is generated from self-referrals from customers, with very strong links to Social Work and Housing Services. The team also receives scans from DWP containing information about customers with potential entitlement to particular benefits. The Maximisation Team hold weekly surgeries, eg in Merkinch (visited by the Committee), visit customers in their homes, provide talks to community groups and community councils, run road shows as well as meet customers in Service Points. **These two posts are currently funded by DWP but the funding ends in March 2007.** The Council is currently considering whether both posts can be mainstreamed although currently the Council is reducing staff (20% of management and 5% of other staff) to meet budget targets.

— 3 Visiting Officers to provide the specialist Housing Benefit (HB) and Council Tax Benefit (CTB) advice including assistance with completion of application forms for various benefits such as pension credit. Visiting Officers visit customers in their homes.

— Front-line advice on Housing Benefit and Council Tax Benefit is delivered also through the Service Point Network staff (37 local offices) and in the Service centre (telephony service).

— * Expert advice on Housing Benefit and Council Tax benefits and general welfare benefits advice is available through eight Area Finance Teams.

5. Skills Shortages, Gaps and Apprenticeships in the Construction Sector

The summary findings from the study of construction and building services contracts in the Highlands and Islands is appended. It highlights shortages in nearly all buildings trades and gaps in managerial skills. It includes a number of recommendations including training.

I can confirm that where Modern Apprenticeships are in place with contractors and indeed through the Council's own scheme (which recruits six to nine apprentices each year) all apprentices attend local colleges for construction skills training.

6. The Council's Approach to Working with Colleges to meet Skills Gaps and Shortages in its Workforce

The Council's current approach to meeting skills gaps and shortages in labour include:

a. Working with Inverness College and CITB to deliver craft training to six to nine apprentices each year in craft construction disciplines.

b. Recruiting Motor Vehicle apprentices.

c. Training and certification to meet SSSC Registration requirements for Social Care workers is delivered mainly in-house, with some programmes through Inverness College and North Highland College.

d. Basic Skills support including Return to Learn and Improve Your Study Skills are delivered by Highland Council through the Workers Education Association (WEA) in partnership with NHS Highland.

e. The development of basic ICT skills and competences for staff is delivered in-house, so that we can address geographical barriers.

f. Working in partnership with Northern College in Aberdeen to develop a distance learning, part-time teacher training programme to develop local teachers.

g. A two year programme of training unqualified staff to become Social Workers and also have a programme of "Practitioner Trainers" to provide training to the Council's Home Carers.

h. Working with Inverness College to provide SVQs in Early Years Care.

i. Working with Queen Margaret University, Edinburgh in the development of their new Executive Masters in Public Service Management.

j. The Council has also had discussions with the University of the Highlands & Islands Business School and Open University about the possibility of accrediting the Management Competency Framework, but this is early days. There has also been discussion with UHI about relevant CPD modules for managers, but this is under development.

k. Working with Sabhal Mòr Ostaig (the Gaelic college) to provide a distance learning course for staff wishing to develop their ability to work with the public in Gaelic.

l. The Council has a Youth Recruitment Programme (currently being reviewed to ensure compliance with Age Discrimination Legislation). This programme promotes recruitment and training for those aged between 18–25 and includes apprenticeships, other SVQ training and has links to specific graduate recruitment programmes such as that within the Property & Architectural Service. The review of the Youth Recruitment Programme will also include the setting up of bursaries to support young people from Highland to gain work experience within the Council and qualify in areas of skill shortages.

HIGHLANDS AND ISLANDS CONSTRUCTION AND BUILDING SERVICES CONTRACTS STUDY

KEY HIGHLIGHTS

Overview

— The current buoyancy of the construction and building services sectors in the Highlands and Islands can be attributed to a growth in the demand for public sector investment in new buildings and infrastructure and private sector-led commercial and housing developments. This has resulted in a demand for relevant skills and labour.

— The construction and building services sectors account for 7% of total employment in the Highlands and Islands compared with Scotland, 5% and GB, 4%.

— In the Highlands and Islands there is a high proportion of small companies within these sectors, with 94% employing less than 10 persons.

— It is estimated that around two-thirds of businesses have an annual turnover of less than £250,000.

Current and Proposed Projects Over the Next Five Years

— 1,035 + capital and repair and maintenance projects/programmes have been identified for delivery over the next five years, but not all had associated costs.

— Total employment in the construction and building services sectors in 2010 is estimated to be around 15,500 FTEs—an increase over the next five years of at least 2,700 FTEs from at least £1.6 billion of additional capital and repair and maintenance spend.

— At least 950 FTEs will be created and at least 1,720 FTEs will be safeguarded.

Labour and Skills Requirements

— Labour shortages, leading to recruitment difficulties, exist for the following occupational groups: bricklayer, painters and decorators, plumbers, electricians, plasterers/screeders, plant and general operatives, traditional trades (stonemasonry and cornicing), and managerial positions.

— Skills gaps are most significant at the managerial level, including customer care, interpersonal and team building skills allied closely to managerial skills.

— Skills shortages, rather than skill gaps, are the most significant factor that could compromise successful project delivery over the next five years.

— 78% of respondent employers/property developers to this study are currently experiencing recruitment difficulties—of these, 17% are experiencing significant recruitment difficulties and 61% had some difficulty.

Recommendations to Address Labour and Skills Shortages and Gaps

— **Recommendation 1**—to devise a Highlands and Islands Construction and Building Services strategy and plan to address skills and labour issues.

- **Recommendation 2**—for the public sector organisations to continue to promote and raise awareness of training processes and procedures and to assist companies to address current skills shortages and gaps. This includes:
  - targeting female as well as male recruits, older people and young school leavers.
  - employing migrant workers, coupled with the need for an appropriate structure and process to accommodate and assist migrant workers in the Highlands and Islands.
- **Recommendation 3**—for the public sector organisations to continue to encourage Highlands and Islands construction and building services employers (especially smaller employers) to participate in training of new entrants and upskilling existing employees.
- **Recommendation 4**—for all companies and public sector support agencies to continue to work in partnership with the Highlands and Islands construction and building services training providers.
- **Recommendation 5**—for the public sector, in recognition of the size and composition of companies in the Highlands and Islands area, and the scale of the projects coming on stream, to look at the way it procures and packages construction and building services tenders to encourage local smaller business to bid for contracts.
- **Recommendation 6**—for local construction and building services companies to actively consider joint working to enable them to put forward credible bids for the projects coming on stream over the next five years.

Carron McDiarmid
The Highland Council

23 January 2007

Tuesday 16 January 2007

Members present:

Mr Mohammad Sarwar, in the Chair

Danny Alexander
Ms Katy Clark
Mr Ian Davidson
Mr Jim McGovern
Mr Angus MacNeil
David Mundell
Mr Charles Walker

Memorandum submitted to the Scottish Affairs Committee by Adrian Sinfield, School of Social and Political Studies, University of Edinburgh

PREVENTING AND REDUCING POVERTY IN SCOTLAND

Summary

1. Poverty is "the biggest scar of a civilised society", in the words of the then Secretary of State for Scotland to your 2000 inquiry. Six years later the words being used by government are still much more vigorous than the resources and policies backing them up. Given its seriousness, higher priority and greater urgency need to be given to preventing and reducing poverty.

2. Poverty cannot be tackled without a larger, more preventive and better integrated package of measures. Recommendations should include:

— Preventive measures to promote more decent work with decent pay, removing "family-unfriendly" working conditions and enabling workers to stay and progress in their jobs
— The governmental setting of a poverty line and a minimum income standard
— A national antipoverty strategy with a clear statement of who holds what responsibilities
— Social security benefits set above the poverty level
— The "poverty-proofing" of all government policies as part of "mainstreaming social inclusion"
— Free and nutritious school meals
— Rights and advice services on benefits, taxes and employment rights.

Introduction

3. To your previous inquiry I argued that five requirements for a successful and sustained tackling of poverty were not being met—a) good data on the scale and nature of poverty; b) clear policy responsibilities for tackling it; c) close attention to its prevention; d) social security benefits above the poverty line; and e) the "poverty-proofing" of all government policies (Sinfield, 2000). Six years later there has been significant progress with substantial falls in poverty for older people and children. There are now more and better data on poverty in Scotland, but the lines of strategic command and accountability in tackling poverty could still be made clearer. Preventive strategies are in place but need to be increased and strengthened. Benefits are still inadequate, especially for adults of working age, and "poverty-proofing" could be expanded and "mainstreamed".

The continuing inadequacy of official measures of poverty

4. While a new measure of poverty combining incomes below 70% of median income and measures of deprivation may be helpful, we still do not know how much is needed to allow an acceptable standard of living. The work now starting at the Centre for Research in Social Policy at Loughborough University to identify "a socially agreed, empirically based, minimum income standard" is very much to be welcomed (on the need for MIS, see Veit-Wilson, 1998).

5. This is not only important for successfully tackling poverty. Using an inadequate measure can have a counter-productive effect on policymaking. First and foremost, the raising of incomes to a level which is not in fact high enough to take people out of poverty may not lead to the improvement in health, quality of life or behaviour which is expected. In consequence, both policies and people in poverty are liable to be blamed for continuing problems with a fall in support for maintaining programmes and spending. The backlash against the government and "the poor" will make it more difficult to maintain existing programmes, let alone strengthen them.

Preventing Poverty

6. The Scottish Executive strategy, *Closing the Opportunity Gap*, gives explicit emphasis to preventing both the occurrence and recurrence of poverty in the overall statement of its three aims and its six objectives. Prevention is also carried through in some of the ten targets, but not as much or as vigorously as it needs to be.

7. The value of strong preventive strategies cannot be overstated. However good policies to help people out of poverty or to alleviate it, the problem will not be significantly reduced unless ways to prevent poverty from occurring in the first place are given much greater attention and significantly strengthened. Countries like Finland and Sweden with a stronger preventive focus have much lower rates of poverty than most countries I examined (Sinfield, 2006). Finland calls its own strategy "the National Action Plan for Preventing Poverty and Social Exclusion": "The four pillars of Nordic social security—income-based security, basic security for everyone, income transfers to low-income population groups, and equitable welfare services regardless of wealth, gender or domicile—form a basis upon which the prevention of poverty and social exclusion is built" (Finland, NAPs/incl 2003–2005, p 19, quoted in Sinfield, 2006, p 2).

8. In Scotland, as the rest of the UK, emphasis on individual responsibility for poverty by previous governments led to the neglect of wider, structural causes and so the role which government at all levels and other major public and private actors can play in preventing poverty. The National Minimum Wage and Working and Child Tax Credits are significant signs of change, but there is still a severe lack of balance between concerns with individual and structural factors.

The importance of high, and preferably full, employment

9. The maintenance of high employment is one of the most important structural measures in preventing poverty, so the much improved level is a valuable advance. However, the "work first" strategy has focused too much on getting people into work and so lifting them out of poverty, but too little on helping people keep their jobs and cope with difficulties that make it harder, if not impossible, to continue in work.

10. It may be thought that this preventive role goes without saying but, with much competition for scarce resources, policies that are not explicitly stated may, quite simply, go. One obvious problem is the low level of incomes for many in work despite the National Minimum Wage increasing faster than inflation. Working poverty has become a major problem: many who are told they can escape chronic poverty out of work by getting a job find themselves with little, if any, improvement in their income, additional work-related costs and new pressures of coping with inadequate pay despite tax credits.

11. It may be a particularly severe problem in this country (EC, 2003). Over the five years to 2000, the UK had the lowest proportion of workers leaving poor quality jobs for high quality ones and also the highest rate back into poor ones. Poor quality work includes both poor pay and poor working conditions. Polly Toynbee's *Hard Work* (2003) demonstrated graphically how persistent family-unfriendly practices makes it more difficult for parents, especially lone mothers, to remain in work, except at a personal and social cost to themselves and their children. This was evident in many health and education jobs contracted-out from the public sector.

12. The Scottish Executive's target C encouraging "public sector and large employers to tackle aspects of in-work poverty by providing employees with opportunity to develop skills and progress in their career" is particularly important for preventing poverty from recurring. NHSScotland is to set an example of good practice "by providing 1000 job opportunities, with support for training and progression once in post". Promoting employer awareness of the ways in which improvements in work organisation and conditions, and the general area of "work-life balance", could help prevent poverty by enabling parents, older workers and those suffering from some form of disability to retain their jobs and progress in them without personal cost. Building on the experience of target C, the Scottish Executive, regional and local bodies of all types could become models of good practice. They should also ensure that those they contract meet the same standards.

13. The Chartered Institute of Personnel and Development has argued that the government could give much closer attention to what employers might do in tackling problems of economic inactivity (Philpott, 2006). Their own research found that "more than 6 in 10 employers deliberately exclude one or other core jobless group", but experience shows that much could be done to overcome these attitudes, given proper support and encouragement from the government. It is regrettable that the DWP's recent welfare reform proposals have underplayed the importance of adjustments on the demand side to tackle forms of discrimination and promote better work-life balance. The better organisation of work and better-directed HRM practices could assist the prevention and reduction of poverty—a neglected European Social Inclusion objective (Sinfield, 2006, p. 6). Measures to enable people with disabilities, especially mental health problems, to keep their jobs may protect them from poverty, given their greater difficulties once unemployed (SEU, 2004).

14. The preventive value of good monitoring and advice on the National Minimum Wage, tax credits and benefits is also great. Movements in and out of work are made much more difficult by problems with any of these, especially with substantial staff cuts in the DWP and HMRC. Such activity pays for itself, bringing more resources into Scotland.

The preventive role of a good social security system

15. The role of social security in preventing poverty in the first place has received insufficient attention here, in comparison to European countries with less poverty who make greater use of more generous universal and contributory social security programmes to prevent poverty and depend less on means-testing for those already in poverty.

16. Basic benefit levels are currently insufficient to bring people up to the government's own poverty level. It has to face up to the fact that inadequate benefits create additional problems for parents unable to find work and having to bring up their children in poverty. A major European survey has shown "a vicious cycle of disadvantage, whereby people can be progressively marginalised from the employment structure. But *the central factor underlying this process is poverty.* Unemployment heightens the risk of people falling into poverty, and poverty in turn makes it more difficult for people to return to work" (Gallie, Paugam and Jacobs, 2002, p. 18, emphasis added).

17. Recognition of the positive, poverty-preventing potential of social security continues to be made more difficult by routine use of the policy slogans of "active" labour market measures which help people into work and "passive" benefits which encourage dependency. Calling benefits "passive" discounts evidence that a good benefits system helps people avoid poverty, enabling them to cope and plan more easily when earnings are interrupted for whatever reason (Sinfield, 2001). That a generous benefits system can be effective in promoting employment and preventing poverty has at last been acknowledged by OECD in reviewing its Jobs Study (OECD, 2006).

18. My 2000 note drew particularly on the Independent Inquiry into Inequalities in Health chaired by Sir Donald Acheson since its findings and recommendations applied at least as strongly to Scotland as to England. Its Report made it very clear that health inequalities can only be tackled by a strategy which includes "upstream" as well as "downstream" policies. "Upstream" ones are needed to "tackle the causal chains which run back into and from the basic structure of society" (Acheson, 1998, pp 7–8): success here prevents poverty from occurring in the first place. The very first "areas for future policy development" they identified were "poverty and income, tax and benefits". All the research of which I am aware continues to support this conclusion, but this understanding, now widely accepted in the health field, has not been joined up and integrated into policymaking in other areas. A greater emphasis on preventive structural policies is essential.

Taxation policies also have a role in tackling poverty

19. The importance of tax policies in tackling poverty has been demonstrated by tax credits, but the tax system still works against the reduction of poverty in other ways. For many years the government's own statistics show the poorest fifth paying a larger proportion of their income in all forms of taxes than the average, and even more than the richest fifth. The introduction of Child and Working Tax Credits has helped to reduce this inequity but not to remove it entirely (Jones, 2006, Table 3). Given the heavy incidence of council tax and indirect taxes on them, those in poverty are contributing to financing much-heralded measures to reduce their poverty. Council tax and other regressive taxes need urgent attention (Orton, 2006; Bramley *et al,* 2006).

20. Tax reliefs supporting some groups in society, generally the better-off, at the expense of others, generally the poorer, provide an invisible tax welfare state for the privileged. In 2000 I gave two examples of tax reliefs making it much easier for the better-off to avoid poverty than those on lower incomes. There has been little change so I will only map out their main dimensions.

21. *Pensions tax relief:* Currently £13.7 billion of taxpayers' money have been released by the government through income tax reliefs to occupational and personal pensions to encourage and help people to make better private provision for their old age (HMRC, 2006, Table 1.5, after tax deducted on pensions paid). Despite changes to these reliefs this year, this cost may even increase. The government has at last confirmed independent estimates of its "upside-down" nature. In 2004–05 60% of the tax reliefs on employees' contributions to pensions went to those paying the higher rate of tax or who would be without this relief (*Hansard*, 2005, col. *52W*)—only one in eight of all taxpayers receiving that relief. Income tax is later due on the pension received but not on the lump-sum. The loss of revenue from these reliefs cost the taxpayer twice as much as Pension Credit which is targeting those older people on the lowest incomes. Another £7.4 billion was not collected in employers' National Insurance contributions on their payments to private pensions. There is still no evidence that these reliefs provide value for money,

22. *Tax relief on private payments on the termination of employment:* The first £30,000 of any payments on the termination of employment (but not retirement) are exempted from income tax. In lost revenue this costs £1 billion, twice as much as the contribution-related element of the Jobseeker's Allowance, the survivor of National Insurance Unemployment Benefit—what Beveridge intended as the main protection during unemployment (HMRC, 2006, Table 1.5). The maximum contribution-based JSA benefit for a single person of £1,493.70 is taxable and any payment beyond six months subject to means-testing. By contrast, the maximum tax benefit is £6,900 for a standard rate taxpayer and £12,000 for a higher rate one with no requirement to remain out of work. Relief could be limited to the state redundancy payments maximum, £8,700. There is still no evidence of how this tax benefit is distributed.

23. In these and other ways the income tax system continues to protect some people from the risk of poverty far more effectively than the social security system does the majority of the population. This is not realised by either the beneficiaries of these upside-down tax benefits or the rest of the population whose own taxes may be correspondingly higher without any of the advantages. In contrast to the new tax credits, these tax benefits are not, and never have been, subject to the same Parliamentary and public scrutiny and assessment as welfare state programmes.

24. We need a new Comprehensive Spending Review that examines how all government policies, including those releasing tax revenue, affect the prevention and tackling of poverty, identifying both those measures which are helpful and those which are counter-productive to these ends.

Undermining preventive strategies

25. The workings of tax and benefits systems show how impossible it is to engage with underlying causes of poverty without taking account of ways in which resources are distributed throughout the whole of society. Poverty therefore has to be studied and tackled as a characteristic of society and not just of those who are currently living in poverty. Within the EU those countries with higher rates of poverty have also had higher levels of income inequality (EC, 2006, p 81). Richard Tawney's observation before the First World War remains as relevant as ever:

"What thoughtful rich people call the problem of poverty, thinking poor people call, with equal justice, the problem of riches" (Tawney, 1913).

Widening and persistent inequality hinders recognition of greater and deeper poverty, the structural causes underlying it and the absence of robust and adaptable preventive strategies. Those who have done well, or even just maintained their position, are less likely to recognise the persistence of poverty, and more likely to attribute what they do see to personal failings.

26. These arguments gain strength from what Anthony Sampson identified as the greatest change in the last 40 years in the UK. In *Who Runs this Place?*, his last edition of *The Anatomy of Britain* 42 years on, he concluded:

"Above all, the rich feel much less need than their predecessors to account for their wealth, whether to society, to governments or to God. Their attitudes and values are not seriously challenged by anyone. The respect now shown for wealth and money-making has been the most fundamental change in Britain over four decades" (Sampson, 2004, his own summary in *The Observer*, 28 March, 2004, based on p 342).

In this context it becomes more difficult to win support for measures to help those in or close to poverty—one more argument for strengthening preventive strategies.

27. The connection between economic and social policy needs to be pushed much further. "*What* is produced, *how* it is produced and *where* it is produced have important effects on the production or elimination of poverty. [We need] to move toward economic development paths that are more poverty preventive" (Miller, 1999, p 1, emphasis in the original).

"Poverty-proofing" and "mainstreaming social inclusion"

28. The Scottish Executive is now making use of "poverty-proofing". It has been a central and effective part of the Irish government's anti-poverty strategy for some eight years—see especially the poverty-proofing of the Irish budget. The 2004 Budget highlights how the measures:

- help prevent people falling into poverty;
- ameliorate/decreases (or increases) the effects of poverty;
- contribute to the achievement of the [poverty] targets;
- reach the target groups.

It presents the rationale and basis of the assessment and outlines what changes might be introduced to change the effect on poverty (Combat Poverty Agency, 2005, pp 15–16). A recent review has strengthened its role under the new title of "poverty impact assessment". Helen Johnston, the Director of Combat Poverty in Ireland, has been in charge of the European-funded programme to mainstream social inclusion with which the Scottish Executive has been involved and the Committee might find it very helpful to discuss its extension with her (MSI, 2006).

29. The fact that the Scottish Executive is not responsible for social security or taxation policy is not relevant for "mainstreaming social inclusion". If current levels of benefit are inadequate to save people in Scotland from poverty, the Scottish Executive has a duty to make this point very clear to the British government just as it does any other failing in British policy. This point applies equally strongly to any counter-productive workings of the tax system.

Cutting the cost of living

30. The Scottish Executive can also play an important part in helping to prevent and reduce poverty by acting to help those vulnerable to poverty keep their cost of living down. Many are brought into or kept in poverty by the extra costs which they have to bear. Older people or those with disabilities or very young children are especially liable to the costs created by poorly-insulated and damp housing. The importance of food co-operatives, access to allotments, access to credit at reasonable rates rather than enforced dependence on loan sharks and the maintenance of shops, post offices and banks in rural communities reducing the need for travel all provide examples. There is already welcome progress on some issues including the provision of nationwide concessionary bus travel to older people and those with disabilities.

31. In particular the Scottish Executive could re-introduce free and nutritious school meals as an excellent example of both preventing and reducing poverty. There are more than two children eligible for free school meals and not receiving them for every three who are. Parents report that cost is a key factor for over one in five of the primary, and nearly one in three of the secondary, school pupils not receiving them. And that is from the Scottish Executive's own research.

Adrian Sinfield
University of Edinburgh

October 2006

References

Acheson, Sir Donald *et al* (1998) *Independent Inquiry into Inequalities in Health*, London, The Stationery Office.

Bramley, Glen *et al* (2006) *Improving Council Tax Collection Rates in Scotland*, SE www.scotland.gov.uk/Publications/2006/07/18161737/131

Combat Poverty Agency (2005) *Review of the Poverty Proofing Process*, Submission to the Office of Social Inclusion, Dublin, CPA, August.

EC (2003) *Employment in Europe 2003*, Brussels, EC

EC (2006) *Joint Report on Social Protection and Social Inclusion 2006*, Brussels, EC.

Gallie, Duncan, Serge Paugam and Sheila Jacobs (2002) "Unemployment, Poverty and Social Isolation: Is there a Vicious Circle of Social Exclusion?" *European Societies*, 5 (1), pp 1–32.

HMRC (2006) *Revenue and Customs Statistics*—www.hmrc.gov.uk/stats/

Jones, Francis (2006) "The effects of taxes and benefits on household income, 2004–05", *Economic Trends*, May, pp 53–98.

Miller, S M (1999) "Prevention of Poverty", *CROP Newsletter*, Comparative Research Programme on Poverty, vol 6, no 2, May, pp 1–2.

MSI—Mainstreaming Social Inclusion (2006) *Better Policies, Better Outcomes: Promoting Mainstream Social Inclusion*, Brussels, EC—www.europemsi.eu

OECD (2006) *Boosting Jobs and Incomes: Policy Lessons from Reassessing the OECD Jobs Strategy*, Paris, OECD.

Orton, Michael (2006) *Struggling to pay council tax: A new perspective on the debate about local taxation*, York, York Publishing Services and www.jrf.org.uk

Philpott, John (2006) "Getting to the Core of Welfare to Work Policy", *Scottish Anti-Poverty Review*, summer, pp.

Sampson, Anthony (2004) *Who Runs this Place? The Anatomy of Britain in the 21st Century*, London, John Murray.

Sinfield, Adrian (2000) "Tackling and preventing poverty", Scottish Affairs Committee, *Poverty in Scotland*, Appendices, 59-xi, July, pp 331–7.

Sinfield, Adrian (2001) "Benefits and Research in the Labour Market", *European Journal of Social Security*, vol 3, no 3, pp 209–235.

Sinfield, Adrian (2006) "Preventing Poverty in Europe", European Institute of Social Security conference, Roskilde University, Denmark, www.ruc.dk/upload/application/pdf/f51d6748/Adrian—Sinfield.pdf

Social Exclusion Unit (2004) *Mental Health and Social Exclusion*, London, SEU.

Tawney, R. H. (1913) "Poverty as an industrial problem", reproduced in *Memoranda on the Problem of Poverty*, London, William Morris Press.

Toynbee, Polly (2003) *Hard Work: Life in Low-Pay Britain*, London, Bloomsbury.

Veit-Wilson, John (1998) *Setting Adequacy Standards: How governments define minimum incomes*, Bristol, Policy Press.

Memorandum submitted by Professor John Veit-Wilson, University of Newcastle upon Tyne

1. This submission addresses the first question listed on the invitation to submit evidence dated 22 May 2006, "What is poverty?" It does so because the term "poverty" is used in so many different ways—diffuse, broad, contested, contradictory and varying according to who is using the term and for what purposes. The Committee will be offered many preferred answers to the question, and may therefore be helped by a systematic introduction to the wide range of meanings and uses it encounters, to clarify and explain them. The following notes, on *Poverty* and on *Minimum Income Standards*, are entries which I was invited to write for the *International Encyclopaedia of Social Policy* (Routledge 2006). The entries were peer-reviewed by an international editorial team of experts and judged to offer authoritative introductions to the meanings of the terms. (If the notes below are quoted, the citation should be to volume 2 of the *Encyclopaedia*.)

2. The meanings and measures used by social scientists are reliable for their purposes but may not offer the precise answers which politicians and administrators want for guidance in setting levels for benefits, tax credits or the minimum wage. These guidelines are better described as governmental minimum income standards (MIS). Although my own research found 10 countries which did have MIS (*Setting Adequacy Standards: how governments define minimum incomes*, Bristol: The Policy Press, 1998), no UK government has ever used one to set benefit rates. However, I should strongly recommend their use, and the Joseph Rowntree Foundation is currently sponsoring research to establish one. I shall be glad to give further evidence to the Committee if asked.

POVERTY

People are said to be in poverty when they live below a standard which their society recognises as a reasonable minimum. Poverty is a contested concept, and there is no agreement on how to define the word more precisely. Perceptions, contexts, meanings and usages differ between societies and observers, and change over time. The word is used indiscriminately for the concepts, definitions, signs or experiences of the condition, expressed by some as the characteristics of other people suffering it ("the poor") and by poor people in terms of their experience. It is used for disparate measurement methods as well as for their findings. It is often identified in the condition of lacking resources, necessities or opportunities for participation, or suffering damage to human dignity or being socially excluded, as well as their deleterious concomitants and consequences. Many incompatible discourses are separately but simultaneously used in discussing its forms, scale, causes, consequences and cures, within and between industrialised societies and developing nations, often with little attempt to integrate the approaches.

Perceptions of Poverty

Perceptions precede conceptualisation. The accumulated knowledge about poverty by those who suffer and those who study it is immense but fragmented. Most of the political, philanthropic and academic literature on poverty has been written by those who do not experience it to illustrate their perspective; those who suffer poverty may offer different meanings. The political agenda for social or economic management determines which aspects of poverty are prioritised, often contrary to the aspects which those experiencing poverty or researching it see as the most salient. The absence of agreement on poverty concepts, measures or policies reflects structural conflicts in all countries and globally. As those who experience deprivation achieve greater political power, their perspectives may influence the concepts, measures and outcomes more. The lack of power to influence public images and perceptions of poverty is among the meanings of the term.

Public perceptions are distorted by partial knowledge, manipulated imagery and political expediency. When poverty is perceived as not simply a personal trouble but a social problem, proposed solutions have included behavioural change not only by those suffering poverty but by those who hold power over the tangible and intangible resources needed to prevent it, as well as economic, political and social structural change. Social policy responses to poverty demand careful delimitation of what is problematic within politically feasible parameters, but such analyses and solutions are both strongly contested. Differing perspectives on the experience are implicitly embedded in the concepts used.

Concepts of Poverty

The concepts of poverty which underlie the various usages refer to some people, individually or collectively, experiencing conditions of life or social relations which fall below some kind of minimum level needed in order to experience being, and to be treated as, an autonomous person with full capacity to participate in society. Poverty is commonly conceived as those deprivations or unequal relations caused by lack of material resources, but Amartya Sen's conceptualisation used the term capability to focus on the activities needed for participation rather than the passive resources alone. Some loose usages do not distinguish the reasons why people fail to attain minimum living standards, and include other causes of social exclusion, provoking disagreement over boundaries and overlap between the politically expedient uses of the terms poverty or exclusion.

The concept of poverty may not carry the same connotations in different languages and cultures. In English there are many ambiguities. Concepts of the condition are often confused with the essence of the characteristics of those suffering from it, or with definitions derived from measurement techniques. In *The*

International Glossary of Poverty (London: Zed Books 1999) Paul Spicker identified eleven clusters of meanings in late twentieth century literature, three of which referred to material conditions (inadequate level of living, unmet need, multiple deprivation), three to economic position (lack of resources, inequality of resources, class) and four to social position (lack of entitlements, lack of security, dependency and exclusion). All can be found, though not all congruently, in the seven discourses identified by John Veit-Wilson in use in the 1990s among government policy-makers in 10 countries. Each discourse packaged the poverty concept with its manifestations and appropriate measures in a paradigmatic analysis and vocabulary effecting closure on other competing discourses. Three were asocially abstracted, expressing poverty in terms of a legal status, a theoretical economic model, or a statistical position on an income distribution. Four discourses were humanistic, referring to persons and behaviours. Of these, one was structural: the consequence of an unequal distribution of power over resources through time created the need to ensure that no one's level of living fell below the standards acceptable to society in general. The other three covered poverty as a set of deviant behaviours, as life-experiences too divergent from the acceptable average, and as social exclusion.

The accounts given by those experiencing enforced poverty often conceptualise it in psychological terms, feelings of powerlessness and violation of human integrity and dignity, which are also found in other conditions besides poverty. There is much disagreement around the wide variety of terms used to illustrate these abstractions, and they must also be distinguished from voluntarily adopted material poverty, eg for religious reasons. In the 1960s W G Runciman described as "relative deprivation" people's tendency to evaluate their situation by comparison with others and over time. Later research suggested that the greater the degree of social inequality, the greater the symptoms and expressions of physical and social malaise, which suggests connections between social inequalities and poverty. The concepts of human suffering or social problems imply imperatives to action, but policy option choices vary widely according to the perspectives chosen. Some poverties are functional to maintaining the comforts of the non-poor and therefore poverty abolition is not necessarily a universal goal.

Identifiers

The signs by which the existence of poverty is identified are often confused with definitions or measures. Traditionally they included a visibly deprived lifestyle and feelings of exclusion and degradation. Potential identifiers include income loss risk situations and other causes in marketised societies such as having disposable resources below levels needed to avoid poverty. The condition of lack of resources and its consequences may also be indicated by signs including nutritional and health deficiencies, lack of socially-defined necessities and participatory experiences, inadequate housing and other environmental deficiencies.

Identifiers are not identical with social indicators (statistical markers for measuring change) though some identifiers are used as indicators. The UN's *Copenhagen Declaration* of 1995 described what it saw as poverty, and "absolute" poverty within it, in terms of identifiers, though it is often called a definition.

Definitions

Poverty definitions are precise formulations to distinguish it from non-poverty, encapsulating the concept in terms of its explanatory paradigm and its historical and cultural context. They therefore vary as widely as the concepts and incorporate the perspectives of those who express them. Common to most definitions is an idea of lack of resources as the cause or the condition of inability to meet minimum standards. Similar conditions and consequences may derive from other causes, but they are rarely then defined as poverty.

Definitions can be normative (also known as prescriptive or stipulative) or empirical. Normative definitions prescribe adequacy criteria for the population. Empirical definitions derive their criteria from the population surveyed. Not all relative definitions are empirically based: income inequality definitions imply normative standards.

Lifestyle and status. Until the 20th century, if the non-poor defined poverty at all, it was normatively as the conditions in which much of the urban and rural working population ("the poor") lived, or as poor people's dependency status as paupers. The social problem was expressed as poverty's extreme and visible manifestations: squalid living conditions, disreputable and criminal behaviour, precarious social and economic marginality, and threats to social order from an "underclass".

"Absolute" definitions. Attempts in industrial societies to discover income levels for economic efficiency led to normative definitions of poverty as being incomes insufficient to meet what were believed to be absolutely minimal physiological subsistence needs (eg Seebohm Rowntree's "primary poverty" level, designed to reveal income inadequacy). Subsequent demands for social protection policies led to definitions of poverty as incomes for a bare minimum of typical working class expenditures (eg the "Living Wage" or Rowntree's "Human Needs of Labour" standard). Rowntree's "secondary poverty" was not defined in income terms: it was a description of people living in identifiably poverty-stricken conditions but with incomes above the "primary poverty" level.

Relative definitions. Sociologists such as Peter Townsend pointed out that all conceivable definitions of poverty, including those described as absolute, were relative to the current normative standards of a society and could be defined only in terms of contextually relevant resources insufficient to meet empirical evidence of conventional minimum standards of participatory life.

Income inequality. Normative econometric or statistical inequality definitions of poverty as incomes below a percentile on the income distribution scales are also called relative, but this is purely in terms of the statistical criterion, not the minimum adequacy standards. Such definitions imply that poverty exists only as a minority experience; they fail to allow for sociological research findings that under conditions of rapid social change and economic decline a majority of a population can experience poverty according to its own definition. A simple version defines poverty as the condition of those with, for instance, the lowest fifth or tenth of incomes. As such a proportion inevitably exists in any distribution, this "poverty" cannot be abolished. Another common version defines poverty as the condition of those with incomes below a percentage of mean or median income. Such "poverty" could be abolished if incomes were made more equal so that no-one fell below the chosen percentile.

Exclusion. Under ideologically driven influences in the 1970s, definitions of poverty were developed which express it as a lack of tangible and intangible resources which excludes people from the minimum acceptable way of life in their society, or from other forms of social participation. The process can be circular, since social exclusion may deprive people of necessary resources. Market exclusion implies lack of money to enter it, but this is valid only for marketed necessities. Not all those in poverty are socially excluded, nor are all those identified as socially excluded to be found among the poor.

Measures and Poverty Lines

No one measure can capture all aspects of poverty. The variety of identifiers and definitions generate their related measures, each embodying the values and perspectives of those who construct them. All embody some notion of deficit but the measures in use are rarely explicit about their standards of minimal adequacy. As Veit-Wilson emphasised, every claim of adequacy must be tested against the four questions—adequate for what, for how long, for whom, and from whose perspective—each of which elicits different answers from different, often unvoiced, premises. Similarly, the variety of purposes for which poverty measurements are needed generate diverse instruments, often inappropriate for other uses. What is measurable (for example income inequality) sometimes becomes defined as poverty, without acknowledgement of the limitations of that measure.

Measures may be direct (relating to criteria of minimally adequate levels of living or social relationships) or indirect (using the incomes and other resources needed as proxies for the minimum level of living). They may be based on normative standards or may be derived empirically from the populations surveyed or affected. Measures commonly relate to individuals or households. Since surveys generally study households, measures of individuals in income poverty adjust household data for the size and composition of the household, in terms of the age and sex of its members. Children's income needs are related to those of adults by using equivalence scales.

Poverty lines are those direct or proxy measures which produce an income threshold or cut-off which can be used for quantitative measurement of individual or household incomes. Qualitative measures of the experience of poverty are direct but often neglected because they are difficult to use statistically, though they can be used to identify people in poverty.

Budget or "shopping basket" measures calculate the total cost of all the purchasable components of any specified standard of living over a given period of time. The total cash cost, adjusted for tax and other relevant deductions, is then used as an income proxy for the minimally adequate or other living standard. The components may be chosen normatively or based on empirical evidence of customary living patterns to reflect the chosen standard directly.

Budget measures were the oldest systematic attempts to construct a poverty measure. Developed in the late 19th century, they were first used normatively to calculate the cost of what was assumed to be minimum subsistence, but subsequently augmented versions were widely used to count the numbers living in poverty and to provide rationalisations for minimum wage and social assistance rates. By the end of the twentieth century, budget standards based on empirical evidence of actual patterns of expenditure at various levels, and on consensual agreement on their components, were developed as criteria of income adequacy.

A hybrid variant of the budget method is based on Ernst Engel's observation that as incomes rise the proportion spent on food decreases. The cost of a minimum dietary is calculated and multiplied by the same proportion as food expenditure in the average household's outgoings, on the assumption that this relationship is meaningful. The US "Orshansky" poverty line, used both for counting and as a guide to income maintenance scales, was based in 1965 on a sparse version of this proxy approach, but was subsequently updated only in step with inflation rather than changes in either the minimum dietary or the average food share of expenditure.

Deprivation indicator measures survey samples of the population to discover what on average they see as the necessities and experiences which no one should be without. Further survey questions establish which households lack the items, whether this is by choice or (if they are marketed) enforced by insufficient income, and their income levels. In this direct approach, a poverty line can then be derived statistically from the point on the income scale where there is a clear correlation between low income and multiple deprivations.

Public opinion or attitudinal measures are indirect. Some surveys of public attitudes since the 1930s have included questions on the minimum incomes respondents believe their households need. The questions themselves, their assumptions and the statistical methods used to process them vary widely and have been refined since they were first used, but questions remain over the accuracy of such subjective estimates, and over the value of international comparisons where the costs of marketed necessities (such as health services or child care) vary greatly between countries.

Statistical measures: three approaches derive so-called poverty measures from national income statistics. They cannot be described as either direct or indirect since they do not relate to any real standard of living. One measures the proportion of the population with the lowest fifth or tenth of all incomes. Another measures the proportion with incomes below a percentage of the mean or median income. Many international poverty statistics in industrialised countries are now based on the latter approach, where the threshold is typically set at 60% of the equivalised median household income, before or after housing costs are deducted. The third approach, used by the World Bank to estimate the number of people in poverty in some countries, uses measures such as the Gross National Product per head together with other indicators, or an assumed average income of a small number of US dollars a day. Such macro-measures do not reflect the non-marketed aspects of poverty affecting individuals, particularly in countries where needs are satisfied outside the market and through relationships, though they can be supplemented by qualitative studies to illustrate the meaning of poverty from the perspective of those who suffer it.

"Official poverty lines" is a name for measures used by governments. Some, such as governmental minimum income standards (see below), are based on ideas of actual living standards. Others are mere asocial statistical constructs of arbitrary low incomes, or are based simply on the social assistance benefit rates, neither of which may relate to any evidence of minimal income needs.

Purposes for Poverty Measures

Different measures suit different purposes, for instance to identify who is poor, to count them, to calculate what is needed, and to establish eligibility for assistance. The measures which best illustrate what customary living patterns are and who fails to achieve them because of poverty are those based on deprivation indicators. Government requirements for guides to realistic income maintenance scales are helped by budget measures for varied standards of living. Rowntree's "primary poverty" measure was intended to illustrate minimum subsistence and to show that failure to achieve it was caused by inadequate incomes and not profligacy.

Poverty Dynamics

The aetiology of what are perceived as social evils is complex and poverty is commonly an aspect of them, but not all perspectives treat it as the prime issue for action. Social science discourse seeks to identify discrete causes, conditions and consequences of poverty, where in reality the consequence of one deleterious condition may be the cause of others. Surveys show that many more people experience poverty during their lifetimes than are poor at a point in time. In socially-mobile societies, cross-sectional counts underestimate the numbers of those who can speak about poverty from personal experience. Definitions and measures which neglect this perspective on poverty may thus be incomplete as reflections of the lived reality and suffering poverty inflicts.

MINIMUM INCOME STANDARDS

Minimum income standards (MIS) are political criteria openly or implicitly used by some governments to assess the adequacy of income levels for some given minimum real level of living, for a given period of time, for some section or all of the population, embodied in or symbolised by a formal administrative instrument or other construct.

Veit-Wilson coined the phrase in 1994 to distinguish governmental standards from two other measures commonly used in assessing minimum income adequacy:

(1) the variety of normative and empirical social science measures used to conceptualise, define and measure income poverty (poverty lines); and

(2) the levels of social assistance benefits (sometimes called "official poverty lines").

The three measures differ in terms of the scientific or political credibility of their adequacy standards. Scientific findings about a society's standards of minimal income adequacy should be valid irrespective of their political or economic implications. Conversely, social assistance benefit levels are based on political considerations of feasibility and cost, rarely on evidence of adequacy. By contrast, MIS are based on politically-credible indications of adequacy, and reflect a government's values and ideology, as well as

electoral considerations. Note, however, that governments do not themselves use the term MIS for their criteria, and some subsequent authors wrongly use it for social assistance measures generally, confusing the normative standard with the minimum provision.

Governments use MIS for any or all of three types of purpose:

— As guidelines towards setting some level of the different tiers of the income maintenance system, such as minimum wage rates, income tax thresholds and judicial minimum inalienable incomes, contributory social security benefits or means-tested social assistance and related benefits. Formulae are commonly used to express various benefits as proportions of the MIS.

— As criteria of the adequacy of various parts of the income maintenance system to achieve politically acceptable levels of living.

— As measures for identifying and counting population groups "in poverty" for statistical purposes and calculating the poverty gap by this measure, and also for establishing eligibility for income maintenance or other programmes for low-income households.

MIS—or, rather, the constructs or administrative instruments in which they are embodied—are not necessarily used to guide only the very lowest tier of the income maintenance system (usually social assistance for the poorest). Veit-Wilson's international study (*Setting Adequacy Standards: how governments define minimum incomes*, Bristol: The Policy Press, 1998) found only 10 countries using MIS at that time, and eight related to higher tiers. The OECD study (Eardley, T *et al* (1996), *Social Assistance in OECD Countries*, London: HMSO) found 24 countries with social assistance schemes. Although these are commonly assumed to reflect some defined low level of living (whether or not empirical evidence shows it can be achieved at those income levels), many do not claim to meet participation standards of adequacy to avoid social exclusion.

The instruments or constructs used by different governments to symbolise or embody MIS included:

— Statutory minimum wage provisions, implying that the fully employed worker should earn an income adequate for social participation.

— Minimum state pension levels, achieved by political consensus on adequacy.

— Empirical measures of the cost of low levels of living, based on public attitude research, low income households' actual consumption patterns, or budget studies to construct modest levels of living.

If not annually negotiated, the basis of such instruments is reviewed periodically (rebased) and in intervening years the base figures are often updated in relation to some price or earnings index. Income maintenance provisions themselves are generally uprated following political guidelines, which may include the guidance of the MIS.

Government choices reflect their various conventional values, discourses and assumptions about issues such as whether the MIS should reflect incomes adequate for all citizens or only for lower-status people—the question of social stratification—and whether the MIS should relate to people's normal expected income source (average or minimum wages) or only to the state's responsibility for ensuring adequate income maintenance in the absence of earnings. The choice also depends on whether MIS policy makers perceive adequate levels of living in terms of their composition and costs (budget standards), political or popular consensus about minimum tolerable levels (attitudinal standards), or their relationship to other indicators (statistical standards). The political considerations for an effective MIS include public acceptability, statistical or other methodological defensibility, and operational feasibility (Citro, C and Michael, R (eds) (1995), *Measuring Poverty: A new approach*, Washington DC: National Academy Press).

July 2006

Further memorandum submitted by Professor John Veit-Wilson, University of Newcastle upon Tyne

Further to my previous written submission to the Committee on this topic, I should like to add the following three points which in my experience often need clarification in discussions on poverty.

1. Distinguishing the Causes, Conditions and Consequences of Poverty

We are often told that social conditions such as family breakdown, lone parenthood, low educational qualifications and occupational skills, unemployment and old age are causes of poverty. But a moment's thought about the fact that these personal conditions are found throughout society, including among the very richest people, shows that it is not these conditions that cause poverty, since one can buy one's way out of their associated consequences if one has enough money. The same applies if one lives in sparsely populated areas such as Scotland: rich people live there, too, without suffering the problems that many submissions again report. This emphasises that it is lack of sufficient money resources in our marketised society that is the condition of poverty, and the causes are pay or benefits too low to enable one to live a decent participatory life.

The first problem is then not altering people's behaviour but ensuring that they have incomes sufficient to enable them to enjoy human dignity, a decent level of living and social participation. If they then fail to do so, that is the time to examine the reasons such as family breakdown, but only if it is essential, keeping in mind that the behaviour of better-off people is not examined.

2. Changing People or their Environment

Some people talk about policies against poverty as if they were a matter of altering the characteristics of the people who are poor, when a more effective way may be altering the characteristics of the geographical, social or economic environment in which they experience poverty. The higher costs of rural life are examples.

This is also important if governments want to reduce the disrespect which people in poverty receive, a form of social exclusion. It is better to avoid measures such as means-tests which increase the risks of people being individually identified as "poor", instead of as the citizens they are.

In this context, objectors to income maintenance policies which appear to benefit all citizens, even those "who don't need them", should keep in mind that all political parties accept fiscal welfare expenditure as unproblematic, even though tax allowances go to people with the highest incomes and are in fact worth even more to them than to people with lower ones. If the so-called universal benefits such as tax allowances or Child Benefit are more effective in targeting, and more efficient in administration, than are means-tested benefits which people find demeaning, then they should be preferred.

3. The Centrality of Adequate Incomes in our Marketised Society

How much is enough? When asked to explain benefit levels which are demonstrably not enough to live on decently, Government officials have for decades offered this response:

> There is no accepted single research method that can be used to calculate a minimum income standard for all families. What people need to live on varies greatly depending on their needs and a range of factors. The Government therefore believes that it is not possible to produce a single figure showing an adequate income for all families. [Treasury letter, Stephen Timms MP to Sandra Osborne MP, 30.10.06]

While each of these sentences may be literally correct, the implication that governmental minimum income standards cannot be discovered by social science research is misleading. Without going into technicalities, I would remind the Committee that the [then] Social Security Select Committee examined these issues in its enquiry into Integrated Child Credit in 2000, to which I was invited to give both written and oral evidence. That Committee recommended that the Government "fund a variety of research by different social scientists into the levels of income which are sufficient to keep families with children out of poverty", and that it "convenes an ongoing working party involving policy makers, academics and other interested parties to assist it to devise publicly acceptable measures of the levels of income needed to avoid poverty" [Second Report, 2001, HC72, paras 24–25]. In fact, the Joseph Rowntree Foundation is currently sponsoring a very large research project on this topic. The EU recommends that member states set income standards for inclusion [92/441/EEC, 1992] and my research [1998] showed that seven European countries were doing so.

It is also relevant to note that, as long ago as 1965, the National Assistance Board carried out an in-house study to review the adequacy of its benefits [the Beard and Windsor Reports on the NAB Scale Rates, unpublished]. Its officials had no difficulty in using a combination of different methods to find a defensible basis for adequate benefits.

Setting income adequacy standards and using them to guide minimum wage and benefit rates is an essential precondition if poverty is to be eliminated in Scotland and the rest of the UK. I hope the Scottish Affairs committee will recommend such action, as the Social Security Committee did six years ago.

Professor John Veit-Wilson
University of Newcastle upon Tyne

15 January 2007

Witnesses: **Professor Adrian Sinfield,** University of Edinburgh and **Professor John Veit-Wilson,** Newcastle University, gave evidence.

Q127 Chairman: Good afternoon gentlemen. I welcome you to today's meeting of the Scottish Affairs Committee which is taking evidence on our inquiry into poverty in Scotland. Perhaps you could introduce yourself for the record.
Professor Veit-Wilson: I am John Veit-Wilson,
Professor Sinfield: Adrian Sinfield.

Q128 Chairman: Before we start on the detailed questions, do you have any opening remarks you would like to make?
Professor Veit-Wilson: Yes, please. I want to thank you for inviting me to expand on my written evidence. What I sent the Committee was a memorandum to try to clarify some of the very large variety of meanings of the idea of poverty and all that goes with it and that includes the question of how much money is enough for a decent participatory life in our society. Forty years of studying this subject has taught me that there continues to be an enormous amount of disagreement and even confusion about what people mean when they talk about poverty. We see examples of that daily and there clearly is disagreement in much of the written evidence which the Committee has received. I should like to add three comments on some recent examples. I tried to save time by writing a memorandum on these and I believe that has now been distributed to the Committee, so I shall only just mention what those three points are. First of all is the confusion between the causes, conditions and consequences of poverty. As several witnesses noted, the consequence of one condition may be the cause of another in a chain and if we want to intervene to break that chain, we have to be clear what the causal connections are. That is why my memorandum refers to a variety of conditions which for decades, if not centuries, have been described as causes of poverty. This is an unwise usage because most of those I have noted are shared right across the income spectrum. These personal and social conditions clearly do not cause the condition of poverty, which is not having enough money. What causes poverty is anything which leads to people not having enough money. It is not lone parenthood or unemployment as such, it is the fact that they do not have enough money when they are in those situations. The second problem I should like to draw attention to is that people talk about policies against poverty as if it were a matter of altering the characteristics of the people who are poor, when a more effective and also respectful way may be altering the characteristics of the social economic or geographical environment in which they experience that poverty. I have given the example of altering the social environment in which some people are identified as poor, for example by means tests, which is disrespectful, by using instead income maintenance methods which apply to everyone. I come back to the centrality of adequate incomes in our largely marketised society and that is my third point. How much is enough? The dismissive Treasury quotation in my memorandum, the short note I have just sent, repeats a formula which has been repeated for public consumption for very many years. Whatever ministers think, I really do want to assure the Committee that officials have known since the 1960s that you can use a combination of reliable methods to produce robust estimates of the incomes which households of different sizes and compositions need on average to achieve a decent, socially inclusive lifestyle, one which respects human dignity as the general public see it. The phrases I have just used there come incidentally from the international and EU conventions to which the UK is a signatory and which make these human rights for everyone and that is why I quote them. Other countries manage to do this as the EU recommends and even the USA had an official inquiry a decade ago into what they call their poverty line and I have cited the reference to its report at the end of my written evidence. My point is that it can be done and I hope that we shall find the political will to do it. Thank you.
Professor Sinfield: I hope that you are going to build on your 2000 report which many of us found extremely helpful, particularly its crisp conclusion that you needed benefits that were generous and wholehearted in support and that you also needed quality work, which is now even more a central issue.[12] The continuing causes of poverty and the poor quality of work are simply linked issues which I hope we can pick up on. I hope, besides picking up on some points in my paper, we can pick up on the issue about poverty proofing or what the Irish and people in Europe are now calling "poverty impact statements" and I hope there will be a bit of time to raise the issue of false economies. If I were writing this again, having had a look through the evidence you have, the general issue of false economies comes through and links very well with the excellent report that Lisa Harker did for the Department for Work and Pensions where she talks about work first plus, which is a very helpful point. The final point I would want to make is that, coming down on the train, I was able to read the proofs of a book that will be sent to you as soon as it is published, which is on poverty in Scotland 2007, put together by the Scottish Poverty Information Unit, which has done a number of editions of this, the Child Poverty Action Group in Scotland, the Poverty Alliance and the Open University, many of whose own students are on extremely low incomes. I think this will be a very valuable resource.

Q129 Chairman: When we announced our inquiry, we stated that we would be addressing issues such as "what is poverty?". Does a fundamental definition of "poverty" actually exist?
Professor Veit-Wilson: We can say there is no one single agreed definition of poverty and that is partly because the word is an abstract concept and the concrete form it takes varies enormously by time, by place and by observer. There are definitions which have quite a wide degree of assent and these generally are saying something to the effect that, as

[12] Scottish Affairs Committee First Report, *Poverty in Scotland*, Session 1999–2000, HC 59.

I have quoted in my written evidence, people can be said to be in poverty when they lack the resources to take part in society according to the standards which society considers desirable.

Professor Sinfield: I just want to emphasise that and I would want to put emphasis on the last point that John made "to take part in society". It is not simply having a living standard of so many items in your house, it is the ability to have the resources to take part in society without this being stopped by lack of income and other resources.

Q130 Chairman: We are examining matters such as the extent of poverty, contributing factors and the impact of government policy on poverty. Do you consider that these are the most relevant areas to be addressed or should we be concentrating on some other areas?

Professor Sinfield: Those are central ones. What I would want to add is the importance of the context within which we are tackling these. One of the issues about which I have become increasingly concerned is the extent to which inequality has widened in our society and in many ways is being taken for granted. This has come out in a number of studies and it does change the context for looking at poverty studies. This is a very important point and I hope you will be prepared to look at that.

Professor Veit-Wilson: May I add to that point because I am not sure that it has been raised very greatly by any of the written evidence that I have read. There is increasing evidence, from the field of medicine particularly, about the part which increasing inequality plays in causing many of the social conditions which we then see as poverties in one form or another. It is very important to look at the wider society within which these deprivations and so on are in effect enhanced and perceived and they may, it is argued by people like Sir Michael Marmot, actually be caused by the degree of inequality in a society.

Q131 Mr MacNeil: You mentioned inequality widening in society. Would you say there is a link with inequality widening in society? Does it lead for example automatically to poverty or is it more likely to lead to poverty in that society? Is there an exclusion of a certain group when inequality widens?

Professor Sinfield: There has not been enough research to answer all those questions but if you look across the European Community as a whole, there is a very constant pattern. Countries with low levels of poverty have low levels of inequality as well and by and large, you can have height of inequality and height of poverty and, with few exceptions, this is very consistent.

Q132 Mr MacNeil: There is a correlation between the two.

Professor Sinfield: Yes.

Q133 Mr MacNeil: Is that happening throughout Western Europe or is it a function of globalisation, of different states doing different things to ameliorate the situation that may not be happening in the UK?

Professor Sinfield: I am not sure there has been enough research to answer that. My own hunch is that policy is a crucial issue and is a bigger one than globalisation and this is a factor. In those countries where inequality has widened, as it has done in our country over a period, it becomes more difficult to tackle issues such as poverty and deprivation, partly because of the social distance. People just do not believe others are so poorly off. Some rather anecdotal research was done with bankers and businessmen and, by and large, they all suggested the average weekly earnings were twice the actual level they were. They had very little idea of how far others were behind.

Q134 Mr MacNeil: So you are saying they are socially isolated, to an extent or in a way, from the rest of society due to an inequality within that society?

Professor Sinfield: Yes.

Q135 Danny Alexander: You were just making the point about research from the health sector, suggesting that inequality could sometimes be a cause of conditions that might be either characterised as poverty itself or as consequences of poverty. You mentioned the work of Michael Marmot. Could you say a bit more about that in terms of practical examples of what that might actually mean? You put it as an interesting thought, but in the abstract it is quite hard to grasp how much impact that point actually has.

Professor Veit-Wilson: I would hesitate to try to explain this very solid scientific research; it is not my field. He has written a popular book on it, *Status Syndrome*,[13] which brings together a large amount of work which he and his colleagues and other people, like Professor Wilkinson, have done and which illustrate and document, which is the point that you are partly asking about, the causal relationships. There are two aspects of the motor there as I understand it. One is that high degrees of inequality create anxieties and a sense of a failure to belong to the same society that we then see in many of the symptoms of social breakdown and discontent and that those countries like the Nordic ones, which have had a positive policy of restricting the amount of inequality, partly because they have a high degree of a sense of social integration and solidarity, have lower levels both of poverty and of the other kinds of social evils that we may be concerned with. So that is one aspect of the motor. It is the effect of inequalities on people's perceptions of where they are and what they can do in society. The other bit of the motor is more directly consumerism quite frankly; the degrees of inequality which we see drive the motor of competition and aspiration which cannot then be achieved. So people sit and not only perceive themselves as unable to take part in the society in which everybody else, as they see it, is achieving these things and they may resent or get depressed about that, they can then become disrespected because they are failing to achieve those levels, which is one of the aspects of poverty, and they may react in what we see as dysfunctional ways to express their position. Two ways have been

[13] *Status Syndrome,* Michael Marmot, Bloomsbury, ISBN: 0747570493.

suggested why a high degree of inequality may create some of these problems of poverty that we are talking about.

Q136 Danny Alexander: Yet in both of your opening statements and also in your written evidence, you make the point quite fairly that, in terms of defining poverty, what is really important is the financial definition effectively. May I just follow up on that point? Can you explain how those two thoughts relate in your mind but also, if one accepts a purely financial definition of poverty, which is probably something that we have discussed with you before, that does not necessarily mean that the best measures to alleviate poverty are themselves purely about alleviating the lack of financial resources. There can be, for example, inter-generational factors which may lead to poverty being handed down from one generation to the next which are not necessarily susceptible to purely financial measures to tackle them. Then if you want to deal with those inter-generational issues, just raising someone's income is not necessarily enough.

Professor Veit-Wilson: Yes, it is a fair point but I would like to make what is quite an important distinction there. There is a dynamic which relates inequality in a country to the sense of poverty, but when we are talking about how much money is enough to buy oneself out of the problems of poverty which are in that marketised economy in which we largely live, then the measure is not simply an economic statistic of income inequality, the measure has to be an empirical one of how much money we discover is enough. It is that sense that I would criticise: the use of what may be a perfectly valid measure of the dispersion of low income as a guide to what should be the income level at which people should not be perceived as being poor. The two are quite distinct concepts and measures.

Q137 Mr Davidson: May I just pick up a point related to the context of poverty? You are speaking in terms of society as though it were a single thing and I used to be a councillor in Strathclyde Region. We had the areas of priority treatment and so on and so forth and visits to the rural areas reinforced my view that, to some extent, am I right in thinking, there is the poverty of individuals, of income, where somebody can be without means but in a grouping, a locality which is not overwhelmingly a poor one? Therefore the norms and values are different in a rural area as distinct from part of my own constituency where you have large numbers of people who have accommodated themselves to their lack of financial resources, who have established a different set of values and paradoxically are actually quite often happier and more content with their lot, which in absolute terms can mean worse off than some of those who are poor in a rural area, because everyone else round about them is poor also. The solutions that are required to break that poverty of ambition, which is in a sense almost a culture of contentment, do require us to make sure that we are coming back with solutions which address not only the individual but the collective manifestations.

Professor Veit-Wilson: Yes, it is a very important point. It should not be called a culture of contentment but of acceptance.

Q138 Mr Davidson: Of resignation then.

Professor Veit-Wilson: Yes, resignation would be even better. The distinction is this. What you have described is how one would perceive being poor in a particular social context. So often what we are talking about, and we are here sitting in a parliamentary context, is what the national policies should be. If we were talking about national income maintenance policies, then we would not be talking about high degrees of variation from one social context to another. We would be talking about what should be the national level of income support, of Jobseeker's Allowance and of the various allowances for people with particular conditions and of the minimum pension. We would not be saying there should be variation according to the social context in which the claimant finds him or herself. There are two different things. You were referring to a much more sociological approach to looking at the question, whereas the policy approach does not accept all those fine gradations and variations. This is a very old question. My own research, which has included policy making on this subject back into the 1930s when the first national income maintenance system, the unemployment assistance, was brought in, the politicians and officials concerned with that were very concerned with the different costs in rural areas by comparison with urban ones and whether they should have different levels of benefit for people. In those days they thought you could manage on much less in rural areas because, of course, all the likely applicants for this benefit would be growing their own food and so on and therefore they did not need so much money. Much of the evidence you have and you will all know personally is that if you live in a rural area in Scotland, it costs you a good deal more than living in urban areas. You can play that one both ways and that is why, if we are looking at the policy issues, then we have to see whether there are national factors which we can take into account to arrive at some measure.

Professor Sinfield: May I just add to that and link it back to the inequalities in health issue. The evidence is now very clear across countries and within Scotland that people in better off areas live longer than people in poorer areas; when inequalities rise in a society, the gaps widen, which is one of the things that happened in the last 20 years of the last century. These people can appear content but their expectation of life is significantly less than grumpy people much better off and this is one major issue. The other thing is that I would encourage you to contact the Chief Medical Officer for Scotland, Dr Harry Burns, because this is an issue on which he has done some very interesting work; he has been giving international lectures on the impact of poverty on people's health for a long time, which actually helps to explain something which struck many of us interviewing people living in poverty, which is that we always get their age wrong. Particularly working class women appear to us much older than they

actually are. He is suggesting that in fact this deprivation and poverty is draining them physically which helps to explain why they are dying earlier of diseases that middle class people die of later. He would be particularly helpful to you.

Q139 Mr McGovern: The question is to both professors. In the course of this inquiry we have met various groups and organisations and taken written evidence from various groups and organisations and it is quite natural that they feel that the people they represent who are involved in poverty should be a priority. Do you consider that we should be tackling one particular type of poverty as a priority and, if so, what would it be? For example, child poverty or pensioner poverty, lone parent poverty or what?
Professor Veit-Wilson: I am almost afraid that is the kind of trick question one does not want to get into, particularly from an academic point of view.

Q140 Mr McGovern: It was not intended as one.
Professor Veit-Wilson: I know. I can well understand that different groups will have their own interests. Again, if we look at it from a national point of view, and, admittedly as somebody living in England my concerns are with the whole of the United Kingdom rather than Scotland alone, it is important that what we arrive at in the end should not allow one group rather than another to say that it is being privileged in this respect. There are other principles of the equality of treatment of people according to how we collectively perceive their needs and if I were to promote a particular policy, it would be that the poverty of different groups should all be addressed. If you want more economistic kinds of arguments, then you have to be very careful because of course there is no particular cost benefit of keeping old people, pensioners like myself, alive, but there may well be in investing in children, particularly in children's health, for example in the form of the proposal for free school meals in Scotland. So there are issues around that and it can get quite sticky, which is why I joked at the beginning.
Professor Sinfield: It can depend on the priorities you are given. If you are very concerned about the future of the society, then the Government's commitment to child poverty as a specific goal is clearly an important one in the terms of that. Actually when you are in the field and you are interviewing people when there is a high level of employment, then the conditions of older members of the family, even when they are not living in the same home, is better off because their sons and daughters in work are able to take them out in their cars, share things, pass their equipment down to them so that there is this. When on the other hand, I have been interviewing in unemployed communities, the children were kept going at school because the grandparents were paying from their pensions to keep the children going on school trips or paying for their pocket money. It is extraordinary the extent to which families do share. This only strengthens an argument for getting rid of poverty and preventing it from happening in the first place because it is shared across these communities.

Q141 Mr MacNeil: I hear what you are saying about participation in society, which is basically the definition you have offered us of poverty, and of course it is dependent on time and place. Back in Adam Smith's time and *The Wealth of Nations*, if you could not afford a shirt you were considered poor. Thankfully things have moved on. You were talking about inequality and poverty and you mentioned people in the Scandinavian countries. Would you say that this is something to do with the levels of taxation in the Scandinavian countries that are resulting in less inequality in their society, something right wing politicians here would probably rail against, or is it something else?
Professor Veit-Wilson: Having worked in Sweden my own impression is that, at any rate until the last couple of decades, it was quite widely accepted across the political spectrum that a high level of personal taxation allowed the Government to offer a high level of services to everyone and that was part of the quality of their solidaristic approach that they all liked. There was not very much of the sort of individualistic, neo-conservative, neo-liberal thinking in the Nordic countries in those days. Perhaps there is more now. They did complain bitterly, some of them, the very rich ones, about high levels of taxation, of confiscatory levels of over 100%. They did not always understand the difference between marginal rates and average rates, which led to the tabloids having a lot of fun with that. We have to be quite careful as to what it really means, who it is affecting and what the public perception of this is, particularly when there are such good public services which help to prevent poverty and to prevent inequalities in purchasing power from having the same obvious effects on people's perception of where they are in society. That is a very important aspect of what we are talking about with poverty.

Q142 Mr MacNeil: Having been to Olso, Stockholm and Bergen in the last year, it seems to me that there is no bad side of town, as it were. Just returning to Jim's point, is there something the Scandinavians are doing once they are taxed, when they redistribute the wealth, going into particular points that Jim was raising, or is it a general across-the-board approach?
Professor Veit-Wilson: The impression I have is that they have, in the past at any rate, stressed very strongly the importance of good quality services for everybody and not having divided systems where there is means testing and one set of quality of services for some people and other people buy this in the market.
Professor Sinfield: I would want to add to that. These countries by and large raise a greater proportion of their resources from income tax and less from indirect taxes and that is part of the reason why their distribution of taxation is not as evenly spread as in this country and in fact a greater proportion of the higher income goes in taxation. In Britain on the other hand it is all about 35 or 36%

and in fact in the last few years, the rich fifth have been paying slightly less than the poorest fifth. The Nordic countries are going with this as a very strong commitment to universal services. Looking at the anti-poverty programme in Finland or in Denmark or in Sweden, there is a very specific emphasis on the fact that everybody should get the same level and quality of services and they see this as a very important first preventive measure against poverty.

Q143 Mr MacNeil: So what you are saying is that there is a lack of means testing, it is across the board, it is not targeted at anybody in particular and it is a wider and more comprehensive safety net.
Professor Sinfield: It is not necessarily targeted in the income way, which can be stigmatising when you have measures that are especially for the under-fives or for large families or for the over-80s. These are the various ways of targeting without any stigma whatsoever.

Q144 Mr Walker: Can you give us some examples of major economies that have followed the Scandinavian model? What is the Scandinavian population in the four countries? Twenty to 25 million, perhaps four or five million each? Important though they are, they are not what I would class as major global or even European economies. Can you give us some examples perhaps of European economies where they have had success in limiting the gap between the poorest parts of society and the least well-off parts of society?
Professor Sinfield: It is interesting when you are talking about Scotland, a country of just around five million which is very comparable to some of the other Scandinavian countries.
Mr MacNeil: It seems an optimal size for an independent nation.

Q145 Mr Walker: I suppose what I am asking is whether the Scandinavian countries are an optimal level for this type of social model to work? Has the social model worked in larger economies as well, perhaps less homogeneous in their cultural make-up?
Professor Sinfield: The big difference between the United States and Canada is explained in part by this factor; it is less easy citing other European countries. Perhaps Australia would not be a good example at the moment and New Zealand has a larger level of child poverty.

Q146 Mr MacNeil: No European nation over 10 million has seriously tackled poverty.
Professor Veit-Wilson: If you are asking about France, Germany, Spain or Italy, which it seems to me you are asking about, then I would say that the histories of those countries—and perhaps this is a matter of scale but it is certainly other things as well—have been so much of a very stratified society with feudal or post-feudal tendencies, whereas the Nordic countries all were different in that respect. So what we are talking about it seems to me is less a matter of size in the first place, but of a sense of solidarity: this is our society. If I may illustrate that, in studies of the welfare state, which academics have lots of fun with, some of the Nordics find it difficult to see the state as being other than their own government. They do not have this sense, which is absolutely taken for granted south of the Baltic, so to speak, that the state is something against us, the people. They have a totally different way of looking at things and it helps to illustrate that kind of solidarity. I am not sure whether scale is the cause of it, but it may help it.
Professor Sinfield: One can add that Professor Atkinson at Nuffield College is just about to bring out a book studying the top end of inequality across Europe and North America and his conclusion is that over the last century, the pattern across these countries was very similar until the last 20 years or so of the century when the United States and Britain left the others, with the inequality gap widening very considerably, and it is in those two countries you have had the sharpest increase in poverty of all those countries.

Q147 Mr Davidson: May I follow up on the point you were making about the stratification of these societies? The Swedes in the past had one of the biggest empires in Europe in a sense; they were stretching down to the Ukraine eventually and it was clearly a feudalistic, aristocratically based society at that stage and then it broke up and dissolved. This is an interesting point about the question of whether or not it is an issue of size or whether or not it is an issue of there having been almost a process of conscious political decision making over a period which has changed a collective culture and led to these sorts of conclusions. I am just trying to struggle with the idea of whether or not it is possible to replicate their example by a collective will here about emphasising the need for equality and social solidarity, as distinct from the new conservativism and let the market rule and so on, as distinct from anything at all to do with size. It does not seem to me that there is anything in here about the size of the UK or Canada or Australia and New Zealand or almost anywhere else inevitably meaning that they are going to be more or less accepting of wider or lower levels of inequality. I can see the very minute level where you would maybe want to have everybody in the same boat, in the Caymans, Bermuda, Gibraltar, very small communities; in fact in some of those the social divisions are actually wider than elsewhere. I am not sure that the evidence can actually support any suggestion that solidarity is a function of size. Does that seem fair?
Professor Veit-Wilson: I think so, but we are going a bit outside my field. I do not really want to comment here on that.

Q148 Mr Davidson: I just wanted to demolish the previous point that was being made.
Professor Veit-Wilson: I would disagree that they ever thought they were feudal. They have had an elective monarchy since the Middle Ages and admittedly they elected some rather curious German princelings in the 18th century, but at the time when they were rampaging around Europe in the Thirty

Years War and building up their empire, as you describe it, this was very largely a matter of mercenary and other armies charging around under the king and a couple of generals and pillaging what they could. It was not quite the same kind of imperialism that we may think of since then.

Professor Sinfield: You did not know that before I met him John actually did research on Sweden in the 1960s.

Q149 Mr Walker: When we took evidence in Inverness, it was put to us that although poverty could be linked to issues such as job opportunities, an age profile effect and access to education, the fundamental cause of poverty was low wages. Is the issue really as simple as that?

Professor Sinfield: Yes and as complicated. If you have low wages, and we do have a problem with low wages, then this encourages poor quality in jobs and this creates a whole range of problems which I hope we can spend a little bit of time talking about. Also, in the environment we have at the moment in Britain with this very strong commitment to means testing, there is a tremendous belief that with the low income people you have to have a very wide gap between wages and any benefits to provide an incentive to go to work. The great irony is that if you go to other countries where benefits are much higher, they do not believe in this incentive issue, whereas in theory, according to some of the British analysts, the problem should be even greater in these countries because benefits are so much closer to the level of wages.

Professor Veit-Wilson: I was only going to add the point about the differential and the credibility or incredibility of the evidence.

Q150 Mr Walker: Professor Sinfield mentioned poor quality work in his opening remarks and that is an interesting topic. People are willing to accept poor quality work if they know it is their first job and not their only job and not their last job. We sometimes roundly criticise McDonald's as a burger-flipping job, but, depending who is running that particular franchise, there are good examples of people who go in to flip burgers, who get into management and go on and learn business skills. When you say that, are you really referring to what could be classed as dead-end jobs, where people get a job and once they are in that job there is very little way for them or opportunity for them to progress out of that job and take the disciplines they have learned from turning up at work on time, working with a team, to advance and better themselves? Would that be near the ballpark of what you were suggesting?

Professor Sinfield: Yes, you have put your finger on it very well and this is a very serious problem that we have to engage with because the Government have taken the line that the way of tackling poverty is work first and in many ways I agree with them because a lot of my work has been on unemployment and during the 1980s I was arguing that full employment was still worth considering. However, work first should not be work first alone and this is why the Harker Report is so good in that she talks about work first plus, that you have to get people into work but work in such a way that it does not actually pull them back, the point you are making about many students having vacation jobs and then subsequently moving into a totally different career and they are not marked by these jobs by and large. Single parents, may get in, and then, as a result of problems of child caring or under-reliability of child care, find themselves trapped in these jobs. They have real problems. I understand the situation now is that the rate for single parents getting into work is much the same as it is for the rest of the labour force. The problem is that they are coming out at twice the rate because of a whole range of problems around these jobs: the inability of employers to accept various work times that are friendly to the family, the problems of child care, a whole of range of issues like this. It is very important that we should be aiming for better jobs as a policy and this is why I was so pleased with the conclusion of the report last time, which put an emphasis on quality jobs. There is also some very disturbing evidence from Brussels that Britain may actually be leading Europe in creating poor jobs. If you look at European statistics on what they call high and low quality jobs that have been coming out in the *Employment in Europe* reports at the beginning of this century, Britain has a higher percentage of people leaving low quality jobs to go back into low quality jobs. We are right at the bottom of the line. Ireland is the opposite: it has the highest proportion of people going from low quality jobs into high quality jobs. I hope that there can be some more research into trying to work out what it is that is happening that is leading to this problem.

Q151 Mr Walker: You could say that is almost the winner-takes-all society in a sense, is it not, that the rewards are far greater for those who have access to academia, training, education? Those who do not have access to those support networks tend to journey backwards in their career as opposed to forwards.

Professor Sinfield: That is again part of the argument against a widening inequality when that makes it more likely to happen. We have certainly had periods in the past when we have not had as big a problem as this and we had much lower levels of unemployment and much lower levels of poverty.

Professor Veit-Wilson: I should like to add to the point about low-reward jobs which you made. You said these things are tolerable for short periods when you are starting your career. However, one of the things that we are all looking at is what happens to children who leave school without qualifications which are going to take them further and whether they are, in those kinds of jobs, then getting the training opportunities from their employers. It is a policy issue which needs to be taken into account before we simply leave it at "Okay it's all right to have a short, not very nice, not very well paid job". All jobs should have the appropriate standards and

a consideration of what development is needed, what training is needed in this job so that people can move on from it.

Q152 Ms Clark: I expect we may go on to the issue of low quality jobs and low wages later on in this session. To focus on the issue of unemployment, which of course has been a massive issue over the last few decades in Scotland, do you still agree that it is the case that full employment, but in particular full employment with well-paid highly skilled jobs, is the best way of spreading prosperity throughout the whole of the community?
Professor Sinfield: It is necessary but not sufficient. This is the point I was going to put the emphasis on. If you are going to have a situation where the adult rate of Jobseeker's Allowance or income support for those people who are not in work has not risen above the inflation rate for 20 years now—it is about half what the poverty line is that the Government uses, which I would argue was not enough anyway—this is a very real problem. Even if you are going down to lower levels of unemployment, you still have to support these people because there has been some very good research led from Oxford and Paris across Europe showing that poverty itself can become something that causes continuing unemployment and so I hope this can be tackled, but also people in jobs have to have decent jobs so that they can form a career rather than a career remaining a middle class reserve.
Professor Veit-Wilson: We pick up that term "unemployment" as though we have some sort of standard statistic to apply to it without thinking about the quality, not only of the jobs we were talking about a moment ago but also people's capacity, in terms of working capacity and hours of work and quality of work, to continue working. We have not yet raised the question of the various kinds of disability, but we should not treat having a high employment statistic as the sole issue here. Many of us are concerned with the quality of civil life and the involvement of everybody in civil life and it is a difficult area when there is a struggle between achieving some high employment statistic and encouraging people whom the labour market does not wish to employ because of their various characteristics, or because of the lack of demand for what people in the labour market are producing. They are discouraged from taking part in civil life because then they would be treating themselves as being out of the labour market and we should not encourage that, should we? There are sticky areas there too that need to be looked at rather more carefully than they sometimes are.

Q153 Mr McGovern: I am intrigued by what you are saying about low quality jobs and high quality jobs. How is that defined? Is there a criterion to help you define what a low quality job is? Is it remuneration or is it something else? My mother worked in a jute mill. She was a weaver and she always makes a point of saying she was a weaver because a spinner was regarded as lower than a weaver; there was a pecking order there. How do you define low quality or high quality and when you say that in this country more people are moving from low quality jobs to other low quality jobs, do you mean Scotland or the UK?
Professor Sinfield: Sorry, this is the data on the UK. It would not be possible across a European sample size. The European Household Panel study has been used to do this. The Scottish component of this would be really quite small, so one could not make statements about anything less than the UK in this respect. It might even be difficult to break it down into men and women once you start to look at the quality of the job because then you are dealing in smaller numbers anyway.

Q154 Mr McGovern: Is the criterion for defining low quality or high quality strictly wages or is it something else?
Professor Sinfield: No, it is a combination of factors and I would have to send you the detailed analysis. It is a surprisingly sophisticated one. I thought originally it was very crude but it was better than I thought it was, much better.

Q155 Mr MacNeill: Are you saying the UK leads the field in a negative manner rather than a positive one?
Professor Sinfield: Yes, on the mobility issue. Britain also has a larger number of people leaving the labour market altogether.

Q156 Mr Walker: Being a member of the middle class, I feel I am allowed to say this, though I do not want to be pompous. It is very easy for the middle class to talk in a rather pompous way about low quality jobs and high quality jobs. I just want to go back and try to push you on this. I am happy for low quality jobs to exist if there is sufficient progression and opportunity in the labour market for people who start out in low quality jobs to progress into the higher quality jobs, because there will always be a need for people to flip hamburgers, clean streets and so on and so forth, but surely there is a critical role here in training and education, to ensure that actually the whole of society has the opportunity to better itself through work life. Your first job really should be seen as a stepping stone to number two, number three, number four. You should actually have hope ahead of you that your circumstances will change and you know that there will be the support in place to help you change your circumstances.
Professor Sinfield: That would be nice.

Q157 Mr MacNeill: It would be nice. Is it possible?
Professor Sinfield: One of the sad things that have been happening is that mobility rates in Britain have been falling so that the present generation of students are more likely to finish up in the same classes they are currently in than their parents and it is particularly true of young women. Their mothers are much more likely to have experienced some form of social mobility. There is a separate issue about how poor people who are lower down society's ladder should be to take part in a society. This comes back to the degree of inequality and the extent of poverty at the very bottom that are major issues.

Q158 Mr Davidson: It is very useful to talk about quality, high quality and low quality jobs, but I suppose generally it would be a question of the degree of autonomy that somebody had over their work processes and self-realisation and so on. It strikes me that a lot of what you are saying is assuming that the society that you are looking at is self-contained. One issue that concerns me very much in my constituency is the whole question of migration. Clearly inward migration is serving to keep wages low in a whole number of areas simply because of over-supply of labour, and in particular it is allowing employers in areas like construction and catering and so on to avoid training, to avoid giving youngsters the opportunity to invest in their training and to move on because they can simply snap somebody up who already has these skills, effectively poaching from someone else. To what extent is the issue of trying to create a ladder of progress dependent upon actually having the framework within which you are looking at that cocooned from external influences and, therefore, in present circumstances unrealistic?

Professor Sinfield: I do not think it is. The trouble is that in the whole migration field there are so many more myths than very well grounded bits of research and I am trying to recall good clear evidence about the extent to which research has shown what is happening with certain groups coming in.

Q159 Mr Davidson: I know that in my constituency construction wage rates are holding steady at a time of increasing demand which would never have normally been the market mechanism; the market mechanism would have driven the price up. I also know that unemployment in my constituency is going up at a time when more people are being employed because the shortfall is being met by an influx. Clearly the impact of migration is adverse upon those at the bottom. It has been great for those who are getting cheaper nannies and cheaper construction and so on, but the balance of advantage is not equal. That is why this point about progress and about training requires an investment by employers and in training and if you have an open market it is rational for any employer to poach rather than to train. To what extent is your suggestion about the creation of this ladder unrealistic?

Professor Veit-Wilson: I hope it is not unrealistic, if we recall that at one time, through a good part of the 20th century, this country had systems of industrial training boards in one form or another to which employers paid levies within their particular industries. These were abolished, perhaps in the interests of freeing controls and opening the market in a number of ways. One of the ways of course is, as you say, if you have a free labour market then this is the effect. It might be helpful if employers were required once again either to provide training or to contribute to a scheme whereby, as in the past, these costs were shared out then to those who were doing it by those who were not and, of course, ensuring that the minimum level of wages paid in all these industries and these free labour markets was a living wage, which it is not at the moment necessarily.

Professor Sinfield: There are good opportunities that could be taken up by the Government and it is very frustrating that they have this welfare reform legislation going through which is going to have major implications for people suffering some form of disability or incapacity. In the Green Paper which came out last January, there were several good statements about involving employers, taking a tougher line with employers on discrimination and so on, but in terms of what is going through there is no evidence that this demand side is being picked up to the extent that the Chartered Institute for Personnel Development, which is the human resource management team in Britain, has actually said employers could do much more with the support of Government to take on people who are suffering from a range of difficulties, disabilities, problems relating to mental health and so on. Some employers already have a good record and this good practice could be encouraged by Government. They have been setting out ways in which they think employers could help to improve the demand side; it does not have to be entirely the tough employer side.

Q160 Mr MacNeill: Moving from the Scandinavian society you describe, a lot of people would agree that a more equal society is probably a better society; some would not. There must be vested interests preventing this sort of move to a more egalitarian society. Have you identified any area, deliberate or accidental, of vested interest blocking a move to a more equal society, which many of us would want to see? I can think of reactionary voices which might mention regional taxes for one, but does anything else come your way?

Professor Sinfield: I have continued to be concerned over the years about the extent to which we have what you could call a tax welfare state as opposed to a public welfare state. Some areas of this have been restricted because no longer can you get tax relief when you are buying your own home, which was a major factor in the past, which cost the nation in tax foregone more than all expenditure on council housing. Pensions would be a major area where the Government are giving about £14 billion in tax relief on people building up their pensions, but they are not included in the public expenditure accounts in the same way in which money that is going directly into pension credit is. All governments, not just the British Government but a whole range of governments, do not take account of these tax reliefs, although they are equally something that affects the balancing of the budget and this is something we could do much more about; in fact I have a brief bit in my evidence to you on this.

Q161 Ms Clark: Quite a bit earlier in the session there was mention of the word "status" and you have been talking about more quality jobs. There is always going to be a need for people to do jobs that may fall within your definition of low quality jobs, the kind of dirty jobs that just need to be done for

the whole of society, and there are always going to be people who would be happy to do those jobs and may not be looking actually to climb up the ladder. Surely an important point is that those jobs are given the status that they should have and that they have the wages that go with that, rather than thinking that everybody has to aim for what would be considered by others to be betterment.

Professor Sinfield: In any society you are going to have bottom jobs, but those wages should surely be above the poverty line and—this is a crucial issue—that the people who are doing the jobs that are the least popular in society are not being thrust into poverty because of it. It seems a straightforward issue.

Professor Veit-Wilson: It is a terribly important point that everybody feels that they have the status of doing a worthwhile job in society and that is recognised and respected by other people. The lack of respect is one of the most psychologically damaging aspects of poverty. In answer to the previous question, I was reminded of work which an American sociologist, Herbert Gans, did on the positive functions of poverty. He went on about that for quite a long time and we need to be reminded constantly that there are many both social and economic reasons why some people's poverty is very functional to other people. Paying low taxes for low wage service jobs and so on is one and, I am not going to elaborate the point, also having people to look down on, being able to support one's own status by saying there are those people—what our colleague, Professor Lister, has called "othering" people—treating them as "them". It is worth remembering in a context like this that the statistics show that very many more people pass through low income at some stage in their lives or even within the last decade than are poor at a point in time if you do a cross-sectional count. So far more people have experienced the conditions that are being raised in this discussion than are poor at a point in time.

Q162 Mr Walker: Just out of interest, what do you believe would be an adequate or fair minimum wage? What should the Government be paying?

Professor Veit-Wilson: You cannot answer that question without doing the study first to discover what would be a living wage in a particular social context. It comes back to the point about local labour markets as well and there is a question as to whether there should be regional or local variation in wage rates. If we just mention London weighting as an example, we do have that concept in certain ways because of a notion that housing in London is quite different in its market costs from what it is elsewhere. It is not terribly well supported in all cases by the evidence, but for some it is.

Q163 Mr Walker: If you have regional minimum wages that would create regional labour market distortions because the incentive for people would be to live in one area and commute to an area within commuting distance where the wage was higher. Do you see that as a potential problem? I say that because in Hertfordshire we have a hard time keeping our policemen because they live in Hertfordshire but commute into London where the wages are better. They do not want to be Hertfordshire policemen; they want to be London policemen.

Professor Veit-Wilson: It is also because they cannot afford to live in London and that is true for a great many service occupations. A great many people commute and like commuting. The richer you are, the further you can afford to live away from your work, and I am sure both of us know people who live a very long way away from their highly paid work and enjoy doing exactly that. This question of labour markets and labour market rewards is a pretty complicated one and we cannot easily answer it here. The point of my answer was that there is not a simple figure to be produced. Calculations in London by the East London Communities Organisation, and I believe now by the GLA, have been that a living wage in London for the lowest paid cleaners in Canary Wharf and so on would have to be something well over £7 an hour and not the £5 minimum wage.

Q164 Mr Walker: We are talking about £14,000 a year.

Professor Veit-Wilson: Yes, that may be it. What we are talking about here is enough to be able to live on decently and avoid many of these signs of poverty that we are raising.

Q165 Ms Clark: When we took evidence in Inverness it was suggested to us that a reasonable minimum wage would be in the region of £7 an hour. What is your reaction to that suggestion for that part of the country and, indeed, for Scotland? Do you think that is the right level, do you think it is too low? What are your views in terms of what level a minimum wage would need to be pitched at to address some of the problems of real poverty that exist?

Professor Veit-Wilson: I really do believe one has to study the subject and what any of our opinions are does not really matter until we have the evidence.

Professor Sinfield: One of the interesting things is that the University of Loughborough, and John is on the Advisory Group, are now looking at this minimum income standards issue which we have been pushing the Government to do for many years, and which some other countries have and seem to operate quite successfully, as John's study has shown.

Q166 Mr McGovern: Regarding the minimum wage, would you agree that whether you agree with the figure or where it is set, it helps to alleviate the problem you referred to earlier about "othering"? I mentioned the fact that my mother worked in a jute mill. When an American company started coming to Dundee, the jute mills became the least desirable jobs, but even within the jute mills there was still this "othering"; my mother was a weaver rather than a spinner. Do you think the national minimum wage helps to alleviate that whether you agree with where it is set or not?

Professor Sinfield: It certainly made an impact and has got rid of some of the very lowest rates of pay without there being any clearly discernible impact on unemployment which a lot of people said was bound to happen and it has not happened. What I find worrying is that the Low Pay Commission seems now to be holding on in terms of the increases and I am not sure how strongly justified their evidence is for doing this. I would have thought it could continue to go up. The additional point that I hope you will put in is that there should be closer attention to ensuring the enforcement of the minimum wage. I find this rather distressing because I looked at the failure to enforce minimum wage council orders in the 1960s and 1970s and the government did not want to offend the employers and so on. I get the feeling that there is an element of this. I know the DTI has just shortened the time period for things to be put right and has increased the penalty but they could release some more funds rather than restrict funds to groups like the Low Pay Unit and others to act as in-betweens to help people ensure they are getting the correct amount.

Chairman: You make a very important point. When we were in Inverness taking evidence we were told very clearly that there are some employers who are not paying the national minimum wage, so there is an issue of enforcement and you make a very good point. I am very pleased that you were also a supporter of the national minimum wage when it was introduced and now I believe our Conservative Members are very enthusiastic about this as well.

Q167 David Mundell: Just so we are clear, for the record, we are supportive of the national minimum wage. Going back to the initial comments Professor Veit-Wilson made at the start about poverty, you were indicating really that it was just a straightforward lack of money you saw as being the definition. Is that over-simplifying it?

Professor Veit-Wilson: No. I was simplifying but it was not the only thing that I said. In marketised societies like ours, many of the discussions about what we mean by "poverty" revolve around the consequences of one's market position in terms of the definition. The generalised definition I gave was the lack of resources to take part in society according to the standards expected and those resources in our kind of society are very largely monetary ones. That is why, when we are talking about policy issues, I consider having an adequate income the central and essential feature, though there are many other policies that would need to be followed up besides that. It is not the only one; it is not a panacea for all the problems that we identify as poverty. May I just say two things about the low wage one? One is that the Low Pay Commission never looked at the question of what was needed. The figures that it has arrived at have always been by discussion between the parties and that has not included evidence about what goes into the calculation of a living wage. The other thing is that the statistics that we use in this country for all their strengths and weaknesses are based on household income and counting people according to the disposable incomes of the households in which they live. That means that if we are looking at the question of dealing with, for example, children's poverty then we have to take into account the value of the benefits which are received which are meant to help with that or, indeed, dispose of that particular question. So another aspect of this is not just whether the minimum wage is enough, but whether it is enough in combination with universal benefits like child benefit to ensure that a family which has dependant children in it does not fall below whatever is being set currently—I prefer it on an evidence basis—as the poverty measure.

Q168 David Mundell: And where within that would fit the concept of specific assets? One of the issues raised, particularly in the rural context is that people have a car or may have a car which is, in some deprivation statistics, highlighted as in fact meaning that they are better off, whereas the car is a requirement for their existence or the possession of a car might be having an adverse affect on their income. Where does that fit into the wider view of what people might have available to them?

Professor Veit-Wilson: It is not just a matter of counting what white goods, cars or other things they have like that. The real issue, as the Nobel Prize winning economist, Amartya Sen has put it, is what are they capable of doing? Not having a car in a rural area without adequate public transport, possibly for good reason, means that they cannot do a great many of the things which we are expected to be able to do, whether it is get to work or visit granny or whatever else, without having their own personal transport. The other aspect of possession of assets in that tangible sense, of course it is not only tangible assets we are talking about, is what return do they provide in a flow of resources which can then be made use of? So having tangible assets in the form of savings or other cash generating assets may be very important to be taken into account in what we are talking about at the moment. That may also be true of the social assets, what is sometimes called cultural or social capital that people have, the contacts they have. I have worked with a team research in Russia since the changes there and much the most important thing in that situation, and it may apply in some of the communities that you are concerned with, is who you know, what contacts you have, what social networks you are involved in, much more than a particular possession. If we are looking at the picture of the level of living, and this comes back to an earlier point about the satisfaction people have in their communities, then it is not just counting up tangible assets that count. If you are setting up house for the first time, then clearly you have to have the resources to be able to acquire those goods and tangible assets that are appropriate. We could equally well be talking over a lifetime of whether you have the flow of resources that allows you to build up the pension rights or savings which again will protect you in old age. We have to take all the different kinds of resources into account if we are looking at the whole picture and if I have made at the beginning a rather simplistic statement about

measuring cash flows at this point in time, it is in the context of the sort of policy questions I referred to earlier. Are we talking about the adequacy of the benefit or the minimum wage system?

Q169 David Mundell: You did also make reference to a formula that you said had been available to Government and ministers since the 1960s which would have calculated perhaps what that cash flow was. What is that formula?
Professor Veit-Wilson: The word "formula" that I used was not the formula about how to calculate, it was the formulaic form of words used by officials and quoted by ministers to explain why it is quite impossible in Britain to calculate what a decent minimum income is even though it is possible in other countries to do so. Sometimes people call that a "mantra" and I was trying to be careful not to use that word, but I am going to use it now. What the National Assistance Board officials did was to take different methods of looking at what you could actually buy on national assistance scale rates, how the managers saw the lives of people who were claimants at that time and what the evidence was about what the British population in general were spending their money on. They compared those and made a judgment about what a more adequate level of benefit would be. In 1966 that was only implemented to the extent of the long-term addition for pensioners and certain other claimants.

Q170 Mr MacNeill: Just a couple of brief points. With Gordon Brown and credits for children and for families, do you think he would be better taking more people out of tax and recycling money back in through credits? Essentially here we are probably talking about the philosophy of equality and we have talked a lot about lower end lifting through minimum wages. Do you think there is a necessity of upper end capping as well to achieve a more equal society? Two points there. Should we just get rid of credits and just do more taxation in general? What is your general view?
Professor Sinfield: On the second one, I still stick to the position that Richard Tawney took before the First World War that what thinking rich men see as a problem of poverty thinking poor men see as a problem of wealth. You cannot disconnect these things and clearly it has an impact on our society. This was brought out very well by Anthony Sampson. He did these marvellous *Anatomy of Britain* books, the first one in 1962. Just before he died he produced his last edition and said that the most fundamental change in Britain over the last four decades was the fact that the rich no longer have to explain themselves to anyone, to the Government, to God or even to themselves. He was saying that the extent to which there is respect for wealth and money-making was what he thought was the biggest change in Britain and it does seem to be that this goes with the increase in poverty, the increase in deprivation and the failure to recognise that we are a society which needs to keep all members within it. I do think it is a real problem, therefore I would argue for capping.

Q171 Mr Walker: You would argue for the capping of the ultimate salaries?
Professor Sinfield: I would argue for a progressive income tax structure rather than the one at the moment where the whole range of progression is from 36 to 35% and the wrong way round.

Q172 Mr Walker: Do you think that position that might be Utopia—it might be someone's Utopia but not my Utopia—is just not going to happen, is it, with the international flow of capital and labour around the world? That just simply is not a possibility. So should we even be thinking in terms like that, because that would distract us from really addressing underlying problems?
Professor Sinfield: There are two separate issues here. How far people should allow their income to go up is an issue that we could well differ on but whether it should be unlimited is a different point. The evidence from Atkinson and others is very clear that it is not a worldwide issue; it reflects very much the policies of the countries, the extent to which inequality widened in the United States and in Britain only across a major group of industrial countries in the last two decades of the last century. There is a factual point here. The globalisation issue does not justify unlimited salaries; it really does not. It may justify higher salaries; that is totally different.

Q173 Mr Walker: It may not justify it, but it may be the reality that that is what is going to happen.
Professor Sinfield: No, you are not right. I really do not think you are right. I do not think the evidence supports you.

Q174 Mr MacNeill: What about the Gordon Brown point on the taxation and the family credits or the tax credits?
Professor Veit-Wilson: Quite a number of us in this field supported the idea of what you might call the post selective universal aspects of tax credits. In other words, you make the benefit available to everybody and then tax it back again. Of course the Treasury liked that because it was treated as negative expenditure. The point was that it did not show on the public expenditure side of the balance sheet and that was what was so good about it. Some of us who supported this, because it seemed a rather clever wheeze at the time, have become disillusioned by the failure to be able to administer it in a way which actually reflects and recognises the difficulties which people on very low incomes have in managing highly fluctuating and unreliable incomes. So it may be a good system in practice and those of us with high incomes can afford to cope with tax over-payments and under-payments and so on, however if you are trying to manage from week to week it is exceedingly difficult and if at the end of the year you are presented with a bill which you have absolutely no resources to repay, that is calamitous.

Q175 Mr Davidson: You responded to David Mundell's point about whether poverty is about not having enough money by saying there are all sort of other things as well. Is it helpful to us to think of a

division between, on the one hand, poverty, which is about this question of money and all the other issues which could be characterised as social exclusion because there is now an industry in a sense about social exclusion and it seems to me that there is actually a distinction that can be drawn and that to lump too much together makes the scale of the problem almost impossible to tackle and therefore you do not bother at all. For us as a Committee, not able to tackle the whole range of everything, to focus then on issues relating to income and poverty would actually be a meaningful contribution that we could make.

Professor Veit-Wilson: I would say from a policy point of view, yes. However, I was trying to make clear in the written evidence which I submitted that a lot of people use these terms in a lot of different ways and that makes it very difficult. Even in this kind of conversation, for me to distinguish in what I am saying between playing a very academic role of "he says this" and "she says that" and "these people are using the word this way" and what I would actually think makes for clearer planning, because that is what we are about in the end, would help to focus on creating the conditions in which everybody has the resources to be able to be included and then concentrate on those who fail, even though they have demonstrably adequate resources to do so. At the moment, we focus on those who are not included or who are excluded, however you want to use those terms, but we do not always make sure that they have the resources to be able to take part in society in the first place. Some of the commentators on social exclusion have been at pains to point out that some of those who are described as being socially excluded are not poor and some of those who are poor and you mentioned them earlier, are not socially excluded in the senses in which that term is quite commonly used. So it is not very helpful to use one as a kind of euphemism for the other. From a policy planning point of view, it is much better to be clear what you are trying to do, what the appropriate measure for that is and then see what is left over after that that remains to be dealt with. There are, of course, other bits like the educational system, housing and so on and each deserves attention in their own right.

Professor Sinfield: I would very strongly support that, but may I just add that there is a case for saying economic resources and not income. The non-academic reason for that is that in some cases, say in relation to people with disability, it is the economic resource of meeting some sort of particular need that enables them as well as the other incomes to participate in society. School meals are an example of a resource that should be free; travel allowances have made a big difference for many older people.

Q176 Mr Davidson: That leads me on in a sense to this juxtaposition of income and benefits and support and so on and disincentives and the like. I have in my area large numbers of people who are working on low wages and I have large numbers of people who are on benefits who have displayed quite astonishing degrees of knowledge and ingenuity in maximising their income from benefits. There is a question of crossover there, of disincentive. People have often asked me why they should go for a job when they will lose this or when they will lose that, why they should go out and work for the equivalent of 50p an hour and so on and so forth. How do we overcome this issue about wanting on the one hand to make sure that those who are unable to compete in the job market are adequately provided for without leaving the door open for rascals and villains to abuse the system without having quite a big gap between what you can earn and what you receive if you are not?

Professor Sinfield: European sociologists have said that the British seem to have been obsessed about this differential, this work-shy problem for the last 700 years. It really differentiates us from the other countries. The clear evidence that there are large numbers of people who could work and are not working because there are jobs available to them and they are not going into work does not stand up. Certainly there are people who say these things, who somewhat apologetically a few weeks later explain to me why they took a job because everything else was driving them mad. Equally there is a vast number of people who do not understand the benefit system. On Friday I was listening to a talk from a welfare rights worker who was attached to a health centre in north Edinburgh who had brought in £400,000 in the course of the year in terms of unclaimed benefits and tax credits.

Q177 Mr Davidson: I understand all of that. I am not unsympathetic to that. Very often, these are in entirely different groups. The pensioners who will not claim the minimum income guarantee and the pension credit and so on are not by any stretch of the imagination the people who have managed to maximise the benefits by one route or another. If there are large numbers of people who would take jobs if they were available but they are held back because there is no work there for them, how do you explain the fact then that large numbers of migrants have come into Glasgow and found 20,000 jobs and unemployment is continuing to rise? Clearly the work was there, people were choosing not to take it. Is that because there were insufficient incentives for them to take it? What is the link there that we ought to be looking in policy terms to address?

Professor Sinfield: If you are taking somewhere like Glasgow which has had an appalling level of long-term unemployment over something like 20 to 25 years, you have a very different problem from the normal labour market. One of the sad things, and this is why I said I wanted to speak to you about false economies, is that Pathways to Work was starting to work on a voluntary basis to the extent that people who were not eligible for the scheme were asking whether they could be brought into it and were being told there were not enough staff to handle them. Now the Government is talking about making it compulsory but cutting the number of staff to provide it under the cutbacks in staffing for the

DWP. I feel that Pathways to Work was starting to deal with the issue that you were talking about. I really do; over a period of time.

Q178 Mr Davidson: As somebody who has chaired various groups in my area, I think you are actually wrong because Pathways to Work was undoubtedly dealing with many of those who did genuinely want to work, who did require a degree of support, but there was also a group there who had absolutely no intention whatsoever of working, if they could possibly avoid it and their existence, which was known to quite substantial numbers of people in the community, was undermining the credibility of the whole system. The question of solidarity and wanting to provide finance to raise everybody to a meaningful level depends upon consent, it depends upon the feeling that some, particularly those that are on low wages, are not being exploited by others who are working the system. It just seems to me that it is that juxtaposition and meshing together of issues that I am not sure that we have right and I am not sure so far you have actually helped us with that particularly.
Professor Veit-Wilson: It is quite a while since I was involved in those kinds of questions but I do remember one of the key issues about employability was whether the employer actually wanted to take you on. It could be that one of the difficulties with the people that you are talking about is that they are less attractive as employees than are the people who are coming in that you have described. I do not know your labour market.

Q179 Chairman: There are two issues here. One is whether the employer is willing to take somebody on or not. On the other hand there are people who enjoy a better quality of life without working and have more benefits than the people who are working. They do not want to take up jobs as well. Many employers tell me when I talk to them, that people are sent to them and interviewed and when they ask them the first question it is very clear they are here for a purpose and they do not want to do the job. How can we address this issue when people who are working, if you include their travel costs and other expenses involved in working, become less well-off working than the people who are not working?
Professor Veit-Wilson: What strikes me about that and it is a very old problem is that it is saying something about this question of differentials and incentives, which we have been talking about earlier. Possibly it is because the wage rates are not high enough rather than that the benefits are too high. As I say, I cannot tell you what the minimum wages ought to be, but what we do know from earlier labour market studies is that the status of being in work and having the respect due to somebody who is going to work, has its value as well, it does not always have a cash value on it. For some people, it very clearly has a cash value; they would rather be working than be on benefits which might be very close to whatever net earnings they have. It is a quite complicated question. We are dealing with a lot of beliefs, with some social evidence which does not always support those beliefs, and with questions of the structure of the labour market rewards and the benefit rewards which deserve a great deal more attention.

Q180 Mr Walker: May I ask a question to which there is probably no answer, but please try to answer it? If in a perfect world we could increase the minimum wage to, say, £10 an hour, which is never going to happen, but if we could increase it to £10 an hour, would you two gentlemen, as serious academics, then think "Job done" and that you could start a second career, the fundamental underlying causes of poverty having been dealt with and off you go? You probably would not think that.
Professor Veit-Wilson: No.

Q181 Mr Walker: So if we got the minimum wage to £10 an hour, what would be your next focus? What would be your next priority as far as your academic work and considerations are concerned?
Professor Veit-Wilson: It would still be what it is at the moment which is to discover whether £10 an hour is the figure we ought to be aiming for. When we had made sure that nobody's household income fell below whatever that level was that we are aspiring to, then I would come onto those other questions. I do not believe that these are either/or matters; a number of different things have to be done together. Ensuring adequate incomes is certainly one of the first.
Professor Sinfield: It is only an extremely limited achievement in a society to reduce the number of people living in poverty. There is a great number of other things one could do to improve the welfare in society in a whole range of other ways. If you did get it to £10 an hour there is still the crucial issue of what resources you are going to make available to the people who for one reason or another are not working, not able to work, not willing to work or whatever they are doing. This is a crucial issue. Just to come back to Mr Davidson's point earlier, I am very struck by the fact that when I have interviewed the unemployed I cannot help myself thinking this guy is really looking and that guy is not and how wrong I have very often been in terms of judging people and going back to the same family six months or a year later discovering that the work patterns of these people are very different because jobs came up. It is a bit like at school where nobody really likes to say they are working hard. People put on a whole range of stories to justify what they are currently doing. This is a big factor. I have also had people who present themselves very much as wide boys explaining to me why it did not pay for them to work when in fact they have actually been receiving less benefit than they should have been and they did not realise it because they understood the system so badly. There really is a problem with our complicated system.
Mr Davidson: There is nothing worse than an incompetent wide boy.

Q182 Chairman: Ian has mentioned migration a couple of times, immigrants taking the jobs. As you are aware, there are certain types of jobs which our British friends are reluctant to take or even willing to take up such as cleaning, low-paid jobs, low-quality jobs which are only filled by immigrants and even they are reluctant to clean the toilets. What would be the message to deal with that issue?

Professor Sinfield: In the past, before the immigrants came, a lot of these jobs were filled by local people. The decision very often is on the part of the employers. They find certain people more acceptable to take, there is a high turnover; because the quality of the job is poor they can expect a high turnover. They expect certain relationships, so it is a pattern which goes on over time, constantly changing, depending on who the immigrants are, which particular group. Sometimes it is people coming in from rural areas who may be Scots.

Q183 David Mundell: On that point about geographic movement within Scotland, which is part of the route to poverty, it seems to me, particularly in Scotland, where the purpose of a number of post-industrial communities in many ways has moved on—former mining communities or where there has been a large industry—yet people are very keen to stay there though it is quite clear that their economic prospects would be better if they moved somewhere else. For clarity, I am not in any way suggesting any forced movement of people. How do you see that issue? There is a route out of poverty, which would be moving, but people are simply not taking it.

Professor Sinfield: This is a classic problem and it is important to look at the reasons they are not taking it. I have not interviewed unemployed people in Scotland, but I have in the North East of England. What was astonishing was that there was a general belief that people were not prepared to move, but these people had actually done quite a lot of looking around: South Africa, Australia as well as in the south. One of the crucial things was that they were convinced, from a whole range of experiences of neighbours and friends, that moving down towards London they would not be able to get housing and this was a major factor. If you look at the research which has come out of the closure of the timber mill in Corpach near Fort William, you will find that a lot of the people who had lost their jobs there came from Glasgow originally, were born in Glasgow, but they were born in Glasgow because their parents moved there in the 1930s because the jobs disappeared near Fort William in the 1930s. They moved south, then they moved back again, then they lost their jobs again. These people are going to become very wary about making another move, so you do need to locate it in the context of what has been happening. There is an enormous movement of people but it tends to be in fairly small stages; there is not a vast amount of long-distance moving.

Professor Veit-Wilson: You asked your question in terms of the choices made by individuals, but this is in the context of economic and social policies which governments have some control over. I am thinking of the experience both in County Durham, which is close to where I live, and in Sweden, which I have had a look at, in terms of the problems of rural depopulation when industrial location changed. In both of those areas—in one case a country, the north of Sweden, in the other case a county of Britain—the problem was one of local employers—in the Durham case mining, in the Swedish case all kinds of timber by-products—closing down. In Durham there was uproar when the county council proposed to close down the services to particular villages on the grounds that the mine was no longer there and the people should move away from it. Similarly in Sweden, it created an enormous political uproar and the end result of a great deal of argument there was that the Government was actually for the people, where they wanted to live. It was not the Government's business to be forcing people to concentrate somewhere else in the country. Who is the Government for? It was the choices that people made about their communities, where they wanted to live, and therefore if the free market of employers, with all the forms of incentive and support that employers get wherever they are, did not wish to be there any longer, then perhaps some others should be there. So economic policies to devolve industrial location, and also to ensure the support of the social services—not closing the schools, the post offices, the hospitals and such things—were provided.

Q184 Mr Davidson: We picked this up in rural areas. If you think the Government, the state, should provide bus services, post offices, all these services to rural areas, working on the basis that money does not grow on trees, you therefore have a small group in an isolated environment demanding that the rest of us, particularly my constituents in urban areas, should pay more taxes in order to keep them in the locations to which they have become accustomed. There is an issue there about fairness and reasonableness as well. Going back to my days in Strathclyde, I can remember one particular family who lived 40 miles out demanding a bus every day to pick their child up and collect them and deliver them to school, then take them back again. There is that issue around the collective interest as distinct from the rights of the individual, is there not? How do you balance that?

Professor Veit-Wilson: The Swedes balanced it by saying that is the kind of society we want and people, expressed through the political system, were prepared to pay the costs of doing that. I cannot remember whether all the Durham citizens who pay their taxes were prepared to pay the costs, but I imagine that they were and of course regional funds were available to support that as well.

Q185 Mr Davidson: Presumably all the increases in pension credit, winter fuel payments and the rise in some child tax credits are moves in the right direction in terms of alleviating poverty or are we getting any of that wrong? It just seems to me that pension credits, winter fuel as a universal payment, rise in child tax credits are unalloyed good. Apart

from your point about these being universal rather than means tested, is there another downside we ought to be aware of?
Professor Sinfield: There is a strong argument for saying that the amount of resources going to children should be increased. There is also a strong case for saying that the element which goes to child benefit should be increased because that goes to people without any of the problems of claiming and reclaiming which have beset tax credits. This is a very important element: to increase the resources for children.

Q186 Chairman: I can understand and appreciate that you are not a fan of tax credits. If we have a certain amount of funds available to us and we want to distribute these within the community, then obviously we should target first the people in most need rather than distribute them equally between the rich and the poor, well-off and less well-off. How would you balance that?
Professor Sinfield: There is a very strong argument on that basis for increasing the family benefit for second and subsequent children to the same level as for the first child. This is a powerful case and a lot of evidence has been brought together on this. If you take the tax credit one—and I take your point on that—then the argument must be to operate tax credits with the greatest degree of efficiency, which means that you have to invest in more staff. This is really crucial. It is not simply that people do not receive what they are intended to, which in itself is a problem leaving people in poverty, but because of all this uncertainty the whole system is becoming stigmatised. A lot of people, when they hear these figures about 33% being underpaid or overpaid, think it means the system was wrong rather than the fact that circumstances changed in the course of the year, so there was need for an adjustment. If more staffing were put onto this, then it could be operating very much more quietly and effectively. This is a crucial issue: investing in Her Majesty's Revenue and Customs, Work and Pensions, but also in the independent agencies, welfare rights, money advice and so on. It would be a really worthwhile investment. It would bring resources back in.

Q187 Ms Clark: I have certainly had constituents who did not want to apply for tax credits because either they themselves had had experience or had experienced others receiving tax credits and then having to pay it back at a later stage. Surely the point you are making is that it needs to be a simpler system as well as maybe a better resourced system so that does not happen, that it actually tracks people's real income as they go along better rather than saying we will get rid of this form of targeting to some of the poorest in society. Surely this policy this Government have introduced has given a huge amount of money to some of the poorest people in this country and rather than scrapping the whole thing surely we should be trying to work out how to improve it.
Professor Sinfield: No, I was saying nothing about scrapping it. However, it seems to me that if we are going to have it we should make it efficient and if we know it is going to be complicated and we know it needs more staff to make it work, if we can simplify it fine, but do not let us get rid of the staff before we see whether the new simplification works.

Q188 Ms Clark: Do you agree that it has been a very effective policy at tackling some of the most extreme forms of poverty in Scotland?
Professor Sinfield: I do not know how far it has dealt with the extreme forms but it has certainly played a crucial role in lifting many families out of poverty. Therefore there is a strong argument for saying the adult element of the child tax credit should not remain frozen. This is an issue to be looked at. There also needs to be more attention to the issue of families with disabled children.

Q189 Mr McGovern: It is certainly my perception and is it not the case that as soon as you start targeting certain groups, those most in need, you are accused of means testing?
Professor Sinfield: Yes, but the question is: what is wrong with means testing? If you have a system which is going to eight out of 10 children rather than one or two out of 10 then the system is operating differently in terms of the stigma which is attached to it. More people are willing to get into it, but the crucial thing is that it should be efficient.

Q190 Mr McGovern: Yes, but means testing is almost always spoken about in derogatory terms as something that people should not have to face. If that means just giving everybody everything, then the resources are not there to do that, are they?
Professor Sinfield: That would be a different argument. I would argue that some of these tax welfare state issues should be cut back, so there would be more resources for providing on a universal basis. Putting that on one side, if you have a means-tested system which goes to the great majority, as for example in the past the university grants did, the element of stigma there was extremely small; very few people were not claiming on that basis. There were problems of complication; there were problems of complication with tax credits.
Professor Veit-Wilson: Yes, it is a matter of people not feeling disrespected by being singled out as "those poor". That is the point. If it is the majority of people who undergo a financial test you cannot have that kind of distinction; people do not feel stigmatised in that kind of way.

Q191 Mr McGovern: I may not have quite understood. Presumably everybody who applies for a benefit undergoes that sort of test.
Professor Veit-Wilson: Not if it is a contributory one.

Q192 Ms Clark: This has been an issue which has been around for a very, very long time and traditionally there has been a great deal of support for universal benefits which everybody gets and

obviously child benefit is a really good example of that. What you seem to be arguing is that we should be seeing quite significant increases in child benefit, perhaps for the first child but definitely for additional children. In terms of the work you have done, would you get involved in what the cost is going to be at the end of the day? As politicians we are always asked what it is going to cost. Is it the case that any form of addressing poverty that is to have a universal approach is going to cost a lot more than a targeted resource?

Professor Sinfield: It depends on the ways in which you operate it. If you think of the cost of child tax credit and you add on all the overtime and all the additional problems which came from trying to introduce it in a cheap way, you would come up with a very big figure. You could then ask how much of it had been given out in child benefit. It would be possible presumably to raise the question: if you had a much bigger family benefit, then you could tax it. It would be a different sort of argument. I personally would not want to push that argument as a priority at all. The way in which you allocate resources and the way in which you actually take resources from people as their incomes get higher are important issues.

Q193 Mr Walker: I want to go back to wages very briefly. Having worked in private business, I am aware that hiring decisions by most employers are always based on price; they will pay the lowest they can get away with. That does concern me because I believe we have an immigration policy now which is largely run in the interests of big business and does not take in the wider needs of society and the wider implications of society. Because of these unprecedented levels of immigration recently, we are seeing depressed wages in the labour market and it would be very disingenuous of politicians to say to people living in this country, the established population whatever their colour or creed or race or religion, that they should take these jobs at lower rates. That does not take into account that many people settled in this country have families which they need to support and they are not willing to live in accommodation with 10 people in three or four bedrooms or even two or three bedrooms. I really do not think, when looking at poverty, that we can separate out the implications of immigration from poverty. One, whether you like it or not, has an impact on the other and I should be interested in your views on that.

Professor Veit-Wilson: It sounds to me from the question that you are asking about the impact of a free European labour market on wage rates in this country. I must say I do not think I would want to respond to that. If you are talking about poverty, then I would come back to something rather more socially oriented: how do we see what is necessary in the way of resources to live decently in this country? They are not quite the same question. I could not answer you on the economic effects of particular labour market policies.

Q194 Mr Walker: Would you think it is incumbent on Government to run an immigration policy which takes in the wider needs of societies rather than just the needs of employers, whose main driver will always be to reduce their cost of labour?

Professor Veit-Wilson: In a sense we are talking about European labour market policies here and we could be talking, though we have not been, about what influence the European Community has on questions of minimum wages, labour market conditions and so on. That is a very large subject and certainly not one we are going to start on at this point in the afternoon. I would hope that at the European level those questions would be looked at in such a way as to ensure that poverty was not created in any one country by a particular set of labour market movements. If we are talking about the policies which our Government can pursue, whether it is the Westminster Government or the Edinburgh Government, then I come back to the fact that we should be looking at what those governments can do with the powers they have and under the constraints to which they are subjected to ensure that people do not live in poverty long.

Q195 Chairman: Professor Sinfield, in your memorandum you set out several ways the Scottish Executive could alleviate poverty. Have you put your views to Scottish Ministers; if so, what has been their reaction?

Professor Sinfield: No, I have not put my views, although I certainly sent this—

Q196 Chairman: They might have picked them up, might they not?

Professor Sinfield: They might.

Q197 Chairman: So you have not had any communication or correspondence with Scottish Ministers.

Professor Sinfield: No.

Q198 Chairman: I am not asking here for a magic solution but what would be the single most important step the UK Government could take to alleviate poverty?

Professor Sinfield: I really would want to support the points you made last time on the quality of work, because this is a crucial issue, and what jobs are being conducted. This comes back to the question you were asking about employers. In a sense you were doing employers down. Employers, except in certain jobs, are looking for somebody who would be reliable, who can be responsible, who can do this job, who will be there in six months' time. They are looking at the thing in a rather different sort of way from the way you suggested. If you are trying to get people into these sorts of jobs, then clearly you need a decent wage and then that is crucially linked to what is going to be made available for other people. There is very clear evidence that poverty in Scotland has fallen amongst children, families with children and pensioners; it has not fallen amongst adults, single or couples, without children because benefit levels have been left so low. This is a crucial issue.

The other issue I would come back to is this issue of false economies in terms of cutting staffing and then getting nowhere and also failing to invest in things like welfare rights and money advice.

Professor Veit-Wilson: If you had asked for the single step which could improve health experience, we would be talking about preventive measures and we would be talking about the medical research which was needed to know which measures were best at prevention. So if we are talking about the single step to deal with poverty, I should say that it would be the preventive measures and the one I am particularly interested in is of course establishing at what level of income people do actually experience poverty, what they need in order to get out of it; preventive policies and the knowledge base on which those policies are based. We are lacking both of those; we need them.

Q199 Chairman: I am pleased that none of you has said independence for Scotland and dissolution to deal with poverty. May I thank the witnesses for their attendance this afternoon? Before I declare the meeting closed, would you like to say anything in conclusion, perhaps on areas we have not covered during our questioning?

Professor Sinfield: No thank you.

Professor Veit-Wilson: No. I should like to thank you very much for your attention.

Chairman: Thank you very much once again. I am sure your evidence this afternoon will be very useful for the Committee when we compile a report and thank you very much for your evidence. I am sure we had a valuable learning experience and a very informative session this afternoon. Thank you very much.

Tuesday 6 February 2007

Members present:

Mr Mohammad Sarwar, in the Chair

Danny Alexander
Ms Katy Clark
Mr Ian Davidson
Mr Jim McGovern
David Mundell
Mr Charles Walker
Mr Ben Wallace

Memoranda submitted by The Poverty Alliance

1. Introduction

1.1 The Poverty Alliance welcomes the opportunity to respond to the Scottish Affairs Committee inquiry into Poverty in Scotland. The Poverty Alliance is an independent non-political, voluntary organisation with charitable status that acts as the national anti-poverty network in Scotland. We have over 100 members and a contact network of more than 600 groups and individuals. The main aim of the Alliance is to help tackle poverty. In order to achieve this aim we carry out a range of activities to deliver the following objectives:

— To empower people living in poverty to combat poverty on their own behalf.
— To build the capacity of agencies to work effectively with people who are seeking to combat poverty on their own behalf.
— To support the development of social policies which promote social justice and combat poverty.

The Alliance currently receives core funding from the Scottish Executive. In addition funding is also received from a number of Scottish Local Authorities and charitable trusts and foundations. Further information regarding the work of the Alliance can be found on our website at www.povertyalliance.org and in our annual report 2005–06.

1.2 This response is significantly informed by the findings of the *Get Heard* project in Scotland. This project sought to ensure that the voices of people with experience of poverty were heard in the development of the National Action Plan on Social Inclusion 2006–08. Across the UK the *Get Heard* project was responsible for over 140 workshops looking at what is and is not working in relation to current social inclusion policies and what needs to change. The UK report can be accessed at the UK Coalition Against Poverty's website: www.ukcap.org/getheard. A full report[1] from the 50 Scottish Get Heard workshops was recently published by the Poverty Alliance and will be submitted to the Committee as part of this inquiry.

2. What is Poverty?

2.1 Definitions of poverty are more than merely technical issues of interest only to academics. In many ways the definition we adopt can determine the way that we conceptualise poverty and will therefore have a significant bearing on the solutions that are proposed. Much has been written on how best to define poverty and there has been significant progress in recent years in the UK in developing new measures with which to track progress in tackling poverty. We would recommend that as part of their deliberations, the Committee consider Professor Ruth Lister's recent publication that deals with the question of defining poverty.[2] We would also note that the terms of the debate have changed little since the Committee conducted its first inquiry in 2000, and much that was in the original report still stands.

2.2 As Professor Lister shows, recent debates regarding the definition of poverty have been dominated by the absolute and relative dichotomy. Absolute poverty refers to the level of resources required to meet basic physical needs. We would reject a "subsistence" notion of poverty. Rather, we would adopt a "relative" definition of poverty that locates the experience within the society that an individual lives. Lister refers to Peter Townsend when defining relative poverty:

> "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and amenities which are customary, or are at least widely encouraged and approved, in the societies to which they belong."[3]

2.3 Any definition of poverty must therefore begin with income (resources), but we cannot consider that income on its own. Crucially, our definition and understanding of poverty must include the extent to which individuals are able to participate in society.

[1] Burnett, L (2006) Dignity shouldn't have to be earned! Get Heard Scotland Final Report, Poverty Alliance: Glasgow.
[2] Lister, R (2004) Poverty, Polity Press: Cambridge.
[3] ibid, p 21.

2.4 This approach is one that is reflected in the comments and experience of those taking part in the *Get Heard* project:

> "poverty is fundamentally about living on a low income: it is about having to think twice about whether you can afford to send a child to the pictures with her friends; it is about being forced to decide between a school trip and healthier food, about figuring out where the next meal is going to come from when all you have is a couple of pounds."[4]

2.5 Any definition of poverty must reflect the multidimensional nature of the phenomena: poverty is not simply about a low income, it is also about the impact that it has on an individual's ability to participate in society. Such a broad definition of poverty allows us to look at a range of possibilities when considering action to tackle poverty. Whilst ensuring that people have an adequate income will be at the heart of any anti-poverty strategy, such a such must also look at how people access the labour market, the kinds of services they are able to call upon, the ability to take part in cultural activities.

2.6 The UK Government's new approach to measuring child poverty goes some way towards integrating a relative definition of poverty into the measure.[5] By combining measures of relative and "absolute" low income with a measure of material deprivation, the new approach highlights the impact that living on a low income has on individuals and families. We have welcomed this new approach and would like to see it applied to all groups in society. The UK Government has been ambitious in setting targets and developing new measures for child poverty, we would like to see similar commitments and measures put in place for pensioners and adults with and without children.

3. The Extent of Poverty in Scotland

3.1 Just as there has been progress in the ways in which we conceptualise and measure poverty in recent years, there have also been significant improvements in the data available to track progress in tackling poverty and the impact of poverty. We will not attempt to cover this area in detail, but will only highlight a few key indicators.

3.2 Much attention has been given to the UK Government's commitment to eradicating child poverty. There has been real progress made in Scotland in this respect. The decline in child poverty in Scotland has been particularly notable, falling from 33% to 23% between 1996–97 and 2004–05, a fall of some 25%. This decline has been greater than for Great Britain as a whole where child poverty has gone from 33% to 27%, a fall of 17%.[6] These falls are both welcomed and the UK Government and Scottish Executive should be congratulated in making and maintaining these commitments. In explaining the difference between Scotland and GB we would like to be able to point to clear reasons why the fall has been greater in Scotland, but we are unable. As we have stated previously,[7] it is crucial that we understand the reasons for this differential, particularly given the difficulty that is likely to be encountered in maintaining this progress in the future. We hope that the Committee's inquiry may help to shed some light on the question.

3.3 The extent of poverty amongst other groups in society has also fallen, both amongst adults and pensioners. In particular, the proportion of pensioners living in low-income households in Scotland has fallen from 30% in 1996–97 to 16% in 2004–05. In adult households the fall has been less dramatic, from 20% to 18% over the same period.[8]

3.4 To summarise, child poverty and pensioner poverty have fallen significantly in recent years. It must be of some concern that the decline in adult households in low income has been less dramatic, indeed the figures could be seen as roughly static. More alarming is the situation with regard to adults without children. Figures for 2004–05 have not been published but in 2003–04 it was clear that the risk of living in a low income household had not declined for single and adult couples without children, and if anything had in fact increased.[9] This is an issue that has, we believe, been studiously avoided by policy makers north and south of the border.

3.5 It should also be noted that despite some marked improvement, lone parents are more likely to live on low incomes. People with disabilities are also more likely to be living on low incomes. It is with some concern that we note that there is still a real problem in identifying the proportion of people in Black and Ethnic Minority (BME) communities who are living in poverty. In any demographic group, women are still more likely to live in poverty.

---

[4] Burnett, L (2006) Dignity shouldn't have to be earned! Get Heard Scotland Final Report, Poverty Alliance: Glasgow, p 44.

[5] Department for Work and Pensions (2003) Measuring Child Poverty, DWP: London.

[6] CPAG (2006) Media Briefing: The Governments Child Poverty Target, www.cpag.org.uk. All figures in this paper are based on 60% of median household income after housing costs.

[7] Kelly, P (2005) Progress in Tackling Poverty? Low Income Households in Scotland 2004/04, Briefing No 4, Poverty Alliance: Glasgow.

[8] Scottish Executive (2006) Scottish Households Below Average Income 2004–05, Statistics Publication Notice, 9 March.

[9] Kelly, P (2005) Progress in Tackling Poverty? Low Income Households in Scotland 2004/04, Briefing No 4, Poverty Alliance: Glasgow.

4. Causes of Poverty in Scotland

4.1 The causes of poverty are many, and just as there is no single policy solution to such a complex interrelated set of problems, there is no single cause. The discussion of the causes of poverty that were discussed in the Committee's original inquiry still stand: the lack of employment, low paid employment, poor health, lower educational attainment, low benefit rates, inadequate pensions, insecure employment, lack of access to services, etc. This list still stands and we would perhaps add to it by noting the impact of the council tax as a cause of poverty, particularly amongst those who are not eligible for Council Tax Benefit eg low paid workers.

4.2 In any discussion of the causes of poverty we would encourage the Committee to focus on the *structural* causes, rather than locating causes with individual behaviours. Much has been written over the last 10 years about the "rights and responsibilities" agenda that has been pursued by the Government in relation to anti-poverty policy. It is our experience, reinforced by the evidence gathered through Get Heard, that people are more than willing to fulfil their responsibility to lead lives free from poverty. Their ability to do so, however, is more often than not undermined by lack of jobs, low paid work, low levels of benefits, etc.

5. The Impact of Government Policy

5.1 It is not the intention here to look in any depth at the impact of the range of Government policies on poverty and social exclusion. Since the Committee conducted the last inquiry into poverty in Scotland the policy field has become significantly more complex. The Scottish Executive and Parliament are now well established parts of the policy making process, with a well developed and in many areas, distinct, policy agenda from that pursued south of the border. It is, of course, impossible to consider the actions of the Scottish Executive in isolation when looking at the impact of anti-poverty or social inclusion policy. A summary of some of the "highlights" of anti-poverty policy shows that both make significant contributions to the fight against poverty:

- The launch of the Scottish Executive's Social Justice Strategy in 1999 and its subsequent revision and emergence as the Closing the Opportunity Gap approach in 2004;
- The publication of seven *Opportunity for All* reports by the UK Government and the ongoing monitoring of a wide range of indicators;
- The introduction of a National Minimum Wage and its annual above inflation increases;
- The implementation of the Scottish Executive's Central Heating programme and the reduction in fuel poverty amongst pensioners;
- Free personal care for the elderly in Scotland;
- The SureStart programme;
- The implementation of the Financial Inclusion Action Plan by the Scottish Executive and the support given to credit unions.

5.2 The number and range of initiatives aimed at tackling poverty and social exclusion in Scotland and across the UK is impressive. The most recent UK National Action Plan (NAP) on Social Inclusion 2006–08 gives an indication of some of the key priorities for the Government and the contribution that devolved administrations, local authorities, voluntary organisations and a range of other stakeholders make to the fight against poverty.[10] However despite the progress that has been made, there remain significant problems. This final section will consider, in brief, issues connected to rural poverty, financial inclusion and work as a route out of poverty.

5.3 *The Geography of Poverty*: Although the problems of poverty are clearly more prevalent in urban areas, the impact of living on a low income in a rural area can be severe. Central to the experience of rural poverty is access to services. Issues that emerged through the Get Heard project included access to transport and the availability of childcare. Poor or inadequate public transport links in rural areas restricted opportunities to access paid employment, to visit health centres or GPs, to access cheaper food at large stores, etc.

5.4 Childcare, seen as essential in order to allow parents to be able to return to work, was seen by parents taking part in Get Heard as inaccessible and costly. It would seem that state support, such as that which has been available to keep rural post offices open, is required to make child care a genuine possibility for those living on low incomes in rural areas.

[10] DWP (2006) Working Together: UK National Action Plan on Social Inclusion 2006–08.

5.4 *Financial Inclusion*: Much has been done in Scotland to address problems associated with over-indebtedness, financial exclusion and access to credit. Despite this activity, participants in the *Get Heard* project in Scotland noted many times the serious impact that debt has in their lives. Access to affordable credit was seen as a priority. Where people knew of their existence, credit unions were seen as a useful resource. However, it was noted that accessing this kind of credit requires savings to be made first. High interest forms of credit, from "catalogues" to loan sharks, are easily accessible and can provide an instant fix to short term financial problems. As one participant stated:

> "When you have kids and you need things for them it's easy to forget that you have to pay it back. Once a week Provident loans come round your door offering £100 on that day, no bother . . . it's a lifeline, not a fix."

5.5 Social Fund Crisis Loans were not seen as a solution: they were difficult to access and the levels of credit available did not significantly contribute to solving the financial problems that people faced. It is particularly disappointing to note that this service is still beset with problems. The Social Fund has the potential to provide an important lifeline to those on low incomes and to provide an alternative to high interest forms of lending. We would ask the Committee to restate its original recommendation that a full review of the Social Fund is carried out and that this review should consider ways through the Fund could become more accessible and helpful to those in need.

5.6 Despite some progress many participants felt that there were barriers in setting up bank accounts. Some of these barriers were practical and were linked to the withdrawal of services from some areas. There has been much publicity around the charging for cash machine services and the impact that this can have on people living on low incomes. In some cases banks have agreed to install and support cash machines in areas of disadvantage, a welcome recognition of their own corporate social responsibility. We would urge the Committee to consider what pressure can be brought to bear on banks and other financial institutions in order that they ensure that a full range of services are available to all customers.

5.7 *Work as a route out of poverty: The Welfare Reform Agenda:* Tackling unemployment and helping people back into the labour market have been central to anti-poverty policy in Scotland and the UK since the 1990s. The UK Government and Scottish Executive have both seen work as "the best route out of poverty". Coupled with efforts to help people back into work, an early focus of policy was also to "make work pay", most notably through the introduction of the National Minimum Wage. The recent Welfare Reform Bill is the latest step in the welfare to work agenda. Whilst we agree that for many people, paid employment can be a successful ladder out of poverty, we believe that a number of issues have not be given sufficient attention in the development of the latest proposals. We will summarise some of these issues very briefly[11]:

5.8 Availability of jobs. It is taken for granted that there are jobs available for all those who are able to work. We are very sceptical of this belief. In areas where poverty is high, jobs are often very scarce. There may be large numbers of vacancies in the economy, but this does not mean that these jobs are suitable for those who may be able to return to work, or that they are located in the areas where they are need, or that people have the skills to be able to undertake them. Additional support for people attempting to return to work, whether in the form of training, job search advice, confidence building etc, is very welcome and the individually tailored approach is one that was endorsed by *Get Heard* participants. However, all of this support will be wasted is appropriate job opportunities are not available.

5.9 Quality of jobs: Many of those who are the subjects of the latest round of welfare reform face significant barriers in attempting to return to work. Although the minimum wage has addressed many of the most exploitative pay rates, it does not on its own lift people out of poverty. Added to the continuing problem of low pay is the short term, temporary nature of many jobs. These jobs offer little prospect of a sustained route out of poverty. A welfare reform programme based on moving people into jobs at the lower end of the labour market is unlikely to be successful in addressing poverty. The Committee should consider the role of the UK Government with regard to job creation in disadvantaged areas.

5.10 Employer engagement: This is an area where far more work needs to be carried out. Any welfare to work strategy must fully consider the question of employer engagement and employer discrimination. A recent survey referred to by John Philpott[12] has shown that most employers are unwilling to employ people with complex needs such as mental health problem. There is little evidence to show that Government has seriously considered issue of how employers are to be encouraged to take on people with complex needs, particularly in a labour market that is becoming more competitive. Again, the welfare to work strategy is unlikely to lead to positive outcomes for unemployed people if the Government does not find ways of engaging with employers and addressing the discrimination that many people with complex needs face.

[11] The Poverty Alliance response to the Welfare Reform Green Paper will be forwarded to the Committee for their information.
[12] Philpott, J (2006) "Core Jobless and Welfare Reform", Scottish Anti Poverty Review, Issue No 3, Poverty Alliance: Glasgow.

6. Conclusions

6.1 This response has only touched on some of the key issues relating to poverty in Scotland. It is clear that since the last inquiry a good deal of progress has been made in reducing levels of poverty amongst some groups. However, far more still needs to be done to create a Scotland that is free of poverty and social exclusion. The Poverty Alliance looks forward to contributing additional information to the Committee and awaits with interest the final conclusions of the inquiry.

Peter Kelly
The Poverty Alliance

October 2006

Memorandum submitted by the Scottish Low Pay Unit

Summary

1. *Introduction*

A submission from the Scottish Low Pay Unit demonstrating the links between low pay and poverty.

2. *Low Pay as a Contributing Factor*

The extent of low pay in Scotland and evidence of its contribution to poverty levels.

3. *The Impact of Government Policy*

The failure of policies such as the National Minimum Wage and Tax Credits to eradicate poverty; the penalties resulting from means testing.

4. *Conclusion*

The Scottish Low Pay Unit's recommendations for change.

1. Introduction

1.1 The Scottish Low Pay Unit (SLPU) welcomes this opportunity to present evidence to the Scottish Affairs Committee on poverty in Scotland. The scope of our work means that we are keen to address the Committee's request for information with regards to the contributing factors and impact of Government policy on poverty, and so in the interests of brevity our submission will concentrate on the most relevant factors within these two categories. We hope that our knowledge of issues around low pay, poverty and social inclusion, built up over the past 17 years, will be of use in this important enquiry.

2. Low Pay as a Contributing Factor

2.1 The poverty and injustice experienced by low paid workers continues to be the driving force behind the Scottish Low Pay Unit's work. The latest available statistics, detailed in our 2006 report "Low Pay in Scotland: An Analysis of the 2005 Annual Survey of Hours and Earnings", suggest that at least 358,974 Scottish full-time employees are low paid.[13] This represents almost a quarter of the Scottish full-time workforce.

2.2 Evidence of a direct link between low pay and poverty is often viewed as being largely qualitative or anecdotal. In recent years, however, organisations with expertise in poverty research such as the New Policy Institute have consistently highlighted the fact that statistically it appears to be a major contributor; one that is often neglected, despite its growing influence on poverty levels (for example Howarth and Kenway 2004).

2.3 It can be difficult to assess the impact of low incomes for those in work in comparison to those who are out of work, as in-work poverty is exacerbated by a number of "hidden costs" such as travel, clothing and childcare. Government policy around benefit cut-off points and means testing also has a major effect, further discussion of which is featured in the following section.

3. The Impact of Government Policy

3.1 The concept of "making work pay" is one of the major foundations of Government policy on poverty reduction (Department for Work and Pensions 2005). The introduction of the National Minimum Wage (NMW) was an important step towards this goal, however the conservative level at which it was set and the various exemptions and age-related rates have resulted in it becoming more a tool to prevent the worst kinds of wage exploitation than a true safety net to prevent poverty. Although successive examinations of the

[13] Employees earning less than the Low Pay Threshold of two-thirds of male median earnings, currently £285.71 per week. Data on the hourly Low Pay Threshold are currently unavailable, but would almost certainly include a far higher number and proportion of Scottish workers.

impact of the NMW have shown that, contrary to the predictions of the business community, the economy has not been adversely affected by successive rises (Trade Union Congress 2006), the rate remains low and the Low Pay Commission has hinted that it may slow the pace of uprating (Low Pay Commission 2006).

3.2 The impact that this would have on low paid workers cannot be underestimated. Year on year, the cost of living is outstripping wages for the lowest paid, a fact that is obscured by the reliance on percentages when examining inflation and wages. The "above inflation" rises in NMW rates over previous years have been widely lauded for their generosity, yet when looked at in monetary terms are insufficient.

3.3 Relative poverty levels are guaranteed to worsen if pay rises are based around any particular percentage mark. For example, the public sector pay rise suggested for 2006 in Gordon Brown's budget was pegged at 2.5% (Smith and Tran 2006)—this represents around £880 per year to someone earning the median rate for Professional workers in the UK, £452 per year to someone earning the median rate for Skilled workers and just £261 per year for someone on the Minimum Wage.[14]

3.4 The "low-pay, no-pay" cycle of lack of job security within low paying occupations is well documented (for example Howarth and Kenway 2004). Although the innate instability of many low paid jobs is partly to blame for this, the disincentive and difficulties caused by moving into a job where the pay level is so low that being unemployed leaves workers better (or at least no worse) off is also likely to be a factor. The extra income generated by work is quickly negated by the aforementioned "hidden costs" and drop-off in benefit entitlement that results in the extra expense of council tax, rent, prescription charges and school meals. This effect is often worsened by the impact on income of the erratic or short working hours commonly found in the many businesses where "flexibility" is utilised to the extent that the welfare of employees is endangered. The low level of entitlement to earnings replacement under Statutory Sick Pay, Statutory Maternity Pay and Statutory Paternity Pay is also an important factor, particularly for low paid workers who are not generally afforded the enhanced terms and conditions enjoyed by other workers.

3.5 Where employees are eligible for Tax Credits, Working Tax Credit often goes some way towards making these expenses more affordable and most low-income parents are eligible for some assistance with childcare expenses through Child Tax Credit. There are doubts as to the efficiency of this method of poverty reduction, which actively provides a subsidy to employers regardless of their ability to pay workers adequately, but in terms of its impact on recipients the outcome seems to be mixed (Evans and Scarborough 2006). Although there is evidence that some families have benefited greatly from Tax Credits, the effects of "claw back", late payments and other features of the system have forced others into poverty rather than helping them out of it (Lane and Wheatley 2005).

4. Conclusions

4.1 In order to comply with the request that written evidence be kept as brief as possible, the points made have been of a general nature. In some of the areas mentioned, there are issues of particular importance to disadvantaged groups such as workers from ethnic minority backgrounds, those living with a disability or long term ill-health and women. Further information on these issues can be found in the Scottish Low Pay Unit's recent submission to the Low Pay Commission (Young 2006), copies of which are available on request.

4.2 The Government's goal of "making work pay" in order to prevent poverty is a worthy proposition, but far more effort is needed to raise the incomes of the lowest paid workers if this is to become a reality.

4.3 The Scottish Low Pay Unit recommends the following steps to combat poverty in Scotland:

- Raise the National Minimum Wage to a level that more closely reflects the cost of living; an immediate move towards this would be increasing it to our current Minimum Wage Target of half of male median earnings (£5.72 per hour, based on figures from the Office for National Statistics' Annual Survey of Hours and Earnings 2005).
- Reliance on Tax Credits would be eliminated by a Minimum Wage that represents a living wage. When the NMW reaches this point, we suggest that Tax Credits be replaced with a clear and effective system of financial support for businesses who find it difficult to provide adequate wages.
- Encourage investment by companies willing to provide quality employment opportunities.
- Improve the effectiveness of National Minimum Wage enforcement to prevent exploitation.
- Overhaul the benefits system to ensure that both in-work poverty and out-of-work poverty are avoidable.

Carol Young
Scottish Low Pay Unit

October 2006

[14] SLPU calculations based on figures from the ONS Annual Survey of Hours and Earnings 2005, NMW rate as of 1 October 2006.

References

Department for Work and Pensions (2005). *Opportunity for All: Seventh Annual Report 2005*. Norwich: The Stationery Office.

Evans, M and Scarborough, J (2006). *Can Current Policy End Child Poverty in Britain by 2020?* York: Joseph Rowntree Foundation.

Howarth, C and Kenway, P (2004). *Why Worry Any More About the Low Paid?* London: New Policy Institute.

Lane, K and Wheatley, J (2005). *Money With Your Name On It? CAB Clients' Experience of Tax Credits.* London: Citizens Advice.

Low Pay Commission (2006). *National Minimum Wage: Low Pay Commission Report 2006*. Norwich: The Stationery Office.

Smith, L and Tran, M (2006). *Special Reports: Budget 2006: Main Points*. Originally printed in the Guardian, 22 March 22 2006; accessed 2 October 2006 at Guardian Unlimited: http://money.guardian.co.uk/thebudget/story/0,,1736973,00.html

Trade Union Congress (2006). *Low Pay Commission Review 2006: The TUC Evidence.* London: Trade Union Congress.

Young, C L (2006) *Consultation on the National Minimum Wage: A Response to the Low Pay Commission Consultation.* Glasgow: Scottish Low Pay Unit.

Witnesses: **Mr Peter Kelly,** Director, The Poverty Alliance, and **Ms Carol Young,** Research Officer, the Scottish Low Pay Unit, gave evidence.

Q200 Chairman: Good afternoon. May I welcome you to today's meeting of the Scottish Affairs Committee, which is taking evidence for our inquiry into poverty in Scotland. Would you please introduce yourselves for the record.

Mr Kelly: My name is Peter Kelly and I am Director of the Poverty Alliance in Scotland.

Ms Young: My name is Carol Young and I am a research officer at the Scottish Low Pay Unit.

Q201 Chairman: Before we start asking detailed questions, would you like to make opening remarks?

Mr Kelly: I have a brief statement. The first thing I would like to say is to welcome the inquiry. The inquiry comes at a very important time. As we know, we are moving into an election period in Scotland and many voluntary organisations/campaigner organisations in Scotland are keen to get the issue of poverty on the agenda and we hope that the Committee's deliberations will help improve the awareness and knowledge about poverty in Scotland. The other factor that is important at this point is that the DWP have just announced a review into the welfare state, the Freud Review, which I think is going to be crucial in determining the future direction of welfare policy, so the timeliness of the Scottish Affairs in conducting this inquiry could not be better. Finally, there are a few things that I think we should all remember, all of us who are concerned with poverty in Scotland and across the UK, when discussing the issues. The first thing to remember is the successes we have had over the last 10 years. The reduction in poverty is not widely understood or widely recognised in the public debate and it should be. Related to this is the positive policy context we have now, where there are strategies and plans in place. Regardless of any criticisms we may have of them, they are there. The other factor is that all political parties in the UK are now committed to tackling poverty. I think we are in a different context now and it is a good time to review where we have got to since the last investigation that the Committee had. I will leave it there.

Ms Young: I would just like to agree with what Peter says. Could I also apologise to the Committee in advance, just to pre-empt anyone who has already noticed, in that I made quite a serious spelling error in my written evidence which was submitted to you earlier. I claimed that there were something like 358 million instead of 358 thousand low paid workers in Scotland—although I did give a percentage, so hopefully everyone will know it was a spelling mistake. I do apologise.[13]

Q202 Chairman: Later on in our inquiry we may wish to concentrate on particular aspects of poverty, for example child poverty, pensioner poverty, fuel poverty, et cetera, but we felt it would be invaluable to have a couple of evidence sessions on general poverty issues. We took evidence from Professor Sinfield and Professor Veit-Wilson which was extremely useful for the Committee members but we wanted input from organisations like yours. I believe all the Committee members will recognise that your organisations are doing very valuable work to tackle poverty issues in Scotland. Could you remind the Committee of the support your particular organisation gives to those people experiencing problems from poverty.

Ms Young: Our organisation offers, from a client-centred process, advice on employment rights matters, particularly support to help clients who are having difficulty with dealing with rights like the national minimum wage which is obviously essential for people on low incomes. Also, using the information that we gain from our helpline into problems that our clients are facing, we campaign on

[13] Written submission amended accordingly, see Ev 74

their behalf to try to improve matters with regards to low income and employment and national minimum wage issues.

Mr Kelly: The primary role of The Poverty Alliance is to act as a national network in Scotland. In that way, we are not primarily a service delivery organisation. One of our key objectives is to try to have the voices of people who experience poverty heard more clearly in policy discussions, so we have organised various projects and programmes to try to do that. I have passed the final report to the Committee, the *Get Heard* project, which was invaluable in trying to gather the experience of folk who are living on low incomes in Scotland and get that into the policy discussion. We also do run more targeted projects, working with people who are living on low incomes. For example, we are running a peer education project in Glasgow just now, working with young people who are making the transition out of school and who might be at risk of becoming, to use the jargon, NEET (not in employment, education or training). We do that through a mix of campaigning, working directly with folks to have their voices heard and a little bit of service delivery.

Q203 Danny Alexander: In your submission one of the things you mention in terms of the role of Poverty Alliance is that it is "To empower people living in poverty to combat poverty on their own behalf." Given that a lot of what we are talking about in our report and our evidence sessions is about what governments are doing and what institutions are doing, and you are talking there about helping people combat poverty on their own behalf, what sort of things do you do to help those individuals help themselves, as it were?

Mr Kelly: The best example of that is the *Get Heard* project. We are not providing direct training in that sense to get people jobs and that kind of thing. The *Get Heard* project worked with around 500 people in Scotland using workshops to ask the question: What is working in the community and what is not and what needs to change? The people themselves gave us the answers to those questions. Reports were written from that and it was fed into UK policy processes in the development of the DWP's National Action Plan on Social Inclusion. We also had evidence sessions with the Communities Committee in the Scottish Parliament. In that way we are working with people to empower them in terms of having their voices raised, identifying issues in their own communities. Reports were distributed that they can use then to lobby their own local policy makers to try to increase resources to help tackle poverty in that way.

Q204 Danny Alexander: You have sent us the *Get Heard* report[14] and it is very powerful, and you have said you used that, for example, to talk to the DWP about the National Action Plan on Social Inclusion. To what extent do you think that has had an influence on the policy outcomes?

[14] http://www.povertyalliance.org/html/resources/publications/GH—Scotland.pdf

Mr Kelly: That is a crucial question. If we take that example of the National Action Plan, it is not just The Poverty Alliance that has contributed to that. *Get Heard* was a UK-wide project. I think it would be fair to say—and hopefully the DWP would say the same—that we have managed to move some policy issues slightly further up the political agenda within the DWP and raised the awareness of the real impact on a day-to-day level for folk who are living on low incomes. The example that is probably the clearest is issues around debt and over-indebtedness. Whilst the UK Government and the Scottish Government recognise those problems, there is something different when people who are directly experiencing those problems talk to you about them. That is one of the things that we try to do when we are talking about empowering communities. There are other projects that we have done in the past I could talk to you about as well.

Q205 Danny Alexander: Taking that as an example, because it is a very important issue and one we have heard quite a lot about, the figures seem to suggest that on an aggregate basis, across society as a whole, personal debt is continuing to rise substantially. A crude analysis might suggest that that might mean the fact that you presented powerful evidence of the damaging impact debt has on the lives of the poorest people in society has not had an impact on policy in terms of controlling debt overall. What other things would you point to that the Government is doing as a consequence to tackle debt specifically for those people living in poverty which would suggest that what you are doing has had some success?

Mr Kelly: It is very difficult to say that because we said this, because we lobbied around this issue, therefore the policy changed. Most campaign organisations would probably say the same sort of thing: that it is rarely one voice that makes a difference. Around issues of debt and over-indebtedness, it is not only the work we have done through *Get Heard* but our work in the cross-party group on debt in the Scottish Parliament and our work with Church Action Poverty and Debt on our Doorstep. Those kinds of organisations coming together raise the issues in moving the policy agenda on somewhat. The clear identifiable policy gains are sometimes difficult to draw out, I think.

Q206 Danny Alexander: Do you think the Government has grasped the importance of that debt issue for people living in the most severe poverty?

Mr Kelly: To some extent, yes. The agenda has moved on. In terms of some of the demands that some organisations make in terms of interest rate caps and so on and things like that, then clearly there is not a desire to have that on the part of the UK Government and the Scottish Executive does not have the power. But, then, when we look at what has been going on in Scotland in terms of provision of money and advice and those kinds of things, I think progress has been made. For example, the provision of basic bank accounts: there are more people in Scotland have access to bank accounts now than did in the past. I think there is greater recognition. Whether that

recognition then turns into the best policy solutions from our point of view is the nature of the debate. That is why we have the ongoing debate. One of the other things to say about hat whole *Get Heard* and the National Action Plan process is that it is a different way of doing policy development. It is a different way of trying to contribute to the policies that are developed. We have regular, ongoing discussions with the Department of Work and Pensions which we certainly find very useful in terms of informing us of the thinking behind the direction of policy and also affording us opportunity to have some input, we hope, into the way it develops.

Q207 David Mundell: I want to ask you a bit more about the *Get Heard* project. Could you summarise its aims, what you see is the way forward in achieving those aims and what you think the result of the project was and what it could still be.
Mr Kelly: The aims of the project were simply to have the voices of people experiencing poverty heard in the development of the National Action Plan on Social Inclusion—the development of the last action plan which was published in 2006. We achieved bringing together across the UK hundreds of people with the experience of poverty to discuss the issues in a way that I think often does not happen. People come together in groups, and we piggy-backed on groups that already existed. This was not a research process in the traditional sense; this was about going out and engaging with people to find out what is going on in their communities and what they think needs to change. In terms of the achievements, some of the achievements were about process, were about trying to get embedded within the DWP thinking. It might only be a small part of the DWP, but an approach that says that what people who are experiencing poverty have to say is valid and is important, and here is a direct way of trying to hear those voices, in terms of process is quite important. We always recognise that to some extent you feed into the policy process; you feed in the knowledge, the views, whatever you have. There are no guarantees that you are going to get out of that what you demand or what you would like. We also had good feedback from the DWP. A lot of *Get Heard* was about more participatory ways of doing policy. It was about involving people who are affected by policy at national level. A lot of us will have experience of community planning partnerships or, in Scotland anyway, the social inclusion partnerships, where people who lived in the community had a role in sitting on boards and in trying to determine policies and so on. This is about having that kind of process at a UK level. I would think it was the first time we tried to do that on that sort of broad, anti-poverty policy area, so it was very ambitious. We did work in Scotland; we produced reports; we had meetings with the Scottish Parliament. I think a couple of the members thought was one of the best committee meetings they had had, so I would recommend maybe getting some of those folk down here to talk to you again about poverty in Scotland. From what I can see, the members in the Scottish Parliament—our dissemination in Scotland is obviously to the Scottish Parliament and it was handled separately at UK level—recognise that this is an important resource to look at, to think about when they are developing policy. In terms of the future development of that process—and this is where we are getting to the dreadful jargon—it is part of an EU-wide process. All Member States of the European Union have to produce a National Action Plan on Social Inclusion. For us, as an organisation, we managed to secure some funding from the European Commission to run a project which is different, which builds on some of the learning for us, so the next stage of that project—this is not, if you like, a direct comparison—will work with people who experience poverty, local authorities and devolved and national government, again, to try to have another exchange but more focused around particularly policy areas and, in that way, hopefully influence the development of the next National Action Plan in 2008.

Q208 David Mundell: I am interested in what you are saying in relation to the role of the Scottish Parliament because I do accept that it has taken a lot of interest in the poverty issue but there is not a lot it can do in some senses. How do you see that working relationship between Westminster, the Executive and the UK Government coming together? Are they going in the same direction and is it co-ordinated?
Mr Kelly: There appears to be some co-ordination.

Q209 Mr Davidson: That is a rare endorsement!
Mr Kelly: At a formal level, it is hard to say. Let us say that, at a formal level, I think there is a joint ministerial committee on child poverty which brings together the devolved Assemblies and the Executive down here. I am not sure how often it meets or when it meets or what it discusses, so in that sense I am not sure in the formal sense. The National Action Plan on Social Inclusion is not very well known as a policy document but in terms of co-ordination between devolved bodies and local authorities and Westminster it has the potential to be quite an important way of bringing all that together in a way that helps co-ordinate anti-poverty policy. I think the Parliament in Scotland has a big role to play in tackling poverty. Looking at the evidence that has already been given to you in Inverness—looking at the impact of poverty, if you like, looking at what people might call social inclusion and some of the effects, whether it is over-indebtedness, whether it is access to work or employability—the Executive has a big role and what happens at the UK level has an impact on what they are doing there. Employability is a good example. The welfare reform approach that has been taken by DWP at the moment I think has a big influence on what happens in Scotland in terms of employability. Because I am outside government, I am not sure how that co-ordination takes place but for welfare reform policies to operate effectively in Scotland there needs to be co-ordination between the two governments.

Q210 David Mundell: At the other end of the devolved relationship, it seems there is a very variable approach by local authorities within Scotland as well in terms of the various initiatives. There is not a

consistent approach. There are some very good initiatives in relation to money, advice and such like, but it is a very random approach, it would appear, to me.

Mr Kelly: Random with regard to what the Executive is doing?

Q211 David Mundell: Again, it is co-ordination the other way, in terms of what you as a citizen might be able to talk about what is being delivered locally, either through local government or indeed the voluntary sector.

Mr Kelly: It is a crucial issue. It is a really important issue. We have been doing seminars around Scotland for the last few months. Last week, myself and a colleague were up in Aberdeen, Elgin and Inverness doing seminars to discuss what are the next steps in tackling poverty in Scotland. We spoke to quite a few folk from local authorities up there. The view was mixed on that particular issue because, in some ways, the closing of the opportunity gap approach, the new or the revised anti-poverty approach in Scotland, determines to some extent what local authorities are going to focus on. It sets out some key priorities that all local authorities are going to have to achieve. Then local authorities also have to respond to local conditions and what are the big issues for them. I know from reading the evidence and also from being up there last week that rural poverty is a big issue. Is it sufficiently addressed in the closing the opportunity gap approach? There is a bit of both. There is direction from the Executive, and I certainly do not want to speak on behalf of local authorities but for some it might be seen as trying to determine too much what they do and maybe in other cases it is not prescriptive enough. If we all have shared targets and a shared understanding of what poverty is and what the priorities are for tackling it, part of the role of the Scottish Executive is to set that out, I think.

Q212 Mr Davidson: Following up on that distinction between the Scottish Parliament and ourselves, the way in which I have been looking at it is that the Scottish Parliament has a responsibility for local authorities for area regeneration because they know local conditions, whereas we deal with issues relating to the individual and their particular circumstances. That leads me on to another point I want to make. My impression is that the voice certainly of the poor and the dispossessed and, indeed, of almost everybody except Edinburgh civil servants has to a great extent been suborned by the CEP and CPP mechanism. It seems to me to be a classic case of bureaucratic catch-up in the means, basically, by which the poor areas of Glasgow are run from Edinburgh. I have diverted myself for a second, but I wanted to ask really about the extent to which, looking at unemployment, we are clear there is a distinction between those who have several difficulties, the long-term unemployed, and those who, as it were, are part of a churn. Looking at those who are poor, is it reasonable to make the same sort of distinction and therefore to be looking at policy solutions for those who are, as it were, in long-term generational poverty, as distinct from those who are part of, as it were, a poverty churn, with short-term debt and so on and so forth? Is that a meaningful way for us to start looking at solutions, given the initial context of what I was saying about the distinction between area regeneration and looking at individual solutions?

Mr Kelly: There is a distinction to be made there between people who are long-term severely deprived. When we use our measures of poverty, when we talk about the 60% of household median income, that only becomes meaningful when you start to look below that, when you start to understand there is range of experiences below that threshold. Whilst I think there is a case for looking at people with long-term severe problems—and those are going to be people with long-term severe problems who are out of the labour market and how you help them move back towards the labour market, if that is appropriate, in terms of lifting them out of poverty, and looking at a whole other range of individual consequences of living in poverty for a long time, whether in terms of health and educationally and so on—I think at the heart of your question was an issue about a targeted approach and a more universal approach. I maybe want to have my cake and eat it but I think local authorities and perhaps the Scottish Executive need to be able to understand where to target their resources best but at the same time we need approaches both from the Scottish Executive and from Westminster that emphasise universal approaches to lifting everyone out of poverty. There is a thing about that churn issue which again is very important and it is coming up the policy agenda as well. That is quite an important experience—and I am sure Carol will say more about it—of being on low pay, of being out of work for short periods of time. I think we need to be clear about what that means. In my experience of talking to folk that I have known, it is not a choice. It is not something that people want to be in. They prefer to be in longer term employment, stable employment, but partly that is not what is available to them. That is the conditions in the labour market and also partly it might be to do with the skills and experience that they have, that they cannot retain that job in the longer term. There is a mix of approaches there: one that is about more universal approaches but aligned with more targeted approaches. I think that has always been our approach in the UK. The targeted approach probably receives more emphasis now and we need to look at what is the role of universal approaches, particularly in reaching the targets that we have set ourselves. The child poverty targets are incredibly ambitious. I do not know if the Committee have seen it, but the Joseph Rowntree report that came out in the middle of last year I think was basically trying to estimate how much it is going to cost to reach the child poverty targets. They were talking about just over £4 billion per annum to reach the 2010 target.[15]

Q213 Mr Davidson: Once you start talking about ten years, you are talking about serious money.

[15] *What will it take to end child poverty? Firing on all cylinders.* Donald Hirsch, 6 July 2006

Mr Kelly: Yes. Once you start talking about the 2020 target to eradicate child poverty, we are talking of serious money. What came up in that report was that we cannot neglect universal approaches. We cannot neglect those who need targeted help. Again I would direct the Committee to look at work that Save the Children have been doing about the most deprived children and about some of their suggestions there, because there is a continuum, I think. There is not a clear dividing line between this group who are severely deprived.

Q214 Danny Alexander: You have struck at the heart of the issue here, in terms of: Is it the universal benefits or is it the more targeted ones? That is a debate that has gone on for years and years. Political priorities fluctuate as time has gone on. In your submission you talk about poverty and that it is important to understand that poverty is not just financial but is about an individual's participation in society as well. I wonder if that is not a useful thought to apply to the distinction Ian is making about Westminster's role and the Scottish Executive's role. Some of the things that you might use to try to break down some of this intergenerational poverty that we have talked about are through the education system and the health system and so on. It is about people's ability to engage in those processes and the ability of those services to engage with those people to help tackle the intergenerational aspects of poverty, as well as the purely financial side which you have been stressing so far in your evidence.

Mr Kelly: Going back to the *Get Heard* report, one of the things that comes out loud and clear through that is that when people talk about their experience of poverty they talk about low incomes. The discussion starts from the low incomes. But that is not very helpful in describing what that experience is. The experience of living on a low income is one of not having choices or being able to make the choices that most of us take for granted. Having income at the heart of the discussion is important. Going back to what Professor Veit-Wilson was saying about income adequacy and the need to take that seriously and to think about what does inadequate income mean and trying to start applying that approach to our benefit system is important, but you cannot separate it from the services that help lift people out of poverty, and education is absolutely crucial.[16] There are big questions about whether we are making the progress we need to make in Scotland about tackling educational disadvantage for those particularly at the bottom. We are seeing average improvement. Attainment levels are increasing. I know that is just one way of measuring improvement. We are seeing that average increase, which is good, obviously, but for the bottom 20% there is a flat line in terms of attainment. That is a very important issue, about breaking that cycle.

Q215 Mr Wallace: Perhaps I could follow up on the point about it not just being financial. The issue of health inequalities is a major contributor to poverty. We have seen that grow in the last ten years. That is one area where the gap has got wider. What can we do to reverse that? That trend is a worrying trend if health inequality is not improved. What do you think can be done at a Westminster level, a national level, or a Scottish Parliament level to try to reverse that part?

Mr Kelly: There is a whole range of factors. I am no expert on health inequalities but reducing health inequalities is related to all the other things that we have talked about in terms of tackling poverty, about getting people into better and more sustainable jobs, about improving the quality of housing and improving the quality of local communities and the environments in which people live. Not focusing on the medical aspects of health inequalities, if you like, sounds daft, but look at the context in which people live. Mental health problems, for example, are more significant in areas of deprivation. People who are living on low incomes are more likely to suffer mental health problems. It is more about the context within which people live and work, and it is maybe about other service providers and so on and thinking about the health impacts of living on a low income. There is a lot of good work done in Scotland around health inequalities by the various agencies and by community-based organisations and community-based health projects and so on to encourage people to tackle problems with their own health. There is need for that kind of support, for more community centres or community-based approaches to tackling health inequalities, and not one that focuses purely on health service provision. I am not convinced that that is the way you are going to bring down the inequalities. Life expectancy is increasing across all social classes, it is just that—

Q216 Mr Wallace: The gap is widening.

Mr Kelly: It has gone faster at the top. The Executive has targets around coronary heart disease, and they are improving, but I think the gap will not close unless the conditions in those poorest communities start to change—and that is conditions overall, it is not simply whether people are getting their five-a-day and those kinds of things.

Q217 Mr Wallace: At the beginning, you said, quite rightly, that things are moving in the right direction, on financial matters, on debt and on housing. For all the reasons you have just given in your answer for contributing to health inequalities, it sounds logical, but, if all the factors are beginning to go the right way, why is the gap in health inequalities widening? Following the logic—and I would agree with that answer—why is the gap widening?

Mr Kelly: Inequalities are influenced by what is happening at the top as well as at the bottom. For some communities, some areas, income is rising and income inequality is increasing. In that broad context, those at the very top of Scottish society and across the UK are doing relatively better, as well, and relatively much better than communities at the bottom. That is the overall context and I guess that influences the health inequalities gap. I would say again that health inequality is not my specialism.

[16] See Ev 53

Q218 Mr Wallace: I wonder if it ties in with the question David Mundell asked about the patchy application of the policies in the right direction.[17] In the other words, if the Scottish Executive or Westminster has the right direction and the right strategies but the local authorities are not implementing them correctly, that could explain things. The logic is not there, if you know what I mean, and perhaps, Chairman, that is something to further investigate. There is an annual report to the House, I believe, on health inequalities.

Mr Kelly: As a final point on that, there is an organisation based in Glasgow called Community Health Exchange which would probably be able to give good information on health inequalities in Scotland and how that can be tackled. I do not know if they have submitted evidence or not.

Q219 Mr McGovern: You have touched upon child poverty and you have also touched on priorities. In a previous evidence session we asked Professors Veit-Wilson and Sinfield about what they felt they would prioritise and whether there was a particular form of poverty that should be given priority, whether it was fuel poverty or pensioner poverty.[18] They were reluctant to prioritise but the answers they gave seemed to indicate that the most important was child poverty. How would you comment on that?

Mr Kelly: I read their evidence and I understood why they found it difficult to prioritise in that way. Again, we can set up false divisions between the ways that we tackle poverty. The thing which struck me, reading that discussion, was that we need a holistic approach to tackling poverty. I recognise that, as a government, as policy makers, priorities will be set but I think they need to be set within an approach which understands the broad range. One of our big concerns at the moment is about what is happening about adults without children, whether single or couples. The numbers who are living in low income households is flat. In fact, it is generous to say that—it is probably going up slightly. There has probably been a slight increase over the last decade from about 15% to round about 18%. That is a worry. That is important as to the incomes people are living on just now and the experience they have just now, but those are people who are going to be having children, we assume—although maybe not with the declining birth rate. At some point they are going to be starting families. Again, it is that thing about the continuity. None of us live in this bubble where we are not affected by other people around us or do not take into account the future consequences. If you are in a couple or single it makes it very difficult for you to plan for your future children. If you are moving in and out of work, as many single people living on low incomes would be doing, it again makes it difficult to plan. Again these are issues around low income, which I am sure Carol will talk about. Throughout their working lives, living on a life of low wages predetermines that you are going to have problems later in life with a lower pension. I realise I am fudging the question here somewhat, but I would say take a holistic approach. You might say that children are going to be your target and there are clear ways that we can channel money to the families of children and raise their incomes and lift the families out of poverty, and that no one will argue with, but I would say be aware of the consequences of having no targets and no priorities for other key groups. It does mean that they tend to drop off the map. Part of that, I guess, which is a big issue for me, is about the context in which all of us who are concerned with poverty are trying to tackle it. There is not a lot of political will for anyone to say, "Let's raise benefits for a 24-year old." There is not a lot of will for that, but if the consequence of that is the 24-year old becoming an impoverished 35-year old then that has big implications for your child poverty approach ten years down the line.

Q220 Mr McGovern: Thank you very much. I do not think you fudged that question at all. Carol, do you have view on whether there should be priorities and, if so, what they should be?

Ms Young: Yes. I think Peter has put it really well. We have argued this a number of times—the fact that the working age adults of today are the parents of tomorrow. Professor Sinfield and Professor Veit-Wilson both said if you want to tackle poverty in the future look at the children. But if you want to make a difference today, you need to look at adults who do not have children as well.

Q221 Mr Davidson: In terms of looking at the adults, I chair Greater Pollock Working, which is about getting people into jobs in Silverburn and all the big developments there. The argument we have in favour of people taking low paid jobs is to stay on at school: "If you have training opportunities and you pursue so-and-so, you will then move out of that." To what extent is that your experience in dealing with people on low pay? For what percentage of them do you think that is a realistic aspiration?

Ms Young: This is a huge issue and it ties in with a lot of our priority issues around low pay. First of all, we take a slightly different approach to this issue from most organisations. From our point of view, the problem with low paid employment is that the jobs that are out there are low quality. It is not that they are low skilled. If you look at the main, low paying jobs, you are looking at the five "C"s: customer service, cleaning, caring, clerical and catering. If you are looking at people in these jobs, we would disagree that these are not good jobs. It does take skill to do this kind of work. People are not bothering with how to do it and we believe there is a problem with the value that is placed on these jobs. From that point of view, there are a lot of people who will be in these jobs who are not satisfied with them, believe it is not for them and want to up-skill. There is a new up-skilling agenda around getting people out of low pay. While we do believe that people should have the opportunity to follow this path if they want to, to gain better skills and look for a different kind of job, we also think that people should be respected to have the jobs they are already in. If someone wants to go through a life of working as a security guard or a cleaner, they should not be penalised for doing so.

[17] Q208
[18] Ev 56

What is more, I would also add that it is probably unrealistic to think that everyone can move up to what you would call a better job, because the simple fact is that these are jobs that we need. We need people to clean for us and we need people to care for our children and our parents. From our point of view, yes, we can see the point that is being made with people moving up into better jobs but we do not believe that should be the primary way of tackling low pay.

Q222 Mr Davidson: That is very much an argument then for having a much more substantial minimum wage than even the £5.72 that you are arguing.
Ms Young: Absolutely.

Q223 Mr Davidson: Yet £5.72 is what you are arguing.
Ms Young: For an immediate up rating, yes. The tack we tend to take with the national minimum wage is that we have seen submissions to the Low Pay Commission in the past where people have asked for immediate rises of very high amounts and it never happens. Incidentally, I think the figure has now gone up to £5.92 since that report was written for you. We do not suggest that this is a living wage but this would be a rate that we genuinely believe is economically viable and that the Low Pay Commission could find suitable for uprating within the coming year.

Q224 Ms Clark: I am very grateful to you for updating us on your current view in terms of what the immediate increase should be. In his evidence to us recently, Professor Sinfield drew attention to the levels of income for many people in work despite the minimum wage. During our evidence session in Inverness, it was put to us that a reasonable minimum wage would be in the region of £7 per hour and Professor Sinfield refused to be drawn on that figure. What is your view of that kind of figure as a national minimum wage?
Ms Young: I can understand where Professor Sinfield is coming from. We do share a lot of the hopes for the future that professor has put across to you, that we can have more work done for minimum incomes standards. It would be great to have a figure that is officially agreed by everyone to be the ideal for participation in society, but, where we do not have that, we at the moment use a threshold of two-thirds of male median earnings to describe people who are on low pay and at the moment that stands at £7.89 per annum, going up every year along with the Annual Survey of Hours and Earnings. It is broadly in line with what you were hearing at your evidence session in the Highlands.

Q225 Ms Clark: Your organisation will recall that before the national minimum wage was introduced, many argued that introducing a national minimum wage was going to lead to huge increases in unemployment, particularly in some of the areas in the country where wages were already very, very low. Do you think that if there was to be a significant increase in the national minimum wage, for example to the £5.92 level you have mentioned or, indeed, to the £7.89 figure which is the other figure you have mentioned, do you think there would be a danger that there would be an increase in unemployment? Do you think some employers might decide to employ fewer people because of the increase of their salary costs?
Ms Young: If you are talking about the minimum wage target level that we propose, we would not foresee any adverse economic consequences from that. So far, there have not been these kinds of consequences. In fact, in a lot of the low pay sectors employment has gone up as the minimum wage has risen, so we would not be too worried about that. However, we can understand small business owners who are worried about their margins when there is a very large increase. I think if it was to go up speedily to the level of, say, £7.89 per hour, there may be some need for government intervention. It kind of ties into a position on tax credits. Our position is that we would like to see a much higher minimum wage, with tax credits gradually being replaced with a system of support for small employers who find it difficult to pay a decent minimum wage, because obviously we do not want to see business owners or the economy in general suffer but we do believe there has to be a better way of doing it than we have at the moment.

Q226 Ms Clark: Have you given consideration to how quickly you would like to see these increases taking place? If you want an immediate increase to something in the region of £5.92, how quickly do you envisage it would be possible to get to something like £7.89?
Ms Young: I think it is difficult to say. This is one of these areas where the different stakeholders involved in this really have to work together in a way that is open minded and not protectionist. I think we all have our own agendas but it is has to be good for everyone if we can raise society to a level where we do not have this problem with poverty. It is not a pleasant thing to have in a developed economy. If we can get all stakeholders together round the table—and that is the job of the Low Pay Commission and no doubt they are trying to do that already—I am sure it could be possible if all the issues were put on the table to find a way to raise it as quickly as possible.

Q227 Danny Alexander: Did I hear you right: did you say you wanted to abolish tax credits?
Ms Young: Not abolish. Certainly at the moment tax credits are providing a totally vital lifeline to people on low incomes. However, for people in work—not out of work obviously: tax credits will still be an important factor there (for example, child tax credit)—we would like to see the vast bulk of their income coming from their wages. If that means taking some money from the tax credit system and putting it into supporting small employers, then that is route we would like to see people take.

Q228 Danny Alexander: Coming back on that point: when you look at Lisa Harker's review of child poverty for the DWP,[19] one of the things she drew out in that report was that one of the biggest groups of families with children in poverty which had not really

[19] http://www.dwp.gov.uk/publications/dwp/2006/harker/

been addressed was families with one or more adults in work and the children still living in poverty. I wonder what research you have done on the extent to which lifting the minimum wage to any particular level. Let us take the £5.92 level that you have just described as being your initial target, as it were. If we were to lift the minimum wage to £5.92, how many of the families where there is at least one adult in work in poverty would be lifted out of poverty? I have heard others questioning, if you are looking at the child poverty target in particular, the efficacy of raising the minimum wage as being the best way to raise the incomes of those families, because you might have either one person in a part-time job which could be paying substantially more than the minimum wage but because they are only in part-time work they are not earning a great deal of money, or minimum wage jobs, sometimes at any rate, might, in that group of families, be jobs that a second earner is in rather than the first earner. To what extent do you think that raising the minimum wage to that level would have an impact on that group of people?

Ms Young: Without more work being done on minimum income standards, it is quite difficult to judge exactly what impact that rise would have. Raising the national minimum wage is certainly one method of improving incomes for people in those brackets but, from our point of view, this is also tied in with an agenda about fairness and work practice, so, whilst there may be some people who could argue quite well that some kind of benefit mechanism would be a better way to raise these incomes, from our point of view that would not tackle the core problem that is causing in-work poverty, which is a lack of adequately paid and sustainable work.

Mr Kelly: Just to add to what Carol said, I think the issue about fairness at work, about minimum wage providing fairness for work, is a starting point but I do remember some research—again probably carried out by Joseph Rowntree—in 2004 or 2005 looking at the incentive effects of minimum wages and it is mixed for different groups. Taking the combination since tax credits were introduced, the family types who were doing better were lone parents. There was more of an incentive to stay in work or to take on more work. For those couple families which you mentioned, which I think is a big, big challenge in reaching the child poverty targets, the incentive effects of something like an increase in the minimum wage is maybe not as strong. Just on issues around levels of minimum wage and so on, there is real interest in the experience in London from the London Citizens Organisation who have been campaigning for years—you might know them as TELCO previously. They now have an agreement with the GLA, I think, for a minimum wage or a living wage of £7.05 or something like that. I think that is an interesting approach. It depends what we think a minimum wage is going to do. Is a minimum wage ever going to be a living wage? Can we legislate for that? I do not have a fixed view on this, but can we legislate for a living wage or do we need to take an approach that focuses more on the responsibility of employers to provide a living wage themselves?

Q229 Mr Wallace: Could I ask about some of the alternatives. You talk about a minimum wage; have you examined the alternatives of a higher tax threshold? Even on your £272 there is about £900 of tax taken off that, plus £300 of NI too. An alternative is raising the level when you start paying tax. Have you examined that as part of the Low Pay Unit?

Ms Young: It is not something we have done any great amount of official work on but we are broadly in favour of a progressive taxation system which would be more redistributive than it is at present. Certainly we hear quite frequently that it seems people on the lowest incomes are paying a higher proportion out in tax then they need to be compared to people on higher incomes, so certainly it is something we would like to see looked at but it is not an area of particular expertise.

Q230 Mr Wallace: The point is it is an alternative. If I lifted the tax ratio threshold to £10,000 threshold, that would be about 47 pence extra per hour for a 34 hour week. It is not both but either/or. Is the per hour minimum wage a better system, in your view, than allowing people on low incomes to take home more, than a tax threshold rise?

Ms Young: As I say, it is not something I have done work on but off the top of my head I would say I would still be broadly more in favour of the minimum wage route for the simple fact that, first of all, I do not see so much of a need to be removing that money from the Treasury if we can avoid doing so and, secondly, from the point of view of we are still not valuing the jobs, we are still not looking at what the employer is paying out to the individual as opposed to what is paid out to the individual plus National Insurance plus taxation. Also if we talk about the National Insurance issue there could be a problem there if you were to raise an issue with that. We already have a lot of problems with our clients not being entitled to statutory sick pay, problems with pensions, problems with maternity pay, et cetera, caused by not being entitled to these things because of the National Insurance threshold so that would obviously have to be factored in as well if there were to be any change in the current system.

Q231 Mr Walker: One of my concerns is that employers are using immigration to depress wages and one of the ways wages increase is when there is a scarcity of labour. Just at the time there was a scarcity of labour in the five areas you suggested, there was a far higher rate of immigration to fill these so-called unskilled groups (and I agree with you I think they are skilled groups but they are termed unskilled jobs) so just as employers were on the cusp and the threshold of having to pay more money to fill these jobs, all of a sudden they were let off the hook by having people coming in from Eastern Europe who were much more willing to take on these jobs at existing rates and therefore completely removing the need for employers to start paying a real wage. It is certainly a concern where I come from. I am not from Scotland, as you can probably tell by the accent, I am from the south-east of England, but I think it is a genuine concern where I am. I was wondering if you regard

that as something of concern where you are. Without judging in any way those people coming from Eastern Europe to take these jobs, I think employers are benefiting from this immigration to the disadvantage of the low paid.

Ms Young: The issue of migrant workers is definitely one that we are interested in. From our point of view, it seems to us that it is not so much the quantity of migrant work that is coming in but the spread of it. It seems to be that in some areas it is affecting the wage market more than others. Our primary interest in the migrant worker issue is the actual exploitation that seems to be going along with that. From our point of view, perhaps it is not that employers are employing migrant workers because they will accept the minimum wage and locals will not; it is that they are employing migrant workers because they think they can get away with paying them less than the minimum wage in a lot of cases and there are various sophisticated ways in which they seem to be going about doing this. We also have a lot of problems with overcrowding and the facilities that they are given to live in, et cetera. We are really concerned about employment rights in general for migrant workers.

Q232 Mr Walker: And one of those sophisticated ways is to charge for accommodation for example, is it not?

Ms Young: Absolutely. We did not argue against the accommodation offset when there was the recent consultation because we do believe that it is has the potential to be a useful tool. However, it seems to be that there are abuses going on where it is perhaps not the accommodation offset itself that is causing the problem but a lack of understanding of how that works. For example, employees are being told that they will have money taken off their wages for utilities and it seems that that is not allowed to be part of the accommodation offset, after a lengthy discussion process. We are also talking about deductions for things like transport which if it is taking you below the national minimum wage is, frankly, illegal but there seems to be a lack of willingness to accept that from some employers.

Q233 Mr Walker: I think from what you are saying if employers are willing to go to these levels to increase their profit margins they are more than willing to just regard migrant labour as a tool for depressing wages in the main, to be perfectly honest. These are things they would try and get away with and probably could not get away with with domestic workers but they are trying their luck with overseas workers who perhaps are less sophisticated or do not have access to the same support networks that Scottish-based workers who speak the language would do.

Ms Young: It seems likely that in some situations that is the case, yes.

Q234 Danny Alexander: In the Low Pay Unit submission you draw attention to "hidden costs", such as travel, for example, falling on people in work.[20] I would say that is a particular issue in rural areas like the one I represent in the Highlands where transport costs can be really quite substantial—if you get a job; if you do not get a job obviously those costs are not falling on you so much. Have you gathered any evidence on that, in particular that some people who are in employment are facing higher costs than other groups such as for example the unemployed or even retired people and so are therefore worse off in work than those other groups because of the extra costs of employment?

Ms Young: It is not something that we have gathered evidence formally on. It is largely anecdotal where basically we hear the woes of our clients when they phone up. Although it is mainly to do with employment rights we quite often hear all the ways in which their employment situation is affecting their lives. I am not positive about this but it might be worth asking Citizens Advice Scotland if they have collected any evidence on this type of thing because it is the type of thing that they quite often collect evidence on.

Q235 Mr Walker: One thing that is way out of left field and you might not want to answer it and I am probably being ridiculous for asking it is we are talking about travel at the moment and I have to say road pricing to me would be one of the most regressive things you could do to the low paid. People who have to get to work and kick off at 8.00 or 8.30 or 9.00 or 9.30 who have no choice, because public transport is not there, but to use the road. We are talking about lumbering them with charges of a pound a mile. I am not having a go politically but these figures have been used, £1.20 on the M25 for example, which is admittedly not in Scotland. That would be a concern to you, would it not, as to the impact this would have on people who are already earning very little money?

Ms Young: I think this ties up nicely with one of our primary concerns that I would like to put across to you which is about poverty proofing. I think Professor Sinfield has already mentioned that. It seems to be that an awful lot of the time policies are going through without any genuine regard for how they are going to impact on people who are on low incomes and I think that is a classic example of where in policies like this that are being brought forward that impact has to be examined.

Mr Davidson: It would also be fair however to point out, Chairman, that where we are having road pricing in rural areas where it is revenue neutral overall and was leading to the abolition, say, of road tax or substantial reductions in petrol prices, it would be very much to the advantage of those who were poorer in areas like the Highlands and the Borders because there would not be a congestion charge added to it specifically to deter use. In fact, for those in poorer areas it would actually be advantageous to have a system of road pricing rather than the existing flat rate system of high fuel taxes and road tax.

Mr Walker: I would have thought any form of road pricing in rural areas would be totally ridiculous since road pricing relates to areas of high road use which is largely urban areas.

Chairman: Can I ask the Members to direct their questions to the witnesses.

[20] See Ev 74 para 2.3

Danny Alexander: Then let me direct the next question—
Mr Davidson: Yes or no?
Chairman: There are other places to do party politics.
Mr Walker: We are not doing party politics; we are having a lively debate.
Danny Alexander: On the question of extra hidden costs falling on people who work, in rural areas where there is no public transport available or poor transport available and there are no buses or trains at reliable times for example and you are having to drive (as you would if you were going from Aviemore to Inverness) a round trip of 60 miles every day, then the fact that petrol prices are higher in rural areas, the fact that you have got further to go and petrol tax is so high surely does have a big impact on whether you are even able to accept a job let alone whether you are better off in work. A system of road pricing that led to a very small price refund on less used roads where there were no problems with congestion would, as Mr Davidson quite rightly pointed out, actually have a beneficial impact on people in these sorts of circumstances on their ability to accept work. Do you agree with that?
Mr McGovern: Is that a question?
Mr Walker: You are taking them down a road they do not want to go down.
Chairman: Can I please—
Danny Alexander: I would like an answer to that question.
Chairman: Let Ben speak first.
Mr Wallace: I was just going to say I think the point has been clearly made about the policy and about poverty proofing that as it goes through a department of the Scottish Executive or Whitehall, then whether it is road pricing or anything else there needs to be a recognition of the impact. We could sit here and argue about whether a bus on the Aviemore road is going to make a difference or not as opposed to the poverty proofing impact and I think that is probably the right phraseology that we are at.

Q236 Mr Davidson: Could I follow up, Chairman, not on that point but on a point that you made about basically subsidising low paying employers. I do genuinely find that quite surprising given the point that was made about there being labour shortages and so on. I would have thought that one of the best ways of allowing wage rates to rise would be by a process of competition and businesses that cannot afford to pay anything but very low rates simply go out of business and then the labour goes to those who by the market are actually demanding it there. I understand the difficulties we have about uncontrolled migration from the EU undermining that, it is certainly having an impact in my area, but I want to ask both of you about your experience of Scottish employers because it is my impression that there are a substantial number of Scottish employers who ought, in a sense, almost not be allowed to employ people they are so bad in the sense of they are so miserable, they want to pay the minimum amount and extract the maximum. Is it simply a question of allowing the market to determine that? Are the intervention mechanisms that we have at the moment for enforcing the minimum wage sufficient or are there other mechanisms that we ought to be using to tackle bad Scottish employers?
Ms Young: I think on the first point about subsidising low paying employers, we certainly would not argue for a blanket policy of subsidy. What we would be talking about would be very targeted types of subsidy to help those businesses which are viable but might not cope with a fast increase in the minimum wage as well as some of the higher paying employers might be able to. Sorry, what was the second point?

Q237 Mr Davidson: The second point was relating to policing Scottish employers.
Ms Young: Yes, I think that is definitely a big issue. From our point of view, probably the biggest barrier to policing employers throughout the UK is the current working of the employment tribunal system. I believe that is being looked at at the moment so hopefully we might have some progress on that within the next few years. With the minimum wage it is a slightly improved point of view because you have actual compliance teams who are able to investigate these things on people's behalf, but in other areas employers can largely get away with a lot that they should not be able to get away with because the onus is on the individual to take action.
Mr Davidson: Just to follow that up, this might be something that we maybe ask you to give us a note about but my impression of the tribunal system was that basically they came in after somebody had been sacked, once the employment had terminated, and I was not conscious of them having an on-going role in employment. Is there any mechanism that you have identified that ought to be utilised or that we can recommend or that we ought to be examining with a view to improving people's employment, both their opportunities and work practices by Scottish employers?
Mr McGovern: They could join a union.

Q238 Mr Davidson: We heard from the unions how difficult it was to get unions organised in the rural areas and that was why they were so strongly in favour of raising the minimum wage.
Ms Young: I think that the trade unions definitely do have a role to play, but again for the vast majority of employment issues throughout the course of employment where there has to be enforcement of rights, it is a case of going to an employment tribunal, which makes it very difficult especially for those who do not have trade union representation, for whatever reason, to enforce their rights. From our point of view, what we would like to see is a move towards this kind of system that they use for the national minimum wage where there is actually a body who can come in and support people throughout the process and actually investigate on their behalf rather than leaving it to them to compile their own defence or employ a solicitor to do so. I think also that it would be helpful—and I am about to bang my own drum here—but services like the one we provide and the one that Citizens Advice Bureau, some of which have employment specialists, throughout the country, I think it is pretty essential that we get the support we

need to support those who do not have recourse to trade unions or who are perhaps in some cases unwilling to approach official departments such as HM Revenue and Customs who currently deal with the minimum wage issue.

Q239 Chairman: Do you have any idea what percentage of employers are not implementing the national minimum wage?
Ms Young: No idea at all. I think the only figures available on that kind of thing, you have a choice of either the official statistics on employees earning less than the national minimum wage, but they cannot be seen to show non-compliance because quite a lot of people still are not entitled to a minimum wage so therefore you cannot really use those. You would also have the statistics that are brought out by Revenue & Customs of the number of employers who have been investigated and found to be not paying the minimum wage, but by that measure you lose all the people who have not yet complained, so unfortunately there is not.

Q240 Mr Wallace: On this do you feel there should continue to be a threshold between small and medium sized companies and larger companies when it comes to examining the minimum wage because what is interesting is we are talking about all these companies and super-rich people sucking money out of everywhere. My understanding is that manufacturing is at the lowest ebb it has been for many, many years. Small and medium-sized enterprise companies are going out of business at a faster rate than they have ever been in the last decade and I am not sure that there are hundreds of small businesses going around making millions. Yes, there are a number of people making a lot of money but there are also other businesses tottering by, and I am afraid the figures show a lot of them are not. Should there be a threshold where we say that seed companies, start-up businesses, et cetera, do not have the same amount of regulation as the Royal Bank of Scotland, for example?
Ms Young: From our point of view we would more advocate a system of targeted support from government to businesses rather than advocating that any business should have a lesser responsibility to its employees because of its own size or its own particular make-up. Certainly there are industries that should be protected that we need and we would not like to see any of those suffer because of employment legislation, but from our point of view that is more about giving support then differentiating on responsibility.

Q241 Mr Wallace: Given that a wage bill is always the biggest percentage of a business's turnover, what do you mean specifically by "support"? Would you like to see discounted business rates or a reduction in overheads elsewhere so that that money could be passed through to wage rates? What are the specific measures?
Ms Young: I think it would be for government to decide what would be the most efficient way to do that, but an example that we would come up with would be the discussion we had earlier about the potential for subsidising certain employers who could not afford a particularly high hike in the national minimum wage. There are various ways in which employers could be supported and should be supported but that is probably a matter for economists rather than myself.

Q242 Chairman: What should be the criteria—the number of employees a company has or rural area businesses, tourism businesses or manufacturing businesses? What is your suggestion to the Government?
Ms Young: I think again that would be something there would need to be more work done on with people who specialise in that kind of area. From our point of view, I can certainly take the point that was made earlier about some employers, frankly, not running a successful business and therefore perhaps should they be allowed to take part in the process of natural wastage, or whatever the economic term is for that type of thing, but it would be unfortunate if there were businesses that are needed in this country that went out of business purely for want of support.
Mr Kelly: Just to come back to the issue of subsidies, and I think this started with a discussion about tax credits and how they represented a subsidy to low paying employers, I have a lot of sympathy with the idea that if an employer cannot pay a living wage without the help of tax credits or some other form of support then are they fit to be in business, but I think the reality is for different family types and so on tax credits are now part of the architecture, if you like, of how we support people and it is always going to be there. I think we definitely need to look at ways of putting additional pressure on employers to increase wages beyond the minimum wage. If we accept at the moment that the minimum wage is not a living wage, which I think many of us would do, we need to look at other ways of exerting some pressure, and that applies to big employers as much as it does to small employers. One thing that had come up years ago, I remember, was around the Investors in People scheme and I think employers put quite large store in having that kite mark on their company but to the best of my knowledge it takes no account of whether you are paying a decent wage or a living wage. Perhaps that is a way through the enterprise sector we could put pressure on some employers to start looking at their wage rates. Similarly, the other area—and I do not have absolutely up-to-date figures for this—but local authority workers or employees of the state, a goodly portion of them, are in what I think the Low Pay Unit would regard as low paying jobs. There is a role there in looking at their own practices in terms of lifting people out of poverty or lifting people out of low paid jobs. Similarly, in terms of contract compliance for the people that local authorities are working with, I am not even sure if that is legal any more, but there must be ways where we can institute approaches for local authorities to make sure the people they are contracting to are paying living wages and are complying not only with the minimum wage but with the whole raft of employment legislation as well.

Mr Davidson: I think it would be helpful if you considered this a little further and gave us a note along these lines. Some of these things you are doing off the top of your head and from memory. I think it would be helpful if we gave you the opportunity to reflect. The other thing is I think it would be helpful if you gave us a note indicating ways in which you thought we could be pursuing the bad employers. I know Jim has mentioned the unions but for circumstances where there are not unions available, are there mechanisms in addition to those that are there already that the Government could utilise, in your experience, to follow up these sorts of issues?[21]

Danny Alexander: If you are doing such a note it would be helpful to see your calculations on the raising of the minimum wage and the effect that would have. We have talked quite a lot about low pay but our inquiry is into poverty in Scotland and it would be helpful to see what effects such changes in the minimum wage would have on poverty because it seems that part of what you are talking about is, in a sense, much of the impact of raising the minimum wage because of the way the welfare system works at the moment would actually be to reduce tax credit bills. That may be worthwhile in many other ways but for example you mentioned single mums earlier and because of the interaction of the benefits and tax credit system you could raise that person's wages but for every extra pound you raise their wages by they keep only four and a half pence of it in the worst-case scenario so it is not having a great impact on poverty because of the way the welfare system works. If you are doing a note on this issue I think it would be very helpful to see some figures setting out what impact raising the minimum wage to different levels would have on poverty, which is the fundamental subject of this inquiry. I would be very interested to see measures that are being taken to tackle bad employers because that has to be a big issue for us as well.[22]

Q243 Mr McGovern: Peter, the Poverty Alliance submission states that the Social Fund crisis loans have not really done much to combat debt although you do say that the Social Fund could have an important part to play. How do you feel the Social Fund could better provide support?

Mr Kelly: One of the things that has come out of the work that we have done is partly about the lack of knowledge about the Social Fund and crisis loans and the opportunities that might be there but also people's bad experience with them, of being rejected for crisis loans and the money having run out as well for them. I do not have particular proposals. I think in the Scottish Affairs Committee's last inquiry into poverty in Scotland[23] you suggested that there needed to be a review of the system and it seems to me that given what we have discussed already around debt and over-indebtedness, the Social Fund should be a way of steering people away from those kind of lenders that we would regard as bad, whether they are high street lenders that are charging exorbitant rates or more illegal forms of lending, but I think the key thing is that the system overall needs reviewed and I think again one of the things that came out of *Get Heard* was the level of loans that were available were not sufficient to get people over what was often just a bump which was often a gap in their income, so I think the system overall needs to be looked at.

Q244 Mr Davidson: Is there any reason to believe that the Social Fund loan system works any less well in Scotland as compared to either the UK as a whole or any bits of the UK? I can see how we would pass that recommendation on to somebody else to look at unless there is some specifically Scottish aspect to it.

Mr Kelly: I do not have evidence on that. I will look into that.

Q245 Mr Davidson: The question then I was meant to ask you was about the illegal money lending units the DTI have introduced. Have you any experience of these? Has it been positive or is it too soon to tell?

Mr Kelly: I have to say I do not have experience of them and it is not something that has come up to us from the work we have done at the moment.

Q246 Chairman: But do you accept that financial institutions and these loan sharks are a major contributory factor to poverty in Scotland and in the UK? I have many constituents who have approached me: they borrowed money, it might be a couple of thousand pounds, and in a year or two years' time it is £15,000 or £20,000 and then those people ended up losing their house and losing everything. What can be done to stop that?

Mr Kelly: I think over-indebtedness is a huge problem and again we mentioned it earlier on in the session. There is an acceptance of debt and personal levels of debt that was unheard of 15 or 20 years ago. I think there is an issue there about the impact of extremes of wealth in our society now and the aspirations that people have and the kind of consequences of that in terms of over-indebtedness. I think there are practical things that are being done. One of them is around financial literacy and financial education so obviously very practical, front-line money advice is important to help people deal with the worst effects of high levels of debt. I think we also need to be looking at financial education for younger people. Again from these seminars we have been doing, we have been picking up that there are good practices going on around the country in schools where young people are being taught the facts about debt and what it actually means, but this is not part of the curriculum generally so it is not something that all young people are getting. So I think there is possibly something to be looked at there. There are also issues at the UK level in terms of the credit industry. Again we have certainly supported debt on our doorstep in the past, raised issues about doorstep lending and about putting more controls on those doorstep lenders and also putting interest rate caps—and I

[21] *See* Ev 91
[22] *See* Ev 91
[23] *See* Scottish Affairs Committee First Report, Session 1999–2000, *Poverty in Scotland*, para 103.

know there are a lot of mixed views about the benefits of interest rate caps which have been successful in other areas -but I think there is still a role there. We were dealing with an issue of debt just on Monday with Scottish Power which I feel is important for me to mention now that we are here: the issue of token meters, which I am sure some of you have come across before, and the high levels of debt that people were getting into there. There are things that the companies—and Scottish Power is a slightly different issue obviously than the general credit industry—to ensure that people are not getting into the high levels of debt. I think we need to find ways to make companies who are providing credit facilities more responsible.

Q247 Chairman: You mention an interest rate cap. Obviously the banks and building societies rather than making huge money from the big businesses they are making money from the less well off who are most vulnerable who need help and they are charging them 15% or 20% rates of interest. Do you not think that there should be some kind of guidelines by government to ensure that these banks and building societies have a limit which they can charge people?

Mr Kelly: We have certainly advocated in the past interest rate caps but I know that some people would argue that interest rate caps deal with, if you like, legitimate high street lenders even though they may be charging exorbitant rates, and we can all imagine the kinds of shops we are talking about where they charge very high levels of interest. Possibly the downside of that is if you remove those kind of lenders from the market you then push people into other more illegal and more risky forms of credit. I am not fully convinced of the arguments—you would need to speak to somebody who is better versed—but I think there definitely needs to be more pressure put by government on the credit industry. I know there have been reforms in the last year in terms of publishing better information for people, even about APR and things like that, on your credit statement so that people know what they are paying. I think there is then still an issue about people understanding the information they are getting, so there is a combination of financial literacy and more pressure on the companies themselves. We can see that it works with the banks. They have had to take some of the issues seriously about how they work with low income customers and we can see that in terms of the increase in the number of folk with basic bank accounts, the work that is being done with Citizens Advice Scotland in terms of getting free auto tellers in certain communities, so putting pressure on that way I think is a useful way forward.

Q248 Mr Walker: That also leads on to my question. There has been a suggestion that work should not be the only route out of poverty. One of the specific aspects of that is that more money advice for parents should be provided, which I imagine would be along the lines you are talking about—financial literacy and how to manage a family budget—and that this should also incorporate better advice on benefit entitlement, and this is not quite connected but an equal minimum wage for young workers should be introduced? The question is, should there be more money advice for parents to help alleviate poverty; would improved benefit take-up help alleviate poverty; and should an equal minimum wage for young workers be introduced to alleviate poverty?

Mr Kelly: In terms of benefits advice, I think this is becoming a crucial issue. I know you have already had input from Citizens Advice Scotland. I think the benefits system that we have now is incredibly complex. I know any time that I have to give a comment on the detail of the benefits system I have to go to an adviser and make sure that I am saying the right thing. It is incredibly complicated, so I think more advice around the benefit system would always be helpful and more advice through the voluntary sector. Again, one of the things that came out of *Get Heard* was the confidence that people have in the independent advice sector. They feel more confident in using those kinds of services. So I know that those services are getting a good deal of support, particularly Money Advice Scotland, from the Scottish Executive. I think we need to look at more support, particularly as new welfare reforms come through and things like the Cities Strategies and so on where the local provision of benefits can be different from the national picture. That is going to put quite a pressure on local advice services I would imagine, so they are going to need more support in that respect. I think on benefits take-up there is always an issue there. There is always more that local authorities could do. I know that you have had already good discussions about the role of local authorities and local authority front-line staff in terms of encouraging take-up and signposting people to advice agencies who can support that. I think that is always something that should be part of local authorities' poverty strategies. It is crucial to make sure that the people are getting what they are entitled to. One of the things that came up when you were mentioning the impact of the incentive or disincentive with the minimum wage going up, if it was just reducing the amount of tax credit people were getting, was that not everyone is claiming tax credits who should be, which makes it important that the minimum wage is seen on its own as well, that it is addressing low income on its own.

Ms Young: I think as far as the minimum wage issue certainly we have advocated for a long time that we believe there should be a flat rate minimum wage that applies to people of all ages. Another issue that ties in with that is the exemption for apprentices. We have seen a lot of ill-effects from that in our work either because people are unable to take up the apprenticeships because they will be pushed into poverty if they do so right down to things like when people qualify as an apprentice the employers then refuse to give them wages on the grounds that they trained them, so we have people who are time-served former apprentices still sitting on the minimum wage where people who are coming in from outside doing the same job are on £8 plus an hour, so from that point of view we think that the minimum wage system could do with a bit of tightening and bit of simplifying as well.

Q249 Mr Davidson: What would be the single most important thing that the UK Government could be doing to try and reduce poverty in Scotland? If you had to pick one what would be the suggestion that we should be making in our report?
Ms Young: No prizes for guessing what I am going to say but from our point of view definitely uprating the minimum wage would be the number one priority.
Mr Kelly: I think the issue that has come up over and over again is about the adequacy of incomes. I think we need the Government to address seriously the issue about how do we answer the question about what is an adequate income and how does that relate to the kind of benefit levels we have. I think I said earlier that increases in benefits are going to be crucial to reaching child poverty targets and I think we really need to grasp that one now. I think the UK Government needs to grasp that. It is fundamental to making progress.

Q250 Mr Davidson: How do we deal with the dilemma in a sense that if we increase the minimum wage it is a mix of disincentives for people to work because if you raise the benefit levels why should people bother working, and it undermines support for the whole system and so on. Have you got a simple answer that we could understand?
Mr Kelly: I wish I did. Simple answers are always good but when we are talking about benefits it is usually not possible. There are disincentive effects but I think we over-emphasise them in the UK. We have traditionally over-emphasised the disincentives we have, otherwise we would not have people going out and working on low wages, we would not have hundreds of thousands of people across the UK doing that. There is no lack of a work ethic in people to get out there. I know that there will be a minority of people who, for one reason or another, may not want to take up work and that may well always be an issue, but I guess my plea is that the Government has been very strong up until now both in Scotland and at the of UK level on tackling unemployment and that is absolutely right. Any of us who were active in the 1980s know that is absolutely a priority in tackling unemployment. Giving people a right to a job is absolutely fundamental, but we need to then also look at, as we have discussed this afternoon, the quality of those jobs and whether those jobs themselves are lifting people out of poverty. There are always going to be people who for one reason or another are going to be reliant on benefits in the long-term and a job is not going to be right for everyone so we do need to look at adequacy. Even on that basis we need to look at adequacy. It is a fundamental part of an anti-poverty strategy. It may come up with some unpalatable answers for us that might cause us to have to re-think radically our approach to welfare and how we pay benefits and so on, but I think that is one of the things we have to do. I guess other countries have higher rates of benefit levels and fairly high levels of employment rates and so on. I think it can be done. I am not saying it is easy.

Q251 Mr Davidson: There is not a model in particular that you would say that is what we should pick?
Mr Kelly: I do not think it is as straightforward as just applying a model. I think there are elements from different European systems that we could probably look at. It does mean a change, I think, in a whole range of things to look at adequacy of benefits. To reach the child poverty targets we are talking about, I think that was going to my second point—I just remember my second point of the big things that the UK Government—

Q252 Mr Davidson: The second of the one big thing?
Mr Kelly: The second of the one big thing, yes, sorry, is that we need to raise the level of public discussion about this. One of the big breaks in making progress on poverty is the fact that a lot of people do not think we can do it and probably even more people do not think we have done anything over the last ten years. Whatever has been going on, regardless of your political opinion, I do not think there is an understanding that child poverty, regardless of how you look at the figures, has fallen so the Government must "go public" (was the phrase that Joseph Rowntree were using a couple of years ago) about the anti-poverty strategy and that also means the other political parties falling in behind that and saying, "This is what we will do and this is the approach we will take to ending child poverty." A big part of that is addressing income adequacy.

Q253 Chairman: Do you believe that any time in the future we will be able to eradicate poverty? If it is possible I am sure you will agree it can only be possible under Labour!
Mr Kelly: I think you will know that I cannot comment on that.
Danny Alexander: Does the witness disagree with that statement?

Q254 Chairman: Poverty will always be with us?
Mr Kelly: I think to the first part of your statement the answer is yes, we can definitely eradicate poverty. We can discuss what we mean by eradication. At the moment I think in Government policy, certainly in its child poverty policy, eradication means being amongst the best in Europe and that means having a child poverty rate of maybe around 5%. If that is our goal for 2020 that is our goal but I think it is going to require serious commitment and serious expenditure. I think it is possible but that political will issue is fundamental.

Q255 Mr Davidson: How is that profile right? One of the issues about raising the profile of poverty as a political issue is the fact that the poor, by and large, disproportionately do vote and therefore they do not make nearly as much complaint as the sort of people who will end up being penalised by road pricing who are vocal. How do you manage to break through that?
Mr Kelly: That is an enormous question but I think there are a whole variety of ways of doing that. There are social justice issues. In the example of the Make Poverty History Campaign a couple of years ago you motivated people to address poverty issues. I am not saying it is going to be easy to do the same thing here but that is the scale of the approach. You need to be in

a position of saying to people having a fifth of people in the UK living on local incomes is not just bad for them, it is bad for you, it is bad for your whole society. You complain about the number of people in prison, about the degradation of your local environment, about the fact that you cannot get a plumber because there is no one doing apprenticeships. It is about perhaps personalising some of the arguments. It is about the amount of money we spend on the Health Service because of health inequalities. It is about making the arguments in that way. Maybe it is a bit ruthless to say that it all comes down to affecting people in the pocket but there is a variety of ways and unless we make the arguments and make them really quite forcefully then we will not make the kind of progress we need to.

Q256 Mr McGovern: Can I make one brief point, going back to the exploitation of low paid migrant workers, it is my understanding that the three major trade unions—Amicus, GMB and T&GW—have searched specifically to recruit and represent migrant workers, so there is certainly a recognition that that is a problem.
Ms Young: From what we hear it certainly seems to be the case that it has been quite successful. I think we are going to have that problem again of reaching migrant workers who are working in the rural areas. I think that is still going to be a problem and there are a lot of calls we get that that is the case.

Q257 Mr Davidson: One of the things that we touched on in Inverness was whether or not we ought to have a small inquiry just into that particular area. Do you think there is enough evidence? The suggestion was that there is no evidence there, there are all these allegations and so on but there is no firm evidence. Do you think there is enough firm evidence to sustain an investigation?
Ms Young: There is certainly enough anecdotal evidence. I know that Citizens Advice Scotland have collected a lot of information on the problems faced by migrant workers and it may be that would give you a pointer in the right direction. One of the problems that we have had with following up cases is a lot of the time migrant workers have only come for a short period and they have actually gone home before the outcome of their case is decided and obviously for confidentiality reasons it cannot be disclosed to us whether an employer has been found guilty of a misdoing. It can only be disclosed to the person who has now gone home. It might be challenging but I definitely think it is worth a try.
Danny Alexander: Speaking as an MP who has done a surgery specifically for migrant workers with a Polish translator present so that people could come and raise those issues directly, I would agree with the last point you made which is that there is quite a lot anecdotal evidence, some which I have gathered myself and passed on to the relevant authorities, and I think it is worth saying we as a group of MPs do have a responsibility to these people as well. Even if they are not able to vote in Westminster parliamentary elections, that does not lessen our responsibility for the issue and I would support the idea.

Q258 Chairman: Can I thank the witnesses for their attendance. I am sure your evidence will be very useful for us and it was very informative and will be used when we compile the report. Before I declare the meeting closed, would you like to say something in conclusion perhaps on areas that we have not covered or where we have missed any questions?
Ms Young: I have just one point that I would like to make. I have become quite concerned over the past few years about the issues of stigma that are facing people in poverty and I think this is an area where government at all levels can make a really great difference. I think Peter's point earlier about publicising the issue of poverty is very relevant but I think it is also changing the perception of poverty. Things like the adverts that we currently have on TV in Scotland about benefit fraud certainly might help to reduce levels of benefit fraud but then there is a knock-on effect from that that the general public gets the impression that everyone on benefits is a scrounger. I am not saying that we should not use measures to tackle benefit fraud but certainly there has to be a flipside of that where we educate the better-off people who are socially isolated from people on benefits and people on low incomes that these are people who are going through a rough time and not people who are in it for themselves.
Chairman: Thank you very much.

Supplementary memorandum submitted by The Poverty Alliance

1. The role of paid employment is central to lifting many people out of poverty in Scotland and elsewhere. However, in evidence to the Scottish Affairs Committee it was noted by a number of participants that low pay remained a significant problem. This was a problem both in terms of low pay preventing people moving out of poverty when they entered the labour market and acting as a disincentive for people to move off benefits and into work.

2. In the session on 7 February 2007 there was discussion with Ian Davidson regarding the actions that can be taken to tackle low pay beyond the minimum wage. There were also questions from Danny Alexander regarding the impact that changes in the National Minimum Wage (NMW) have had on poverty in Scotland. This note attempts to address the first of these two issues. On the specific issue of the impact of the NMW on household poverty we would refer the Committee to the work of the Scottish Low Pay Unit.

3. It is clear that the introduction of the NMW in 1999 has helped in addressing problems of low pay in Scotland and the rest of the UK. The Low Pay Commission's latest report[1] suggests that the proportion of workers that will be covered by the NMW in the UK following the increase in October 2007 will be between 4.5% to 6%. However, the problems of low pay go beyond the coverage of the NMW. Although the minimum wage is almost universally regarded as a useful tool in the fight against poverty, there are few people who regard it as being sufficient to lift people out of poverty.

4. The New Policy Institute estimate that more than 70% of workers in hotels and restaurants earn less £6.50 an hour.[2] The sector with the largest number of low paid workers (less than £6.50 an hour) is the retail and distribution sector, where more than 30% of workers were low paid. The second largest is the public sector—public administration, health and education—where 22% of workers earn less than £6.50 an hour. These are workers employed directly by the public sector as opposed to those who work for companies or organisations contracted by the public sector.

5. Given the breakdown of low pay in these different sectors of the economy there are a number of ways that could potentially be used to begin addressing the problem of low pay. One of the issues that must be addressed at the outset is how we begin to assess what would be regarded as an "adequate" wage. Whilst many organisations and campaigning bodies apply thresholds below which people are regarded as low paid, few attempts are made at identifying what would be an adequate or "living wage". The Low Pay Commission, despite recommending the level of the NMW, has not sought to define the adequacy of the minimum wage. Rather, the NMW at the moment is a compromise between employers and trade unions—it is an acceptable wage rather than an adequate one. At best it helps to deal with exploitative rates of pay rather than tackle "poverty pay". Attempting to define what would constitute a living wage may well be difficult and at times controversial, but it is an essential first step to making work a genuine route out of poverty. The experience of the Greater London Authority (GLA) and the Living Wage Unit that has been set up within the GLA suggests that practical steps can be taken towards establishing a wage rate that would help lift people out of poverty. The Living Wage Unit[3] at the GLA has set out in some detail the thinking that allowed it to come to the figure of £7.05 an hour as its recommended living wage in London. **We would therefore recommend that the Scottish Affairs Committee encourage the UK Government to extend the terms of reference for the Low Pay Commission in order that its next report sets out what would constitute an adequate wage ("living wage"), that would help lift people out of poverty**.

6. An adequate living wage is an essential precondition for making work a viable route out of poverty. However this recommended wage would then have to be implemented by employers. Local, devolved and national Government all have a key role in ensuring that an adequate wage is paid to people living in their jurisdiction. As mentioned above, some 22% of workers directly employed by public sector organisations are classed as low paid. Having more than one fifth of public sector employees on low pay does little to reduce staff turnover, improve morale, or contribute to the Government goals of reducing poverty and improving public service delivery. **We would recommend that public sector employers work with trade unions to ensure that all staff receive hourly wage rates that meet an independently agreed "living wage"**.

7. The public sector now contracts out many services to outside agencies. The experience of the 1980s and 1990s was that the process of Compulsory Competitive Tendering (CCT) often led to the reduction in the terms and conditions of the "contracted out" jobs. The removal of CCT and the introduction of the system of Best Value have mitigated the worst effects of contracted out services. However, too many contracted out jobs still attract poor levels of pay and conditions. We believe that contract compliance conditions, which are often currently used to promote social policy objectives such as workplace diversity and equality, could be used to improve wage levels. **We recommend that the Committee encourages all public agencies in Scotland to ensure that all companies tending for contracts are required to demonstrate that they will pay their staff a living wage**.

8. It may be possible for Government, at all levels, to take action to address low pay within their own organisations or those they contract work to. However the real problems of low pay remain in the private sector. The main statutory instrument to tackle low pay in the private sector will remain the national minimum wage. However the Low Pay Commission in its latest report[4] stated that "there is still no effective deterrent to non-compliance and no real disincentive to firms contemplating evading the minimum wage requirements." Whilst we welcome the increase in funding to HM Revenue and Customs to improve compliance we share the Low Pay Commissions concerns that the lack of any penalty for those employers who flout the law or any compensation for workers who are knowingly underpaid makes the job of compliance teams much harder. **We would urge the Scottish Affairs Committee to make recommendations to the UK Government to introduce real penalties for evasion of the NMW to ensure more comprehensive compliance**.

---

[15] HBAI 2004/2005 http://www.scotland.gov.uk/Resource/Doc/95793/0023203.pdf

[16] Paying the price, July 2006 http://www.cas.org.uk/payingtheprice.aspx

[17] Abbott S & Hobby L (2000). Welfare benefits advice in primary care: evidence of improvements in health. Public Health 114, 324–327.

[18] CAS press release, 1 September 2006, http://www.cas.org.uk/pressrelease192006.aspx

9. Greater compliance would be welcomed, but this measure alone will not lead to workers receiving a living wage. It is important that non-legislative means are used to ensure that private sector organisations ensure they pay living wages. There are many ways in which this pressure could be brought to bear on employers that would not require new legislation, where employers could be encouraged to raise standards with regard to pay levels within their organisations. The Investors in People (IIP) standard is widely recognised as a mark of quality for organisations working in the public, private and voluntary sectors. The principles and indicators behind the IIP standard emphasise the importance of the effective involvement of staff in the planning and evaluation of an organisation's work. It also sets standards for the way people are managed and how training contributes to the development of staff. These are important steps organisations make to invest in employees and are vital for developing and maintaining a good working environment. However, it could be possible for the principles behind the IIP standard to cover other areas of "investment" in staff. **We believe that the IIP standard should be revised in order to cover pay within an organisation**. There are potentially two elements to this: achieving IIP standard would mean that no-one in the company was earning below a recognised "living wage" level; in addition, the IIP standard could demonstrate that the ratio between the lowest and the highest paid employees was within a justifiable range. Both of these elements would demonstrate that companies are investing in their employees through training and support, but also through the pay packet.

10. As mentioned above, the hospitality industry in Scotland has a significant concentration of low paid works. Much has been done to improve the image of the hospitality industry in Scotland, but it would appear that relatively little has been done to improve the pay and conditions of workers in this sector. Although the NMW has had a significant impact in this sector, it is clear that far more needs to be done. This is another area where additional pressure could be brought to bear on employers to ensure that they raised their standards. Quality ratings for hotels and guesthouses are now commonplace. They are a useful indicator to customers of the standard of service that they can expect to receive. In recent years other quality assurance schemes have been introduced in the hospitality sector. The Scottish Tourist Board (better know now as "visit scotland") runs the Green Tourism Business Scheme. This scheme rewards and publicises companies which are taking their responsibility to the environment seriously. **We would encourage the Committee to consider whether a similar quality kite mark can be developed for employers in the hospitality industry and promoted to companies in Scotland**. The precise detail of the elements that would contribute to this standard would need to be determined, but they would crucially cover standards of pay that would allow customers to know that staff were being paid a decent wage.

11. This note has attempted to identify practical actions that can be taken to address problems of low pay beyond the minimum wage. If the Committee requires any further clarification please contact the Poverty Alliance.

Peter Kelly
The Poverty Alliance

March 2007

Tuesday 20 February 2007

Members present:

Mr Mohammad Sarwar, in the Chair

Ms Katy Clark	Mr Angus MacNeil
Mr Ian Davidson	David Mundell
Mr Jim McGovern	Mr Charles Walker

Memorandum submitted by Dundee Anti Poverty Forum

BACKDROP

There is no doubt that the impact on the lives of people who experience poverty and social exclusion is total, and while we believe that more must be done to assist individuals and families wherever they live, we also believe that the Executive's emphasis on regeneration spending being invested on a geographical basis, is correct and necessary if we are to improve the lives of a great many people who live in needy communities blighted by poverty and deprivation.

However, there is no doubt that some communities in Scotland suffer far greater than others and therefore the impact on these communities is compounded. This disproportionate effect exacerbates the well-being of these communities. Child poverty, low levels of educational attainment, exclusions from school, youth unemployment with little scoop to carry on to further and higher education, drugs and alcohol misuse and addiction, debt, poor health including poor mental health, overcrowding, domestic abuse, living in communities ravaged by crime and vandalism, pensioner poverty, the list that reflects the worse 15% of the Scottish Index of Multiple deprivation can go on and on.

The targeting of Community Regeneration money we believe is making a difference in the delivery of vital services, particularly in supporting voluntary sector services, and has brought about significant environmental and physical improvements, and importantly, supported people who experience poverty, people who are active in their communities, to be involved in the planning and decision making processes around the issues that affect their communities.

In Dundee we have 75 CRF representatives, elected by their communities with autonomy to make decisions on their behalf, an excellent model that can be considered good practice that other CRF structures across Scotland should be encouraged to replicate.

If we briefly look at other initiatives. Working For Families funding, making a significant impact in supporting parents with children plan for, and to re-enter the jobs market, Financial Inclusion funding is supporting a range of initiatives across the city including financial education, Discovery Credit Union, welfare rights services to our minority ethnic community in the city, and to other vulnerable groups. The city's employability framework, designed to assist particularly the long-term unemployed, lone parents and disabled people who would like to return to work with support to do so. Dundee has an excellent fuel poverty strategy involving the Council, the health sector, voluntary sector involvement, driving forward an extremely worthwhile series of initiatives only to be undermined by the inflation busting increases in fuel prices, but initiatives that are still making a difference.

So, in Dundee and across Scotland there is a lot going on, a range of initiatives designed to move people out of poverty. However, while it is important to focus attention on the achievements and give credit for the good work being done in what can be difficult circumstances, the problems are deep rooted and interconnected in a way that requires to be tackled by a joined up and collaborative approach. There requires to be a common purpose, a commitment to an overarching strategy that goes further than the individual, the single issue, families and communities engulfed by a web of deprivation.

We would now like to go on to focus on some particular issues, issues that are at times viewed as individual problems in their own right, things that some would say stretch across the divide between the better off and the poor, but ones which we can say with confidence are more prevalent within poorer families, issues that are impacted by being poor and by the lack of choice that some people face.

1. DOMESTIC ABUSE

Any woman, anywhere, can be subjected to domestic abuse from her partner, we are not claiming otherwise, although anecdotal evidence suggests that a high level of abuse is against women who experience poverty and disadvantage. In 2003–04 Scottish Women's Aid Annual Report indicated that they received 83,226 requests for support or information from women in that year, an increase over the previous year of 10,197. Domestic abuse cases recorded by the police in Scotland for the same period was 38,117, (Scottish

Executive Statistical Bulletin CrJ/2005/9) less than half of the enquiries to Women's Aid. In Dundee, in 2005/06 Women's Aid received 340 enquiries for support/information. Of that total 76 women and 91 children were turned away due to lack of space.

Do we need to review services for women who are subjected to domestic abuse, is there evidence in some areas that procurator fiscal offices fail to take forward domestic abuse cases to court, are we doing enough to make women feel confident about involving the police at an early stage?

2. School Exclusions

Since November 2003 when the Education Minister Peter Peacock removed Scottish Executive targets aimed at reducing numbers of school exclusions, expulsion rates have risen dramatically. Scottish school days lost during 2004–05 where no other education provision was in place was 128,619 (temporary exclusions) Comparisons with overall school population show that children who are entitled to free school meals, pupils with additional support needs and pupils looked after by Local Authorities all had higher exclusion rates than other pupils. Where a pupil has all three factors, the exclusion rate was over 4 times that of the overall school population. In the same period, Dundee schools recorded the highest level of temporary school exclusions in Scotland, Glasgow being next highest.

While we fully believe that a supportive learning environment needs to be in place to ensure that class disruption is contained at a minimum. Are we failing other more vulnerable pupils by those high levels of expulsion? Will the gaps in their education disenfranchise them in later life as they leave school with low educational attainment? Are the NEET's of tomorrow being created by the system that exists today?

3. Suicide/Self Harm

Suicide rates in Scotland for men and women aged 15+ over the period 1998–2004 are 50% higher than the UK average. The highest rates across Local Authority areas fluctuate between mainly rural and urban areas. However Glasgow, Highland, Moray, Eilean Star, Dundee, West Dumbarton and North Ayrshire, are all in the top ten in the UK. According to Choose Life, the Scottish Executive initiative to reduce suicide levels by 20% by 2013, the overwhelming majority of suicide cases are related to factors arising from or exacerbated by deprivation. And amongst the homeless, the majority of whom are male, 48% have contemplated suicide and 25% have attempted to take their own life (Big Issue). Dr Ian Banks, Men's Health Forum stated "it is almost exclusively amongst the lowest income families that suicide is taking place". The official figures for suicide may be the "tip of the iceberg" as many attempts of suicide and self-harm go unreported.

Do we need to improve services for vulnerable adults with earlier and ongoing intervention? Should suicide and self-harm be considered as an equalities issue due to the vulnerability of poorer people?

4. Lack of Choice

The psychological impact of being poor, the daily pressure and stress just keeping your head above water has been well documented in the past. What we are focusing here is on the lack of choice that exists for poor people. Where you can shop, the groceries you can afford to buy, choices relating to diet for the family when you need to fill empty tummies. In June of this year, Anne-Marie-Smith, a lone parent gave evidence to the Communities Department, informing them of her life and struggle to bring up her family. The most profound thing she said was that "I'm teaching my children to be poor". The frank evidence from Anne-Marie was one of a lack of choices, of disrespect from other people and especially front line staff of various agencies. The isolation from no social life, To Anne-Marie choice was a foreign concept.

Are we as society teaching children to be poor? Are they learning at an early age the scams needed to keep you head above water, how to use the social security system, how to rob Peter to pay Paul, to accept that in this modern society that because they are not as well off they should expect less and have little ambition, not to expect being treated with respect, to be second class citizens?

5. The Cost of Being Poor

The cost of being poor is both real and proportionate. Poor people have to access credit that cost more in repayments; fuel charges by pre-payment meter is more expensive; when you have little or no disposable income, the cost of food, clothes travel, water charges all impact disproportionately against you. Although benefit levels are not a devolved matter, there are things that can be done to help poor families budget more effectively on low incomes. A more generous school clothing grant, paid directly to the mother, universal free school meals, access to cheaper travel, the abolition of unfair charges against the companies that force pre-payment meters on poor families, access to financial institutions such as credit unions.

CONCLUSION

We are sure that you will receive many responses from across the poverty lobby in Scotland, some generalist and some from particular constituencies of interest such as child poverty groups, groups championing the interests of the disabled and their carers, and groups supporting older people and we are sure that they will present cogent and powerful arguments to the executive. We felt that this consultation was an opportunity to present something slightly different that may encourage you to consider some of the more wide-ranging impacts of poverty and social exclusion.

Jim Milne
Dundee Anti Poverty Forum

October 2006

Witnesses: **Mr Brian Gordon,** Chair, **Ms Myra Mackenzie,** Secretary, **Mr Jim Milne**, Project Leader, Dundee Anti Poverty Forum; and **Rev Erik Cramb,** Chair, NCR Rapid Response Group, gave evidence.

Q259 Chairman: Welcome and good morning. We are delighted to be here in Dundee for today's meeting of the Scottish Affairs Committee in connection with our inquiry into *Poverty in Scotland*. You will know that we are conducting an inquiry into poverty in rural and urban areas in Scotland. First of all, can I thank the staff of the Council for helping to organise this meeting. I would like to welcome our first set of witnesses who are from the Dundee Anti Poverty Forum. Perhaps you could introduce yourselves.
Mr Gordon: Yes, thank you, Chairman. My name is Brian Gordon. I would like to introduce, on my right, Jim Milne, who is the Project Leader for the Dundee Anti Poverty Forum. I have on my left here Myra Mackenzie, who is the Secretary of the Dundee Anti Poverty Forum. On the left of Myra is the Rev Erik Cramb, who is a former industrial chaplain in Dundee and now heads the taskforce in Dundee on the savage unemployment that has taken place lately. Before we go further into questions, could I take this opportunity to ask you, maybe unusually, because of the time constraints, to allow the four of us to speak and put forward our submissions and then with questions hopefully we can bring everything forward.

Q260 Chairman: That is what I want to do. Before we ask detailed questions, if you would like to make opening remarks, please do.
Mr Gordon: As I said, my name is Brian Gordon and I am the Chairman of the Dundee Anti Poverty Forum. Dundee Anti Poverty Forum would like to thank you, Chairman, and the Scottish Affairs Committee, for giving us an opportunity to put forward our views on poverty. We would like to give you an insight into the what and why we think poverty has an impact in Dundee. We hope to impress on the Committee how a manufacturing wipe-out has caused, up until now, untold suffering on the people of Dundee. Job losses, which include 650 direct jobs going in the NCR, to which the Rev Erik Cramb will allude later, but also how over the years we have lost, and we are losing, jobs from Timex, Valentines, Levis, Michelin, Wood Group, Tesco, TDI and many more. We have even had the unbelievable scenario of our Chamber of Commerce going into liquidation just a short time after their Chief Executive boldly stated: "Job losses are always a blow, but the future is bright in Dundee". That was before it went into liquidation. We also hope to show today through our Secretary, Myra Mackenzie, the social deprivation to hit Dundee. That social deprivation was highlighted in the Joseph Rowntree report of 2005 which produced a local authority league table of poverty that showed Dundee was bottom, or second bottom, of five of the 15 main indicators and in the bottom half of the other ten. It showed that Dundee was worse or second worse in regard to low income, drugs misuse, overcrowding, poor mental health and underage pregnancies. Also, in a report only last week from the Medical Research Council it showed how our mortality rates among men in Dundee under 65 have risen from 10% below the national average in 1981 to 19% above the national average at this present time, and Dundee being the only area in this category outside of the West Coast. We will also hear from Jim Milne, our Project Leader of the Dundee Anti Poverty Forum, how we need changes to welfare reform and also to tackle inequalities. What we would like to state at this time is the good work of the government agencies, both Scottish and national, who have injected millions of taxpayers' money into schemes to try and alleviate the problems that have arisen in our city over the years. But, sadly, Dundee can be likened to a bucket with a built-in sieve. How do we, as a society, replace that sieve with a solid bottom and go from here together as Dundee, the city of recovery?

Q261 Chairman: Thank you.
Mr Gordon: I now ask Erik to come in with his submission.
Rev Cramb: Chairman, Members—

Q262 Chairman: There is no need to stand up.
Mr Gordon: He is used to standing.
Rev Cramb: It is my training to stand and speak. Normally I get to speak ten feet above contradiction, which gives me a sense of power!

Q263 Chairman: We have only one hour for questions and answers, if you can be brief, please.
Rev Cramb: Sure. Can I say that my presence here is supporting the presentation made by the Anti Poverty Forum. NCR, for the best part of 60 years, has been the jewel in Dundee's economic crown and now with the closure of the plant, the loss of 650 well-paid jobs, in addition to all the others that have

been mentioned, this exacerbates the whole feeling of powerlessness in the city. What I would hope to do is to say to you that we have had expressions from the Prime Minister, through Mr McGovern, that anything that can be done from Westminster to help will be done. To be brief, I simply want to remind you that Civil Service jobs are within the grasp of the Prime Minister and Westminster to direct to Dundee. We have here the capacity to have those Civil Service jobs, and whatever influence you can use when you go back to Westminster to see—They are not a long-term fix for 650 workers but they would be an important gesture of support to a city that is struggling under this blow of the loss of the jewel in its economic crown.

Q264 Chairman: Thank you. Myra or Jim, do you want to say anything very briefly?

Ms Mackenzie: Thank you. Those who experience poverty over a period of time become more susceptible to the impact of a range of issues which adversely affect their lives: unemployment, disability, poor education, accidents, low income, illness, poor health and family breakdown. They are a few of the situations that can catapult any individual into a web of deprivation where without assistance their lives become a negative experience and their situations become more acutely entrenched within the web with more intense problems. They are then categorised by disadvantage and are caught disastrously in the poverty trap, their lives are generalised and they begin to believe their futures are defined by their disadvantage. Disadvantage in Dundee may start at birth. In the more deprived areas, Dundee has a higher incidence of low-weight babies and the ongoing effects of a poorer start in life. Cancers and heart disease, again the highest incidences are concentrated in the worse Scottish Index Multiple Deprivation data zones. If you are male in Dundee your chance of a premature death under 65 has moved in the last 20 years, as Brian mentioned, from being 10% lower than the Scottish average to 19% higher. Dundee has the highest mortality rate for men under 65 in the north-east of Scotland. We lag behind both European countries and the rest of the UK in regard to these issues mentioned and these inequalities are concentrated in the most disadvantaged communities in Scotland underlining the recently published UNICEF report on Children,[1] a study across Europe which placed the UK last over a range of indicators, including those associated with poverty. Although Dundee is home to two excellent universities and a city packed with students from the rest of the UK and abroad, which plays an important part in the local economy, school exclusions are highest in Scotland, coupled with poor educational attainment in some parts of Dundee lagging 50% below the Scottish average. There is a major concern that we are letting young people down with those excluded becoming the NEETs of tomorrow. In the more deprived areas of Dundee you are twice as likely to be prescribed drugs for depression with higher records of suicide and self-harming in young people. If you live on one of the more peripheral housing estates to the north of the city you are more likely to be a victim of crime, there is more opportunity for crime and the perpetrators are less likely to be apprehended. Victims of crime feel threatened, withdrawn and become more isolated and less likely to engage in community activity and a downward spiral begins. People feel they lack choice in moving away, they suffer stress, dismay and vulnerability. Housebreaking is rife in certain areas of the city with higher incidents of antisocial behaviour, vandalism and car crime, with the Dundee Co-ordinated Anti-Crime Network spokesman stating that 80% of retail crime and retail ASBOs arise from drug addiction. A third of the 746 people referred to the Tayside Council on Alcohol last year were men between the ages of 16 and 25. The introduction and visibility of community safety wardens and community policemen has gone some way to abate the fear of crime, not so much crime itself. Although an issue across the social spectrum, domestic abuse is more prevalent in deprived communities. With 75% of women interviewed claiming some forms of domestic abuse, the official figures are the tip of the iceberg. Along with the Women's Aid Centre claiming more than 80 women and children were turned away from shelters last year because there were no spaces, there is an urgent need for more provision. Debt is a big problem for many, on benefits and working, and with low wages or income debt that can cause many homeowners to lose their homes for a minimal and disproportionate amount of debt. Society is letting people down. Are we just educating people to be poor? Are we encouraging people to manage their situations of poverty rather than supporting them to break free from it? Are we encouraging people to rob Peter to pay Paul and play the welfare system? These are critical questions which need to be asked and answered.

Q265 Chairman: Thank you, Myra. Jim, if there is a brief statement you want to make, please do. If it is a prepared statement you can hand it over to us and that would be very useful.

Mr Milne: I can appreciate that time is of the essence. We did bring along our report this morning called *Lives on Hold*, which is a study of deprivation and related factors in Dundee. I have already spoken to Diane and we will send that down to the Committee Members in due course. We are launching it in a couple of weeks' time. What I intended to do today was to speak about a number of policy matters but I think we touched on a few of them yesterday so I do not want to bore you going over the same information in regard to things like policy-proofing and welfare reform. I do want to say as regards the National Action Plan on Poverty, which is very employment focused, and we can understand the Government's drive to ensure that getting back into work is one of the main areas of getting people out of poverty, if we only have that focus and that focus alone we are missing an

[1] Report Card 7: *Child Poverty in Perspective: An overview of Child Well-Being in Rich Countries.* Published 14 February 2007

opportunity to do more for the people who cannot get into work because it is not an option for them for a whole host of different reasons. I think we need to look at the whole question of income adequacy, which was something we discussed yesterday, and more support for groups like carers and others who are critical to the wellbeing of so many people in society who get scant regard and very little reward for the work that they do. If we look at Dundee very briefly, Dundee is very much the centre for employment in the region. It is a cultural centre but it is very much a centre of learning as well. In North Fife and the hinterland of Dundee, Angus and Perth, many people rely on Dundee not only for employment but for essential services that Dundee provides as well. It is a real crying shame that the city is straitjacketed with the problem of council tax income because of the high levels of council tax bands A and B households that exist in the city. I am sure it is not beyond the realms of possibility for some type of fiscal instrument to be introduced that will recompense Dundee for providing that whole range of services to the many thousands of people who rely on it but do not actually live within the city boundaries. We would ask you to look at that matter because it is something that needs to be taken into consideration. We know that Dundee is not unique in that regard, it is the same for other cities in similar circumstances, but because of the high level of council tax bands A and B housing it is a major, major problem. Dundee Partnership wants to do more, they want to provide better services to tackle poverty and deprivation in the city but they are very much straitjacketed by the lack of resources that they have. All we can say is would you please look at that. We have a lot of intelligent people down in Westminster and in the Scottish Executive who can look at the problems that a city like Dundee faces and we are sure that some type of fiscal instrument could be introduced to recompense Dundee in a way that allows them to take account of that problem and provide more for the people of Dundee who experience poverty and deprivation.

Q266 Chairman: We do understand and appreciate that loss of jobs always has a detrimental effect on communities and cities. You will be aware that Jim has raised this issue during Prime Minister's Question Time and he will be lobbying strongly to Government and the Scottish Executive to make sure that more jobs or better or maximum support can be given to Dundee. There are media reports today that there is the possibility of 20,000 white collar jobs moving to Scotland and I am sure that Jim will be campaigning vigorously and we will give him support to bring some jobs to Dundee as well. Can you explain what support the Forum can provide to the people who are experiencing difficulties because of poverty?

Mr Milne: Our main focus is to keep poverty at the top of the political agenda locally and to ensure that we continue to hold a dialogue with the Scottish Executive on a number of matters and also the Government at national level. Just as an example of that, at the present time we have a public petition sitting at the Scottish Parliament on the question of the school clothing grant where we are asking for a review of the school clothing grant system in Scotland because there is no logic at all to the criteria that are established and no logic to the level of grant that is set by each local authority, it is different right across the country. If you need a school clothing grant, whether you be in the Borders or Inverness, Dundee or Glasgow, why should it be that you can qualify in one local authority but not in another and why should you get £35 in one local authority and £65 in another, it is an absolute nonsense. That is the type of initiative that we will take forward. Although we do not provide direct services locally we manage other projects that do. That is understandable in the sense that not everyone is going to give money to Dundee Anti Poverty Forum, it is more of a tactical thing than anything else because we have satellite organisations that provide direct services in their own right and can attract funding as a voluntary sector charity for the purpose that has been established. We manage that type of service being provided locally. Very much at the top of our agenda is to speak to people because we have got faith in people who have experienced poverty. If you have never experienced poverty you do not know what it is like. You might think you do and you will perhaps have a certain level of understanding, but you do not really know if you have not got to the end of the week with no money in your purse, two kids to feed, the meter is running out and you do not have money for electricity or power, you just do not know. What we try and do regularly is to go back to the citizens of Dundee and ask them about the things that are affecting them, not only speaking about the issues but how do they see things improving, what would they like to be done. We like to think that we are the conduit to allowing the public to have their voice heard across a range of issues and indicators of poverty because we see people as being part of the solution and not only part of the problem.

Q267 Chairman: When people come to you, do you just give them advice, emotional support, or are you in a position to offer them some financial help, for example free-interest loans?

Mr Milne: We do not have budgets for that type of service, unfortunately. If we were able to hand out money to people in Dundee we would be very keen to do so, but we do not do that, I am afraid. What we do manage is the Dundee Money Advice Support Project that provides people who have got debt and money problems with proper advice, support and advocacy, so it is not only a service to fill out the very difficult forms that they have to fill in to get the benefits that they are entitled to, it is about negotiating with the creditors to ensure that the debt they have taken on for whatever reason can be negotiated by way of repayment schedules or interest being disregarded in the future, that type of thing. That is a very critical service when people have got situations where they have got multiple mounting debts that they cannot repay themselves.

Q268 Mr Walker: A very quick question. Do you get any financial support from major banks and building societies to particularly the debt advice arm of your organisation?
Mr Milne: None whatsoever.

Q269 Mr MacNeil: The Forum's stated aim is to tackle poverty in Dundee through raising public awareness of the issue. How does the Forum go about that task, especially given what you said yesterday about the Scottish situation? Over and above your raising awareness, what do you think can be done at a Scottish level to be tackling poverty in this country?
Mr Milne: We are very much involved with the Poverty Alliance, which is based in Glasgow. They are the umbrella organisation for all the anti-poverty organisations in Scotland. We come together with the Low Pay Unit, the Child Poverty Action Group, Moray Against Poverty, which is a rural poverty organisation in the north-east, Oxfam and a whole host of others, so we attempt to co-ordinate the activities we are involved in and give a stronger voice to the Executive and Parliament in Westminster. That allows us to network as well within the UK Anti Poverty Forum and also the European Anti Poverty Network where we are able to come together with our colleagues in Europe and Ireland and that exchange of information is very helpful. When I spoke about policy-proofing yesterday I did make a reference to Ireland, for example, where they policy-proof all their strategies, policies and actions to make sure they can make a positive impact in tackling poverty in Ireland. That is something we have learned from their particular experience and we are promoting locally in Dundee with the council but also across the board. Having that type of network is very helpful to us and to other organisations that participate in that.

Q270 Mr McGovern: Charles touched upon the question of funding, could you tell us where your funding mainly comes from, is it from the City Council, the Scottish Executive or a UK Government Department, such as Work and Pensions, for example?
Mr Milne: Our core funding comes from the Scottish Executive's community regeneration funding. You were at Brooksbank yesterday and the building itself is a project in its own right and the services that are provided there. We might manage it but it is a project in its own right and that gets core funding from the same source, along with the Money Advice Support Team and the Kiddie Kare Project that we told you about yesterday as well. We are very reliant on the one source of funding. Obviously we tap into other opportunities when they crop up, such as Big Lottery funding. I did want to say something about that today. The voluntary sector is very reliant on Big Lottery funding and it is a real crying shame that that is going to be robbed for the London Olympics. That is going to have a major impact on the voluntary sector across the country and for the life of me I cannot see the trickle-down benefits that are going to be felt by people in Whitfield, Charleston, Menzieshill, and Kirkton when the Olympics are on in London and the Big Lottery is funding it to the detriment of voluntary sector projects in the City of Dundee. We do go to Lloyds TSB, for example, which is another big funder. As long as you are a charity you can access funds from Lloyds TSB. We use all these different funds for different bits of work at different times and I think we have been very successful in attracting project based money that is very much time-limited but we rely heavily on core funding from the Community Regeneration Fund from the Scottish Executive and we do not know what is going to happen to that after 2008 at the present time.

Q271 Mr McGovern: Thanks, Jim. I am sure you would say you could do with more funding, so if there was more funding could you give us an example of how it might be used?
Mr Milne: We lost an employee at the end of last year who was employed by us to do particular research funding. For example, in the report that we are going to be sending to you the back of that report looks at some of the smaller areas within the regeneration areas themselves, and we mentioned that yesterday as well, the data zones that are particularly badly affected by a whole host of indicators of poverty, including health inequalities, poor educational attainment, reliance on benefits, low income and all that type of stuff. That person was employed to pull out all that information that has never been published anywhere before that is very stark and hard hitting. We have lost that person because the funding for that post ran out. Part of our job is not to provide services, although we are always trying to look for other options to exploit for the organisations that provide the services and we have still got to raise the money for these projects. We need to do more ourselves in getting people to understand not only the nature of poverty but the extent of it as well. If we had more funding we would be doing more in that area of work.

Q272 Chairman: Charles has mentioned banks, building societies and financial institutions. Do you think that these financial institutions should be doing more to take responsibility to tackle poverty when they are making huge profits? For example, Barclays announced profits of £7.1 billion and out of that £1.2 billion came from high street branches. Do you think they should have more social responsibility?
Mr Milne: I think they pay scant regard to the social responsibility they have got, although they talk about it from time to time. At least within the regulation of the utility companies, for example, there is an obligation to put more back into the community. I do not think that exists for the private banks. When you think that the banks not only are in an area where they provide financial services but provide financial services that get people into poverty, I think there needs to be a lot more regulation on what banks offer to people. An example was given yesterday where a man was due to pay the bank £50 because he had a £50 overdraft

but when he walked into the manager's office he got offered an additional overdraft of £2,000. That type of nonsense should not exist. There are stories that if you walk down the High Street in Dundee if you are unemployed you can rack up £15,000 worth of credit. How silly is that? It is irresponsible lending at times. I think people have got the right to access financial services whether they are poor or rich but not when it is irresponsible lending that is pushing people into major debt problems they can lose their home, lose their car, put pressure on the family and lead to family break-up and all that type of stuff. They have got a social responsibility and they are not exercising it.

Q273 Chairman: Are you talking about responsible lending and at the same time interest rates, for example, and service charges they charge the people who need help?
Mr Milne: I do not want to slap Gordon Brown on the back for keeping interest rates low because if you have got a mortgage that has been very helpful over the past few years and the control of the economy has been something that has led to a certain level of stability that the banks like, that business likes, that other employers, particularly engineering firms who export, like as well, but the reality is in the near future we have got the possibility of interest rates going up and the impact on jobs in the manufacturing sector could be quite significant.

Q274 Mr Walker: Banks strike me as not providing the type of service that many of your users need: advice on financial management, they are not interested in providing bank accounts, so really it is a one-way bet. They are very happy to offer large loans at fairly high rates of interest but they are not willing to invest some of their time and actually some of their money in helping some of the most deprived members of society access sensible financial services and sensible financial planning.
Mr Milne: I can only agree with you.

Q275 Mr MacNeil: Last month it was announced that there were 650 jobs going from NCR. I have heard quite a lot this morning about poverty, of course. These were the loss of government jobs and I think Erik Cramb mentioned this block of Civil Service dispersal in the UK. I would like to ask about the confidence you might have in the economic climate in Scotland ever creating a situation where you have those kinds of jobs replaced or are we constantly going to be looking within the public sector, within welfare? Are we going to see a climate in Scotland that is going to allow that? You mentioned Michelin as well and one of the defining political moments in my view was when Continental Tyres, which was in Newbridge, closed the factory in Newbridge and moved elsewhere. I thought that was destructive, particularly from the Scottish Nationalists' point of view. I wonder what you think about Scotland's economic climate because that ultimately has to affect the work that you do.
Rev Cramb: One of the things that I have not said so far is in response to the job losses at NCR the economy of the city, the people with their hands on the levers of the economy of the city, have all responded to see what they can do and what opportunities there are to re-employ the workers. You are talking about banks being irresponsible in lending but NCR was not a company not making profits here, it is to do with making enough profits. There is a real moral question about what is commerce about. That is a huge question that is not contained to Scotland or even to Britain but the whole global economy. These jobs are being shifted not because they are not making money but because they are not making enough money. In terms of the Scottish economy or in terms of the Dundee economy we have had major responses from the universities, which are not just teaching institutions in this city but are economic institutions, they are at the cutting edge of many of the new technologies on which Scotland's economy depends, the Chamber of Commerce, the voluntary sector, the public sector, individual businesses, they have all been in immediate and continuing contact about how we can regenerate the Dundee economy. Part of the plan that you have before you talks about building on the city's strengths and the same applies to the whole of Scotland, building on the strength and resilience that we have shown. The short answer to your question is yes, I have a confidence in Scotland.

Q276 Mr McGovern: Erik, yesterday we had an informal chat but that was not a matter of record whereas today's meeting will be recorded. I have quite a number of emails and letters from employees of Tesco where 430 jobs have been moved to Livingstone and they feel because of the NCR situation they are now being forgotten about and ignored. Can you just confirm that as a result of the meeting with the Government Minister, Jim Murphy, for the people in other employment, Tesco for example, although the taskforce was set up as a result of the NCR announcement it is there to help other people employed by Tesco, Michelin, Wood Group and the supply chain to NCR itself?
Rev Cramb: You referred to the meeting with Jim Murphy and if this is a matter of record let me say right away that there was an immediate response from the Scottish Executive to the NCR issue and that should be said. There was an immediate response. Because that was a good thing we should not be saying that other companies were treated badly, they were not. There was an immediate and splendid response to the NCR issue. In the meeting with Jim Murphy it was confirmed that the whole of the current redundancy situation in Dundee should be our concern and should be a focus of our attention.

Q277 Mr Davidson: Can I just ask about the extent to which the work of the Forum as a whole has got heavier since the announcements at NCR and Tesco?

Mr Milne: It is honestly difficult to say. Obviously when they are job losses announced in the city it is something we are concerned about and we regularly make our viewpoint known about these concerns. The impact of the job losses will filter through as time goes on when people need to seek further support and advice and that will happen as people lose their jobs and go through that process. What we are very heavily involved in at the present time is assisting the support and we have organised financial advisers from the Money Advice Support Team to assist with the group and provide services to the workers in NCR who are going to be losing their jobs and will be seeking financial advice around the issues of the debts that they have, their mortgages, and making sure that they immediately get the full extent of the benefits that they will be entitled to. Within the Dundee Advice Workers' Forum, which we act as a secretariat for, they are very keen to ensure that type of advice is available to the workers who are losing their jobs as well as anyone else who suffers from poverty and low income and debt problems.

Rev Cramb: Could I just say to you, Mr Davidson, there is not a single worker yet who has been made redundant at NCR so it has not had a chance to filter through, which in one sense might be a good thing but in another sense there is this hiatus and frustration about getting to work.

Q278 David Mundell: Myra, in your opening remarks and, indeed, in the submission there was discussion about wider issues that arise from a backdrop of poverty and one of the issues which was raised was domestic abuse. I know there has been quite a focus on that by the Scottish Executive. In the submission there were a number of questions raised but you did not go on to suggest the answers to those questions. I wonder if you have any further views on that, particularly how domestic abuse should be tackled in addition to what the Scottish Executive is currently doing?

Ms Mackenzie: I think domestic violence is a complicated issue and, therefore, the solutions are complex. Women's Aid and the Rape and Abuse Centre here have done lots of work alongside but when people need somewhere to go to be safe and there are not enough places then that must be the highest priority where action needs to be taken in providing the shelters in the first place. Domestic abuse does not accompany poverty but it exacerbates the situation. Victim support, more counselling and ultimately more provision are some of the answers. I do not know if the real causes are as varied as the reasons that people fall into poverty and experience domestic abuse.

Q279 David Mundell: I think it is an interesting point because on the wider point around social issues, teenage pregnancy, drug abuse, for example, I notice of late there has been a tendency to suggest that these problems could affect everyone to try and get a more inclusive approach to deal with it, but the reality remains, does it not, that the focus of these problems are more linked to poverty than to other circumstances? Do you agree with that?

Ms Mackenzie: Yes.

Mr Milne: I think when you look at the report we are going to provide, we try and link up the various issues that are more prevalent within the deprived communities and households that experience poverty because it is not just that you are poor because you do not have any money, although that is the main thing, it is other things that come in on the back of that and are interconnected that make your life a total misery. Domestic abuse is just one element that may or may not be there with a whole host of other things. As regards domestic abuse, particularly women have to have more faith in the criminal justice system. We have got a situation at the present time where that does not exist. Myra was indicating earlier that in a consultation exercise 75% of women who were interviewed said they had been the victims of domestic abuse at some time but only a small percentage of them actually went and reported the incident to the police. Our findings tend to show that where Procurator Fiscal's officers are quite keen to ensure that charges are taken against the perpetrators those are areas where there is more faith. Where you have instances where Procurator Fiscal's officers are not taking cases forward because they have been "cleared up", which is the police terminology for it, by maybe a warning or the person not being too keen to take the case themselves or not being encouraged to take the case, that is an issue that needs a lot more attention than it has had in the past.

Q280 David Mundell: Is the implicit suggestion in that, Jim, that they would be less likely to pursue that if the person was from a poorer area or is that a more general issue?

Mr Milne: It is not the poorer areas, it is faith in the criminal justice system. Where we have got instances where Procurator Fiscal's officers are very loath to take cases forward then we find the number of reported cases is low as well. That is something that I think is very concerning.

Q281 Mr Davidson: Why do you believe they are loath to take these cases forward?

Mr Milne: There is the whole question of fear, there is the question of stigma, of being put on the stand.

Q282 Mr Davidson: No, sorry, the question of the Procurator Fiscal taking them forward. I thought you were saying the Procurator Fiscal's department was loath to take them forward.

Mr Milne: Yes.

Q283 Mr Davidson: Why do you believe that is?

Mr Milne: I do not know if it is an attitudinal problem that exists within certain offices or not. We do not know the reasons why but I can say we do have evidence that shows in Dundee a very small amount of reported cases were taken forward to the courts. It has increased over the past couple of years but that is probably because we have got a Domestic

Abuse Forum in Dundee now and that has given a lot more support and encouragement to the victims to get the problem sorted out, so I think that is a good thing, but in the past there was not and where you have got areas where there is a small amount of cases being taken forward there is less likelihood of people being confident to do that.

Q284 Mr Davidson: In procedural terms is this an issue on which you as a Forum have met with the Procurator Fiscal's service in Dundee and raised with them?
Mr Milne: We have raised it through the Domestic Abuse Forum and we have had some discussion with the local police force around the whole question because the figures that we got from the Scottish Executive showed that at one time there were 680 and something reported cases and not one case went to court.

Q285 Mr Davidson: Why have you not spoken to the Procurator Fiscal's department directly and said you are not happy with this?
Mr Gordon: We have just never done it, I do not know why.
Mr Milne: We have had discussions informally with Tayside Police and with the chair of the Domestic Abuse Forum.

Q286 Mr Davidson: We have had discussions with Strathclyde Police in my own area about various things and they just say, "Well, look, it is out of our hands, it is the Procurator Fiscal's department" and unless you deal with the Procurator Fiscal's department directly you are not dealing with the people who are responsible for these sorts of decisions.
Mr Milne: I take that point, yes.

Q287 Mr MacNeil: You were saying that the level of prosecutions was related to the attitude in the Procurator Fiscal's department to treat this. Have you any evidence or any example where when the Procurator Fiscal's department does prosecute or chase more of these cases the levels of reported abuse go up and people are more likely to come forward and take it a stage further?
Mr Milne: There is a report that was published at the end of last year that confirms what you are saying, that where there is support for the victims then there is more likelihood that people will report and follow through the case. We are not saying that is a major issue in regard to poverty but it is one of the related factors that although cases of domestic abuse go right across the social spectrum and are awful for the people who have been subjected to it, because of this stress and pressure on low incomes there is a tendency for that type of situation to be prevalent within these types of households.

Q288 Ms Clark: I am moving on to a slightly different issue and it is an issue that Myra touched on in her opening submission. In your memorandum you say that children who are entitled to free school meals or have additional support needs and are being looked after by local authorities are four times more likely to be excluded from school. I think Myra said that Dundee has got the highest rates in Scotland for school exclusion. Why do you think that is the case? Why do you think that these factors mean that children end up being more likely to be excluded from school?
Ms Mackenzie: Although the Additional Learning Support Bill aims to reduce barriers to learning from all types of problems that children may have, the reality in schools is there are not enough resources for support, so for children who have disability where the mainstream inclusion idea is the approach that they put forward, and every parent who has a child who has any disability wants access to education and their particular needs being met, the reality is where there are behavioural difficulties arising either from disability or family problems the easiest option is to exclude. Legally the schools have a lot more scope to exclude a child rather than admit there are not the resources or the expertise or training. Particularly in relation to attention deficit or hyperactivity, behavioural problems, autism, although these things are much more prevalent than they were in the past and much more recognised, there is not the support there and schools are struggling with these problems and in so doing exclusion becomes a standard that they have to cope with sending them home and the parent is left time without number with a child who is temporarily excluded but there is no home support or nothing to pick them up.

Q289 Ms Clark: Do you think it is more that an individual child cannot cope without support and, therefore, behaviour manifests itself which the school cannot cope with?
Ms Mackenzie: I think it is both. I think the behaviours are not recognised and the supports that are needed and the adequate support and understanding and alternative educational styles are not recognised.

Q290 Ms Clark: One of the other issues that you talk about in your memorandum is the whole issue of suicide rates and the very high level of suicide rates. You make a statement in your memorandum which is a rhetorical question, I suppose, which says: "Do we need to improve services for vulnerable adults with earlier and ongoing intervention, and should suicide and self-harm be considered as an equalities issue due to the vulnerability of poorer people?" Could you suggest what your answer is to that question. Do you see it as an equalities issue? What do you think needs to be done to address this issue?
Ms Mackenzie: Again, I think it is a spiral that people find themselves in. Young people who are excluded become isolated. If they go to their GP with problems, if it is bullying and they are constantly excluded, the situation becomes more and more entrenched and that leads to isolation. I do not think the social work services pick up these situations. They pick up situations where the families are already perhaps involved but the time and the resources of social work, even though that is their

area of responsibility, mean we find young people who are suffering from all sorts of situations who do not have any access to support or counselling or anything that will take them away from prescribed drugs and then drug addition or suicidal feelings. There is a whole range of non-intervention early enough and that sadly stems back sometimes to as early as primary and exclusions throughout primary and secondary.

Q291 Ms Clark: We are a Westminster Committee and a lot of the solutions that you are calling for are probably things that the Scottish Executive or local council would more properly be responsible for. In terms of any Westminster response to any of these issues, have you got any comment to make or do you think it is more properly a matter for the Scottish Executive and is a matter for Westminster making sure the funding is there?
Ms Mackenzie: With exclusions, if there was a more proactive policy of not excluding, rather than exclusions being accepted or the exclusion policy being accepted as a way of dealing with it, if there was a more active policy of reducing them, as was mentioned in some areas in the report, where that has worked that has knock-on effects to all of these other factors that we are talking about.

Q292 Mr Walker: Brian, yesterday we discussed the frustration felt by people who want to work but cannot take part-time work because if they do take that part-time work and it does not last for any significant period of time or it is under a certain number of hours the actual cost to them in benefit withdrawal would outweigh the advantages both in earning an income but also in having a job and socialising with other people in the workplace. I assume that is the problem because we discussed it yesterday. How large a problem is it in reality?
Mr Gordon: When you know so many people who are unemployed or are in that trap you get to realise that the willingness of these people to find a job is put off by the fact if they go into that job and are only there a few weeks and realise it is not working, then the rigmarole of having to go back and apply for benefits or wait the 13 weeks or whatever it is to get back on Incapacity Benefit is just not worth it. There is a large amount of people out there in that frame of mind because of the system. If we changed the system to giving them a trial period of, say, 12 weeks in work and if it did not work out for whatever reason or if they felt pressurised they could go back into the system they had before without a loss of benefits, that would be a big factor in people's thinking.

Q293 Mr Davidson: We met the DWP yesterday as well from Jobcentre Plus and they indicated that sort of system under the new regime will occur. Have you discussed that with them in any sort of detail just to clarify some of the anxieties that you have would be overcome by the new system?
Mr Gordon: Not directly with that group but we have always stated as an Anti Poverty Forum that this is an issue with people who are long-term unemployed, this is an issue that they wish to be changed so that it would be more attractive for them.

Q294 Mr Davidson: Following on directly from that, can I ask about the in-work position of people. I have been constantly told by people in my area from Jobcentre Plus that they will do calculations that demonstrate almost invariably somebody is better off in work than remaining on benefits despite common perceptions. Have you had examples of case studies done jointly with DWP where that is not the case?
Mr Gordon: No. What we go on is the people we meet, the people who come to the Dundee Anti Poverty Forum, people like me and you that you meet in the pubs.

Q295 Mr Davidson: I am always a bit wary of conversations I have in pubs, not that I go into them myself you understand but people report these things to me!
Mr Gordon: Sometimes that is where you get to know what your best benefits are.

Q296 Mr Davidson: Indeed. There are a lot of misapprehensions abroad about this situation and my impression is that the DWP have been telling us, certainly in my area, that almost invariably people are better off going back into work because of the calculations, particularly in relation to Working Families Tax Credit. If they are not having a dialogue with yourselves to outline that then clearly there is something wrong with the procedure. If you have been having a dialogue with them and it has shown they are not correct then that is something we would want to be aware of. I am not clear what the position is at the moment.
Mr Milne: We have had discussions with Alan Miller, who is heading up the Employability Framework, and have had meetings with the relevant partners in the local council and Jobcentre Plus regarding trying to be more innovative in ensuring that Employability Framework can make a significant impact in supporting people with particular barriers to work getting back into work. The situation that we have in Dundee, and I think Erik has outlined it to some degree as well, is the polarisation we have in the local economy. We have got the knowledge-based jobs and the low level entry and if you are in a situation that you have been reliant on benefit for a long period of time and the only option for employment for you is to get into low level entry jobs that are very much marginal employment, part-time, low-paid, sometimes shift working, short-term contracts, little career possibilities, no proper training on the job, then you can understand that people are reticent regardless of the economic factor of you are better off or not better off in the medium-term going into work and the problem is if that is not sustainable over a period of time and you have got no vision in that sense then

very quickly you are going to be back claiming benefits again and having to go through the process of reclaiming all that you had in the past.

Q297 Mr Davidson: I understand that, but if you overcome this issue of transition, the 13 weeks, as I believe we have elsewhere where they go back on to where they were before, that should be much less of a problem.
Mr Milne: Very much so.

Q298 Mr Davidson: If people are in a position where they are going to be better off as a result of an in-work calculation which demonstrates that and they have got the assurance of a safety net of being able to go back on at the level of benefit they were at before, that should remove a great deal of the disincentive. Certainly in some areas, I am not sure if this will apply in Dundee, there are opportunities where if you start off with the initial job it is then much easier to get other jobs and work your way up the ladder. There must be some sort of occupation to fill in the gap between the very high level jobs and the very low level jobs in Dundee, notwithstanding the fact that there might be fewer of them.
Mr Milne: We are speaking about knowledge-based jobs here, the high level jobs in biotechnology, in the Health Service and health research, in the universities and even within the council and council departments, but if you have not got the degree then you are not going to get the job. Support for people who have been low educational attainers moving on into further education is always very helpful so that they have got a path that could give them a career in the future, but that is not for everyone and the problem we have is what is left, not so much the people who have got the capability to move on and get better qualified, better trained to go into higher level employment, but for the rump which is left at the bottom, which is thousands of people in the City of Dundee, 10% of the working age population on Incapacity Benefit, moving them is a major, major task and it is not going to be easy when we have got a situation where the vast majority of jobs that are on offer are low level entry jobs.

Q299 Mr Walker: As far as alleviating poverty is concerned, the Government introduced the National Minimum Wage a number of years ago and it has been uprated on an annual basis, I believe, it is somewhere around £5.30 or £5.50, I am not quite sure of the exact figure at the moment. Where would you like to see that go as far as a living wage is concerned? Over the next three years how would you like to see that wage rise?
Mr Milne: Two things. First of all, we would like to see the discrimination to access within the minimum wage system being removed so that people who are 18 years of age who are doing the same job as someone who is 25 can get the same wage as them, even if it is the minimum. We do appreciate that has made a significant contribution to moving people out of low wage earning situations. You could pluck a figure out of the air but there has been some formula that has been used to say this is the adequate level people need to survive on and the Low Pay Unit in Glasgow, the Scottish Low Pay Unit, figured that out at around £7.80 an hour, which is considerably more than it is at the present time. You could say that is a barometer of what we should be looking to try to achieve in the foreseeable future. There are different ways of calculating it and income adequacy is a very important thing that has to be focused on.

Q300 Mr Walker: Just to follow up on that, you would not know the answer to this but a ball park figure, are there a number of families in Dundee who are on low wages but both partners are working? Are there high levels where there is a single wage earner on low wages and many households where there are no wage earners whatsoever?
Mr Milne: I honestly do not know. We do have stats for that but I cannot pluck them out of my head just now, I do not know.

Q301 Mr Walker: Does work tend to be concentrated in certain households, do you feel?
Mr Milne: I honestly do not know. I think the majority of two parent households will have someone working and the vast majority will be the case but a lot of other families have people who are in receipt of benefits and in receipt of Disability and Incapacity Benefit.

Q302 Mr Walker: You would say the vast majority of two parent households have one parent working but what about single parent households, is that where you see a lot of problems with worklessness?
Mr Milne: If you are a lone parent you are not subjected to worklessness, I am sure you have got your hands full all the time but you are not in paid employment. There are very high levels of lone parents in Dundee who do not work who are carers and are looking after their children. The average age of a lone parent in Scotland is 35. People think it is feckless young teenagers who got pregnant when they were in their teens but that is not the case, the average age is 35 in Scotland of a lone parent.

Q303 Ms Clark: You will have seen in the national press that there are proposals to encourage more and more lone parents back to work when their children are younger. How do you think that is going to work in Dundee? Do you think that is a good idea or do you think a lot of those lone parents in reality would be better off working if the jobs were there?
Mr Milne: I think it is a good thing if the services are there, good quality childcare that is accessible and affordable, and that is an area the Employability Framework Group are looking at in Dundee as well. The problem is we have had the welfare reform proposals, the Green Paper, and we are now seeing ministers drip feeding information that gives us a great deal of concern. Looking at lone parents, for example, saying, "We have got to get more lone parents back into work", what is going to be the outcome of that? Is it going to be that the services and support are there or is it going to be we are going to be taking benefits from them if they do not go into jobs that they do not think are suitable for

themselves? We have got a situation where people who do not speak English have been told now that if they are not going to learn English there is a chance their benefits will be withdrawn. There is a whole host of information coming now that gives us concern in the sense that an element of compulsion will be what is going to be used, it will be the stick and not the carrot. I think it is important that we do provide people with the opportunities to get back into work, including lone parents, but we need the whole host of support mechanisms and services there that they can access and take benefit from to ensure they can get back into work.

Q304 Ms Clark: At the moment in Dundee is there a support mechanism in terms of childcare, for example, for lone parents who want to return to work?
Mr Milne: Dundee does receive Working for Families funding from the Scottish Executive and that has been relatively successful in funding some childcare support for families and support to get back into educational training and that has been good. It was very limited when it was established at first but it has been more generous over the past period. There are a lot of things being done that were not there in the past but more needs to be done.

Q305 Mr MacNeil: Just on the European network that you alluded to earlier, do you see any parallels or any differences between attitudes towards mothers of young children and going into work?
Mr Milne: When the minister was speaking about lone parents the other day asking how it is in Sweden that 80% of lone parents work and in the UK it is a lot less than that, of course they were not comparing apples with apples. The reality is as soon as you have a child in Sweden there are nursery services from being months old right through to pre-school and primary school, the services are there. In Scandinavia and Europe there is a lot more being done than there is in this country. If you can afford it you can purchase it but there is no guarantee that you can get nursery services or pre-school services unless you have got the cash to pay for it.

Q306 Mr MacNeil: Just following that up, from the European network again, and you have said in Scandinavia, is there a country that is much worse to be poor in than other countries?
Mr Milne: The UNICEF report the other day said we are at the bottom of the pile. We are worse than Poland and Portugal and over a whole range of indicators the UK is absolutely crap. That is the situation that we have got to look at and accept and ask how can we do things better, how can we improve the lot of the children who are going to be the future of this country because we are failing them badly. That is not something we are saying as an Anti Poverty Forum campaigning organisation, that is what UNICEF is telling us.

Q307 Mr Walker: You said something quite interesting, Jim, because I think having a job is very important but also being a parent is very important and I do not think it should be work above all else. There should be a choice for parents if they want to work but we should not stigmatise those parents who are doing a very good job raising their children, what we should ensure we do is when they want to go back to work there are the mechanisms and training in place to help them re-enter the workforce. I wonder if that would be your view as well.
Mr Milne: The element of choice is important and people should have the ability to go into work if they feel that is for them at any given time. If they do not want to do that, if they want to raise their family, a man or a woman, it does not really matter, they should have the option to do that and not to be disadvantaged by that process.

Q308 Mr McGovern: Your memorandum rightly points out that benefits are a reserved matter and both yesterday in informal discussions and today we have heard about things like the National Minimum Wage, Tax Credits, New Deal, et cetera. In your memorandum you say there are a number of areas that could improve the plight of people in poverty and, Jim, you have already quite comprehensively covered the school uniform grant but you also mentioned school meals, access to travel, Credit Unions, et cetera. Would you like to expand on some of these suggestions?
Mr Milne: There are two things there, Chairman. We did have a brief discussion yesterday about the question of universality and when you look at where we have got universal benefits, they are the most successful benefits we provide. In Scotland we provide free travel for the elderly, free care for the elderly, child benefit on a UK basis, all these things are very, very successful and the point I made yesterday was that we have £900 million of benefit fraud in this country but that is only the tip of the iceberg compared with the level of benefits people do not get because they are either ignorant of the benefit levels they are entitled to or they just do not know how to go about applying for them. We can see that universality is quite important because everybody gets them whereas we have got a situation at the moment where people are not getting what they are entitled to. That is one element of that. When it comes around to services for people, whether it be financial services, which are very important, people being better trained to manage the resources they have, and that is important, we should not lose sight of the fact that we do not want people to learn how to be poor and educate them how to manage in poverty, I think that is the wrong message. What we want to do is improve financial services to move people out of poverty. The Credit Union has got a major role to play in that and a lot of work has been done locally to promote Discovery Credit Union and getting people to join and take advantage of the financial services they can offer. Obviously when it comes to benefits, and we have discussed the National Minimum Wage, as to the whole question of income adequacy that I spoke about yesterday and touched on this morning, that is how you are poor, it is about how much you have got coming in and if you have got nothing in your purse at the end

of the week and you have kids to feed and meters to feed. That should not exist in modern society. At the present time we are a very, very wealthy country and it is a big argument to get into the question of redistribution but I think that needs to be looked as well.

Q309 Mr Davidson: Given that we are here from Westminster, are there three things in particular that you think we ought to be going back to press should be done that would help alleviate poverty in Scotland? If you cannot think of them now maybe you can drop us a note saying what the three are.
Mr Milne: The Chairman asked us that yesterday and we said a couple of things about policy-proofing and—

Q310 Mr Davidson: It is a question of this being on the record.
Mr Milne: We have got five. Very quickly we have five. We think it is really important that people are involved in shaping policy. As I said earlier, the experts on poverty are the people who have experienced poverty, so this part of the consultation exercise that we are going through we very much welcome and we think it is important that more of that happens at local level as well as at national level because people will be able to come up with solutions. When you look at the report that we are going to send down to you there is a whole raft of ideas that people came up with themselves on how things can be improved for them. Income adequacy I have already mentioned but a lot more needs to be done to ensure that people have got either a living wage or an adequate income to ensure they are not living in poverty. More support for people who are essential in society, like carers as I spoke about earlier, people who get scant regard in the world for the excellent work that they do. There are hundreds of thousands of people in Scotland and millions across the UK who are saving the country an absolute fortune and a lot more needs to be done to support them. We do not disagree about work being a vehicle out of poverty, we very much agree, but it has got to be focused on the basis of more childcare, adequate and affordable childcare, a flexible benefits system, support for people who have got particular barriers to getting into work, tackling the low wages by looking at the National Minimum Wage perhaps and making it more generous, tackling discrimination because it is still the case there are a great many people out there who are disabled and have other barriers to getting into employment who are discriminated against in society, so that needs to be looked at, and obviously training and structure within the job that you have that is going to give you some career prospects. Lastly, to reinforce the case for Dundee, Dundee is an absolutely smashing place, it has got so much natural beauty that people are really resilient, and I think that was what Erik was saying earlier on, and very enthusiastic about the city and that needs to be understood. A lot of people think it is an image thing that is the problem with Dundee, but it is not. Dundee is a smashing place. There are measures that can be brought into place that can make Dundee better and assist the council and the Dundee Partnership to do more by ensuring that they have got adequate resources to develop and provide the services people need in the city based on the discussions that we had earlier about major job losses and levels of poverty across a whole range of indicators that people are suffering from. More needs to be done.

Q311 Chairman: Can I thank the witnesses for their attendance. Your evidence will be very useful and helpful to us when we compile our report. We will certainly send you a copy of our report and recommendations. Thank you very much for your attendance.
Mr Gordon: We also thank you, Chairman, for coming to Dundee and hearing the problems that arise.
Chairman: Thank you.

Memorandum submitted by NCH Scotland

NCH Scotland is one of the leading children's charities in Scotland. We welcome the opportunity to give evidence to the UK Parliament Scottish Affairs Committee's Poverty in Scotland inquiry. Our evidence focuses on a number of general issues around poverty in Scotland, as well as addressing some of the specific questions set by the Scottish Affairs Committee for its inquiry. NCH Scotland's evidence draws upon our extensive experience of working with some of the most vulnerable and difficult to reach children, families and young people in Scotland, so that they have the opportunity to reach their full potential, and to make the most of their lives. Further details about NCH Scotland projects are also being sent to members of the Scottish Affairs Committee, and we would be happy to provide more information upon request.

What is Poverty? The Extent of Poverty

One of the defining characteristics of poverty is material deprivation, evident where people live on low incomes and struggle to pay for basic necessities in life such as food, clothing, accommodation and heating. In this respect, although the number of children living in low income households in Scotland has fallen by 100,000, many children, families and young people continue to live in poverty. Indeed, it is estimated that there are currently still an estimated 240,000 children living in poverty in Scotland. Furthermore, many of those living in poverty are amongst the most vulnerable members of our society, such as young disabled people. It should be noted, for example, that more than 80% of parents with a disabled child are unemployed, and that disabled children are twice as likely to live in poverty as non-disabled children.

Another major aspect of poverty is where people living on low incomes experience a poverty of opportunity in areas such as education, employment and training, which often deprives them of the means to break the cycle of poverty. Significantly, FactFile Scotland 2006–07, NCH Scotland's annual "report card" on Scotland's children and young people, showed that a gap continues to exist between young Scots from different backgrounds. There is, we believe, a Scotland of opportunity based on educational attainment which is providing a bright future for many of our young people. Yet, there is also another Scotland where social difficulties have created a poverty of opportunity that is robbing individuals and communities of any sense of optimism. Children brought up in areas of social deprivation or in care have, for example, the lowest levels of educational attainment, and the effects of social disadvantage blights their later lives. NCH Scotland's services respond to many of the issues highlighted in the FactFile statistics. We work with excluded young people who face the greatest difficulties in finding work, and in overcoming poverty. These include projects in Ayrshire, Inverclyde and Glasgow which have run successful work experience schemes that have led to employment or training opportunities in the construction industry for young offenders.

Impact of Government Policy on Poverty

FactFile Scotland 2006–07 clearly shows that Scotland faces a formidable challenge in meeting the needs of, and in breaking the cycle of poverty for, the most vulnerable children, families and young people in our society. NCH Scotland is, however, encouraged by the commitment being shown by the Scottish Executive in driving forward improvements in services which are having a positive impact. We believe that further action is also needed by the Scottish Executive, and by other agencies in a number of key areas to ensure further progress is made in eradicating poverty in Scotland. In addition, NCH Scotland considers it important to recognise that the UK Government has a vital role to play in this process, particularly in relation to Reserved matters such as welfare reform and tackling disability discrimination. The areas where NCH Scotland considers more action is essential includes ensuring that welfare reform increases support for those most in need. Other key areas include the need to increase help for vulnerable groups including young people not in education, employment or training ("NEET"), young disabled people and young people leaving care. NCH Scotland also believes that action is urgently required in addressing issues around the *Supporting People* programme and other funding streams, as well as around Scottish Executive funding for the voluntary sector.

Welfare reform

NCH Scotland believes that the UK Government can make a major contribution to eradicating poverty through welfare reform. We believe that welfare reform must secure real and significant improvement in the lives of those on low incomes, and increase child care support for families and single parents on low incomes. NCH Scotland has, however, concerns over key aspects of the Welfare Reform Bill, and supports the Scottish Campaign on Welfare Reform's view that MPs should reject any changes which will reduce or remove benefit levels. NCH Scotland also supports the Campaign's demands for higher rates of benefit to be introduced, and for more support to be made available for people who want to move into work.

One key area which NCH Scotland believes must also be addressed by the UK Government, as part of its welfare reform programme, is the benefit trap which young people often fall into as a result of the level of rent set by Housing Benefit. This can be set very high for budgetary reasons. Young people, however, who are able, despite being homeless and in a 16+ unit, struggle to meet the level required from their meagre salary levels. In addition, the minimum wage for 16 to 17 year olds is set lower than the minimum wage for 20 or 30 year old, and the recent age discrimination legislation has exempted the minimum wage rules from any action/come back. Many young people, therefore, have no incentive to work.{ This can be seen as a labelling of all homeless young people as being the same, and fails to recognise the vast differences in reasons for homelessness. NCH Scotland believes it is vital that the UK Government addresses this issue if it is to help give homeless young people the means to break the poverty cycle.

NEET Young People

NCH Scotland believes that maximising the opportunities for NEET young people in education, employment and training can make a significant contribution to tackling poverty. We, therefore, welcome the launch of More Choices, More Chances, the Scottish Executive's strategy to reduce the number of NEET young people in Scotland. NCH Scotland believes that the strategy can make a positive contribution to reducing the high level of NEET young people. To do so, however, it is vital that the needs of the most vulnerable and difficult to reach young people in our society are placed at the very heart of this strategy. NCH Scotland also takes the view that sufficient funding must be made available to ensure the strategy has long term sustainability. We consider this vital if *More Choices, More Chances* is to significantly increase the number of opportunities available to NEET young people in education, employment and training, and to help eradicate poverty in our society.

NCH Scotland has considerable experience and expertise in working with NEET young people through projects such as the Prevocational Construction Training (PICT) project. We believe PICT and other NCH Scotland projects could be useful reference points for the committee in considering positive ways in which the poverty cycle can be broken for NEET young people. By way of further background, PICT was developed in partnership with Fair Pley Ltd, and was part funded through Communities Scotland's Wider Role Programme. The project has provided successful outcomes for disengaged young people in the Inverclyde area by supporting them in their efforts to secure employment and training opportunities in the construction industry. It scored 77% on the independent evaluation assessment conducted by the Kelly Partnership. A copy of the evaluation report is attached for information purposes, along with some background information about the Glasgow Youthbuild, a similar project which seeks to secure sustainable employment in the construction industry for 32 young people from the most disadvantaged communities in Glasgow's east end.

To give committee members an opportunity to find out more about the PICT project, and other NCH Scotland projects focusing on supporting NEET young people, NCH Scotland would like to invite members of the Scottish Affairs Committee to attend a seminar focusing on the needs of NEET young people. This seminar which NCH Scotland and other agencies are hosting at James Watt College, Greenock will take place at 12 noon on 17 November 2006. The seminar will consider how NCH Scotland and our partners have, by adopting a particular approach, been able to maximise employment and training opportunities for NEET young people. A key theme of the seminar will be how the PICT model could be adapted by other agencies to increase opportunities for NEET young people, and to help lift them out of poverty.

Young Disabled People

Many young disabled people face material poverty and poverty of opportunity in their daily lives. NCH Scotland believes that, to help young disabled people break the cycle of poverty, more should be done to support them through the transition from childhood to adulthood. This is a difficult transition for all children, and it presents particular problems and challenges for disabled children and young people. NCH Scotland is aware, for example, that, while a great deal of service provision focuses on the needs of children aged five to 18, the support in many areas for young disabled people during the transition from childhood to adulthood is minimal. Indeed, apart from the provision of some short term respite care at 18, it is fair to say that young disabled people receive little, if any, support between the ages of 18 and 25. This significantly reduces the number of life opportunities available for young disabled people, perpetuates many of the barriers which blight their adult lifes later, including poverty.

By way of illustration, NCH Scotland has highlighted to the Scottish Parliament Equal Opportunities Committee for its major inquiry into disability the experience of young disabled people who are encouraged to go straight from school, where they have considerable support and a social network, to colleges where they often have little support and feel isolated. NCH Scotland considers that this transition needs to be better managed by key agencies, if we are to ensure that the experience of all young disabled people at college is to be both positive and rewarding. In this respect, we believe that resources must be made available to give young disabled people the necessary support to assist them make the transition from the relatively well supported environment of school to college. Increasing resources to, for example, recruit more experienced social workers, and to improve training for both staff and social workers, particularly in relation to communication skills and the use of related technology, could make a significant contribution to help improve young disabled people's access to education, and to give them the skills and qualifications to improve their chances of not being condemned to a life of material poverty and poverty of opportunity.

Against this background, NCH Scotland considers it vital that the Scottish Executive, local authorities, the voluntary sector and other key agencies should do more to support young disabled people through their transition from childhood to adulthood. Providing support at this stage in the lives of young disabled people will assist the latter to cope with this transition. Furthermore, it will increase the level of opportunities available to young disabled people in areas such as education, employment and training, and in their social lives. Reducing barriers in these areas will, in turn, help to promote the integration of young disabled people into society.

Increased support for looked after young people

NCH Scotland works with some of the most vulnerable and difficult to reach young people in Scotland, including young people who are looked after or have previously been in care, through projects such as CAPS Foster Care. We are also progressing the *Reading Rich* initiative with our partners, the Scottish Book Trust, a project funded by the Scottish Executive which seeks to encourage looked after young people to develop an interest in reading and in literature. Against this background, NCH Scotland welcomes the priority being given by the Scottish Executive to improving outcomes, and increasing life chances, for looked after children. To do so, however, will require the Scottish Executive to provide increased support for early intervention work, and to open up greater opportunities for children and young people to have a say in the design and delivery of services.

Supporting People and other funding streams

NCH Scotland welcomes the funding which the Scottish Executive has made available to help tackle poverty, and to promote social inclusion, through funding streams such as *Supporting People*. We have, however, some concerns about the long term sustainability of *Supporting People* and other funding streams. Significantly, people accessing support through *Supporting People* are amongst the most vulnerable in our society, and in many cases there are no "quick fixes" to help those most in need. Many require intensive, long term support to address their often complex needs and problems. It is, therefore, vital that service providers have some certainty over future funding streams to ensure the long term sustainability of their services. Without such certainty, service users will inevitably suffer as funding constraints lead to services being cut or frozen. The cuts in *Supporting People* budgets over the last 2—3 years have, however, raised a number of question marks over the future of services, particularly as 2008 will mark the end of the current Scottish Executive funding source for *Supporting People*.

Against this background, the continuing uncertainty over the *Supporting People* funding stream has made it difficult for service providers to undertake long term planning. In effect, contracts can only be signed on a short term basis, which has given rise to some staff recruitment and retention issues. NCH Scotland is currently lobbying the Scottish Executive with our other colleagues from Community Care Providers (CCPS) to end the uncertainty over the funding stream for *Supporting People*, and to confirm what future funding will be made available. We are also looking to the Scottish Executive to confirm that it will not implement further cuts in the *Supporting People* funding stream.

Voluntary sector funding: Supporting Families and Parents

The voluntary sector makes a major contribution to support vulnerable children, families and young people by delivering a wide range of services across Scotland to help those most in need to break the cycle of poverty. NCH Scotland provides a wide range of family support services. Our family support work seeks to strengthen family relationships and to give children the best start in life. It addresses many issues including family breakdown, anti-social behaviour, alcohol and drugs problems, depression, domestic violence, offending and child protection. NCH Scotland projects include the Dundee Families Project which has pioneered a new approach to working with anti-social families. The Dundee model is now being replicated across the UK. Other examples of the children and families we help are:

- Family Centres—Supporting families living in some of the most deprived areas in Scotland.
- Respite Care—Providing vital support to disabled children and their families.
- Young Carers—Giving a childhood back to children who look after sick or disabled parents.
- Homelessness—Helping young people who have no homes of their own.

NCH Scotland believes, however, that the persistent and continuing uncertainty caused by short-term funding has created a situation where many of the family support services provided by the voluntary sector are overstretched, and face increasing problems in providing the support which is urgently needed.

The work of many of these services is hampered by short term funding which leaves them continuously facing closure or cutbacks. This short term approach significantly restricts the type and level of services they can offer, and the number of children and families they can support. This has resulted in some projects being forced to cut back or freeze services because of a lack of funding. By way of illustration, most of NCH Scotland's family support services have standstill budgets which effectively acts as a reduction in provision.

The constraints on services imposed by short term funding streams, exacerbated by the recruitment problems in local authority social work departments, are increasing the pressure on family support services provided by the voluntary sector in responding to needs that are not being met elsewhere. They are having to provide more intensive support over longer periods, but short term funding means voluntary sector providers are using up their own reserves to subsidise these services. The net effect is that family support services have become stretched, and the support which organisations are able to provide increasingly limited. We believe that, in order to strengthen the voluntary sector's capacity to tackle poverty more effectively, it is essential that Government introduces more secure, long term funding for family support services. In this respect, it is vital that the Scottish Executive introduces secure, long term funding for family support services in order to strengthen family relationships, and to provide vulnerable children with the best start in life.

Further information on the above can be obtained from Robert McGeachy, Head of Policy, or Andrew Girvan, Director of Children's Services at NCH Scotland.

NCH Scotland

October 2006

Witnesses: **Mr Andrew Girvan,** Director, Children's Services, **Mr Joe Connolly,** Deputy Director, Children's Services, **Ms Frances Tran,** Assistant Director, Children's Services, NCH Scotland; **Mr John Wallace,** Deputy Project Manager, Dundee Families Project; and **Mr Ian Dobson,** Homeless Services Manager, Dundee City Council, gave evidence.

Q312 Chairman: Could I welcome our second group of witnesses, representing NCH Scotland and the Dundee Families Project. Can you please introduce yourselves?

Mr Girvan: Good morning, Chairman, Members of the Committee. My name is Andrew Girvan, Director of Children's Services in NCH Scotland. Joe Connolly is our Deputy Director in NCH Scotland. Fran Tran, on my right-hand side, is the Assistant Director, and is one of the line managers for the Dundee Families Project. On my left is John Wallace who is the Project Manager in the Dundee Families Project. At the end of the table Ian Dobson has joined us today from Dundee City Council housing. Ian is the Homeless Services Manager there.

Q313 Chairman: Before we ask our detailed questions, would you like to say anything by way of opening remarks?

Mr Girvan: I was going to suggest, Chairman, if I start by saying a few remarks about NCH generally and then I will ask Joe Connolly to tell you something about our role as the managing agent in Scotland for the Breaking the Cycle Scottish Executive initiative and then we will be happy to take questions. Chairman, and Committee, I am delighted to be here today. For myself, this is only the second time I have been in this fine chamber. The last time was in November of last year when I was delighted to be here to attend a civic reception celebrating the tenth anniversary of the Dundee Families Project. What was particularly significant for me that day was the chance to meet a number of the families who have been helped over the ten years and who were very keen to come along and say in their own words what the benefits had been for them from the project, and no doubt we will get a chance to expand on that later in the morning. By way of brief background information, NCH is a UK-based charity and NCH Scotland is the Scottish wing of the charity. In the UK we have over 500 projects and services delivering services to over 170,000 vulnerable children and young people, while in Scotland we work with 28 local authorities, 65 projects and deliver services to over 7,000 vulnerable children and young people. That is very much the focus of our work at that end of the spectrum. Our written evidence focused on a number of general issues around poverty in Scotland but as well as addressing some of the specific questions set by the Scottish Affairs Committee we drew on the extensive experience of working with some of the most vulnerable young people in Scotland. I think some Members of the Committee may already have a copy of the *FactFile* document which we have produced and I know recently some reference was made to the UNICEF document. When we were asked in the media to comment about it we were able to reference the fact that this is a 2006-07 edition which not only builds on the picture that UNICEF presented in terms of issues for children and young people in the UK but we were able to give it a Scottish dimension and convey that some of these facts and figures are even more up-to-date and help us trace the trend lines in relation to some of the key issues relating to both poverty and exclusion as well as a number of other issues. I think one of the major aspects we focused on within *FactFile* and our work was the notion of material deprivation and we are aware there are still over 240,000 children affected by material and relative poverty in Scotland. We recognise the figures, which hopefully we will have a chance to expand on today, that 80% of parents with a disabled child are unemployed and disabled children are twice as likely to be in poverty as non-disabled children. Another aspect of poverty that we would like to focus on is the fact that people living on low incomes experience poverty of opportunity and part of what NCH does is try to encourage every child to achieve their maximum potential. That is an area of focus and an area that we have some background information on. What we are clear about is that Scotland is a land of opportunity based on educational attainment providing a bright future for many of our children but there is also another Scotland where social difficulties are created and poverty of opportunity that is robbing individuals and communities of any sense of optimism. There is very much what we recognise as almost an underclass of children who still go on to fail in today's society and that has to be a matter of concern for all of us. I will stop there and ask Joe Connolly to say a few words about the role of managing agent.

Mr Connolly: Based on the kind of experience we have had, and I was involved in the development with Ian going back to the development of the Dundee Families Project, we worked up a model which was very much needs led about tackling the issues but addressing the needs of families as well. That further developed into Aberdeen. In tandem almost with the UK Respect agenda where this type of service in various shapes and forms adapted to local needs is being rolled out across England and Wales, the Scottish Executive introduced a pilot scheme called Breaking the Cycle. It was piloted in three areas in Scotland: Falkirk, South Lanarkshire, and Perth & Kinross. You need a mixture of rural as well as urban areas in terms of addressing some of the issues faced by the council and by families. We tendered for the service and recognising the expertise that we have been developing over the years we were successful in becoming the managing agent so we have responsibility to manage that initiative working very closely with the Scottish Executive. It is worth about £2 million in terms of the commitment to the service over a two year period. Built into that is the monitoring and evaluation. It is not just about providing the service, it is important that we learn lessons and we are able to evidence the outcomes that have been achieved over that period

and then learn the lessons of any mistakes we have made. That is hot off the press. That is picking up that the projects are being staffed to work with families. We will be happy to provide you with ongoing information with regard to the progress of that initiative.

Q314 Chairman: I am very happy to say that all the Committee Members recognise and value the work of NCH and the Dundee Families Project. Can you tell us very briefly about the work of NCH and the Dundee Families Project?
Mr Girvan: If I start generally in terms of NCH in Scotland and say a bit about the work we cover. It covers a variety of areas just now. We recently had a review in NCH UK which revisited our values, mission and purpose. In that review there was a decision to focus particularly on working with the most vulnerable children and young people. Our sense in Scotland is that is very much how our work has developed over the last 50 years. We celebrated 50 years of delivering services in Scotland in 2005-06. The key areas for us are family support and intensive family support. We also deliver services for looked-after accommodated young people. We work very much at the heavy end, as you might describe it. We have a project in Ayrshire called ISSC, which is Intensive Structured Supervised Care, which is a residential unit that aims at keeping young people out of secure accommodation. We provide services to the Western Isles in terms of a residential unit up there, foster care services, and in Moray in the Highlands we have residential care based up there. We deliver services across Scotland to children with disabilities, particularly in terms of residential respite units and outreach services. Also, a major part of our work in Scotland is working with youth offending, youth crime and criminal justice services. We play one of the lead roles, I think, in developing those services in Scotland. That covers the main areas. One area we are particularly concerned about and interested in is developing services around what is described as the NEET agenda, young people with no education, employing or training. We have pilot projects starting in Glasgow and Inverclyde and we would be happy to expand on those as we go through today's session if appropriate. We recognise, and I think it is recognised in Scotland given we have the third worst figures and statistics in terms of that area for the whole of Europe, I think given there are estimated to be 35,000 young people who can be described in that way, that this is an area for priority service development and priority attention. In terms of Dundee Families Project, John is the Project Manager so he is best able to describe the work of the specific project. I would just say in advance of that that in terms of NCH UK-wide we have Gill Strachan, the previous project manager, who has been seconded to the Home Office and is working in the Respect Unit there, so we have strong links with Ian Brady, the Deputy Director there, and Ian, who was up in this building when we were celebrating the tenth anniversary, was saying how much Dundee Families had influenced policy in terms of the Respect agenda and the announcement of the development of services in England. We have about 20 services there of a similar nature and in Scotland we also have the Aberdeen Families Project now and also the Perth and Kinross Project that Joe Connolly described. A lot of these developments have emanated from the work of Dundee Families.
Mr Wallace: Dundee Families Project arose out of a realisation on the part of Dundee City Council that evicting families who were creating problems in their neighbourhood was simply moving that problem around the town and inflicting more misery on other neighbourhoods, so they and NCH developed this innovative approach. The Project works with families who have been experiencing difficulties, difficulties which translate into problem behaviour within their neighbourhoods. The Project takes the view that behaviour is symptomatic of something else that is going wrong within the family, that there are underlying difficulties the family is not coping with, and our role is to try and help the family address those issues. Those issues might be that there is drug or alcohol dependency, it may be that there is a learning disability, it may be there are health issues, it may be simply that parents have had no appropriate experience of being parented themselves, they have no model to hang their own parenting on, or it could be a life event, such as a bereavement of a spouse or an extended family member that has knocked the family off track. Our role is to try and get families back on track. We take a holistic view of that. Following a comprehensive assessment of the family's needs we put together a support plan, one that is not just about what we will do with the family but will also incorporate other agencies. We have a co-ordinating role. Once we arrive at the point where we can say, "These are what we think are the issues for the family, this is how we can help but here is how others can help", it may be there will be existing agencies who want to continue to support the family or it may be there are other services required that we need to bring in to support the family. We take a very central role in that, in holding not just ourselves accountable for the work that we do but other people, other agencies, for the work that they do with the families as well, because it is very much a joint approach that we take.

Q315 Mr Davidson: I remember the furore when this scheme was first being set up. If it has been so successful over a 10 year period why has it not been replicated elsewhere?
Mr Wallace: Probably because it is quite expensive. The project budget is somewhere just over £350,000 this year and that is a big outlay.

Q316 Mr Davidson: So other authorities have come to the view that it is not value for money?
Mr Wallace: I do not think they have come to the view that it is not value for money.
Mr Connolly: If I could come in on this point. Basically it has been one of the success stories within NCH internally. We would probably respond in a similar way to yourself, why has it not been replicated more quickly in Scotland if the focus is there? It has been replicated within NCH across

English local authorities. It was five years ago that Glasgow University produced the research but it takes a while for a project to be up and running and become established to be able to evidence outcomes. Glasgow University did the first piece of research that said this was potentially going to save councils £117,000 a year with certain families where you are preventing children coming into care, you are reducing the risk of eviction and all the costs to do with homelessness. That was evidence by Glasgow University and Malcolm Hill led on that. There has been similar more recent research at Hallam University which has identified six projects in England, five of which are run by NCH, which are types of projects built on the Dundee Families model. What they produced was a report last year in November to say there is an 85% success rate working with these families. There is a bit where research takes a while to catch up, for that message to be spread and people to realise there is a positive model and there are positive outcomes for others to catch on to. I think the fact that the Scottish Executive came to NCH and made us aware of the tender and the fact that they wanted to develop Breaking the Cycle to build similar models for tackling families with antisocial behaviour problems meant somebody was aware of the work we were doing. Down South I think the fact that Gill had been seconded to the Home Office and Ian Brady was saying this influenced very much the thinking around the pilots and the monies being distributed now for 40 pilot projects across the UK NCH, based on the experience in the last several years of developing these types of projects, is in a good position to use that experience and bring it to bear. I think it has travelled reasonably well and the potential is there for it to go even further in the coming years.

Ms Tran: Can I just add to that in relation to Dundee City Council. They used their housing support monies that other local authorities have not done and they have channelled those housing support monies into different areas, so because that money was set and set for a number of years Dundee Families Project has built up in relation to that, so it has been difficult to go into other local authorities and discuss developing these kinds of projects through that money because that money is already committed and obviously a council would have to find it from another source or through the Executive themselves. That is where the Executive has come up with this £2.5 million to look at trying to develop it but not on the exact same model, not talking about core unit provision with the three new projects but about outreach and dispersed services and perhaps eventually we may be able to look at funding made available.

Q317 Mr Davidson: This is a classic difficulty. Are you saying that changes can only be introduced when there is new money and that you can never bend the spend, as it were, and people can never reprioritise their spending?

Ms Tran: I am not saying that but certainly local authorities are saying that to us at the moment and we have had those kinds of discussions with a number of local authorities. We have obviously discussed the benefits of Dundee Families Project in terms of using Housing Support money but we have not been able to actually look at that with any other authority apart from Aberdeen who did re-look at where their money was spent and put a tender out and we were successful in getting that tender.

Mr Girvan: If I could add with a supplementary to that. I have spent 27 years working in local authority children services in Scotland and I am aware of the difficulty of bending the spend. Very often you need money to be levered in at times to allow you to go through a period of transition where you phase out existing services and start up new ones. The idea that there should be a period to allow that happen is the idea of the Breaking the Cycle pilot project in Scotland to give some authorities some extra money to facilitate that happening.

Q318 Mr Walker: John, we spoke yesterday briefly about the cost to society of antisocial behaviour and dysfunctional families and I am very wary of the phrase "invest to save", but bearing in mind the cost to society of putting a child in care, the cost to society in emotional wellbeing and welfare where you have problem children and problem families in a community, I would be willing to use in this context "invest to save" because given that you help something in the region of 23–25 families a year and you have an 80% success rate, although the headline figure of £330,000 may seem fairly high, when set against the upstream costs that you will be saving the taxpayer it represents value for money.

Mr Wallace: Yes, it does. The Glasgow University research arrived at a figure in terms of savings to Dundee City Council. It is a project that costs £350,000 a year to run and the figure that the Glasgow University research came up with was in excess of £400,000 that was saved, so there was a net saving to the local authority on that calculation of £117,000 a year. That was done in 2001. We did a more anecdotal piece of research in-house last year and we looked at every family that we had worked with over the year. There were 33 families. Our caseload is around about 20–25 at a time. Our annual caseload is somewhere between 30 and 35 families. Over the course of 2004–05 we worked with 33 families, 126 individuals. We based our calculations on our knowledge of each individual in the families and we projected the worst case scenario and said how many of the 33 families, had we not been there for them, would have been evicted, or would very likely have been evicted, how many of those adults would have been served ASBOs and how many of those children would have been at serious risk of being looked after by local authority services. The figures were far higher than the £117,000. On an absolute worst case scenario the saving was somewhere in the region of £400,000. That did not even take account of social work time,

housing officer time, police time, the cost of graffiti, vandalism, and it did not look at the human cost and the impact on the lives of children.

Q319 Mr Walker: You said worst case scenario, can I just clarify that for the record. Are you saying in a conservative scenario it is £400,000 but it could have been a great deal higher than that?
Mr Wallace: It could have been, yes.

Q320 Mr Walker: So the best case scenario really was a saving of £400,000 but it could have been far higher than that saving.
Mr Wallace: If it had come to the worst for each individual then it would have been probably around £450,000 they were saving.

Q321 Chairman: My question is to Mr Dobson. Presumably Dundee Council considers this Project to be value for money and that is why the Council is supporting it. What is your view on this?
Mr Dobson: Very much so. Part of the difficulty is in terms of quantifying the costs or savings. As John has said, quite a number of these families would have cost the local authority quite a lot of money in terms of housing officer time, social work time and education time had this Project not been around. From the Council's point of view, this project has two benefits: one is in terms of protecting communities through dealing with antisocial behaviour and taking a very strong stance on antisocial behaviour, but the other benefit to the Council, and particularly my interest in it, is from the homelessness point of view. There have been a number of families the Project has dealt with who previous to Project services being around would have been what we term "repeat homeless" cases who would have been coming to us, would have been evicted, would have been in temporary accommodation, who we would have been providing a very limited service to, who would then disappear into friends, family, private sector or whatever and who would reappear and the whole scenario would kick off again. The Project gives us the ability to deal with families from the homelessness point of view and from our legislative obligations in a very sensitive manner and tackle the issues and get some sustainability in terms of their ability to maintain accommodation, live in the community and not reappear. That is at the very hard end, families who may have been evicted, families who are out on the street and who present to us. The other aspect is the preventative work that the Project does in terms of our outreach service. Again, it is not an easy thing to say that of all the parents who went to the Families Project 100% would have been evicted but we are fairly sure that certainly a significant proportion of those families would have been evicted and would then have come back to the Council, that the costs in terms of the homelessness obligations would have kicked in, costs in terms of void property, of re-letting housing would all add up. These are not easy costs to quantify and give you a definitive answer as to what the savings are. We know in terms of how we had to deal with homelessness prior to the Project being around and how we have to deal with it now that there are significant benefits from a very pragmatic point of view for the local authority. Leaving aside whatever your sympathies are for the families and children themselves and the societal benefits, from a hard-nosed pragmatic view in terms of how we carry out our statutory obligations through the homelessness legislation, Dundee Families Project is a major benefit to Dundee City Council.

Q322 Chairman: So do you recommend that other Scottish councils set up these kinds of projects and it is definitely value for money?
Mr Dobson: I have to say I am biased. I would recommend that other local authorities replicate the project as it is in Dundee. Having said that, I recognise that it is an expensive project and that some aspects of the service are not attractive to other local authorities. My belief is that the three strands of the service as it exists in terms of core block accommodation and dispersed flats and outreach services provide a holistic service that you can fit a service user into depending on their needs. I think we are very fortunate in Dundee that we set it up in the first place to give the wide range of services that we have. Nobody is denying that it is an expensive project to run but these costs are expensive upfront and at the end of the day we believe, and I think the research has backed our belief, that it is value for money. That is from a pragmatic local authority point of view but the benefits to service users themselves are well-documented.

Q323 Mr Walker: We met a couple of professors, Professor Veit-Wilson and Sinfield, a few weeks ago and they were loath to say that any area of poverty was a particular priority, they believed that poverty in general needed to be addressed, but when pressed they did actually agree that child poverty was a priority area which stood out above all else. What is your view on that? Would you say that it is Government's number one responsibility when tackling poverty to look at children first?
Mr Girvan: My colleague Joe was in the room when you asked the previous group, the Dundee Anti Poverty Forum, what priorities they would like you to take away from today and I think my colleague suggested that was keeping child poverty at the top of the agenda and if we are asked the question at the end of the session we will probably say that. I think it is about the potential cost to society if we do not invest in our children in the next generation. John eloquently put what the hidden costs can be in terms of coming to a point of view and what the net savings are in relation to a project like Dundee Families. I think the cost to society if we do not invest in our children—we have seen the UNICEF report, we have got the *FactFile* document that backs this up in terms of the related problems that stem from child poverty and poverty of opportunity—is you do have an underclass and related problems which are very difficult to unpick in terms of substance misuse,

binge drinking and so on that we are seeing growing as a problem within society. We do have to address that as an urgent priority.

Q324 Mr Walker: You can answer this in what you are about to say. In alleviating child poverty does it make sense that you have to alleviate the poverty experienced by their parents or guardians? You cannot do one without the other.

Mr Connolly: No, you cannot. It is about working with parents. In some cases we are talking about second or third generation unemployment, children growing up in households where they have never known anybody to work. That is not the norm. I was going to make a couple of points around why this project would not be replicated widely, but this Project badged in different ways is replicated across the country in terms of the methods of work adapted to needs, whether it is rural or urban areas. We are involved in providing services but so are other voluntary organisations and local authorities in terms of working with parents. Early intervention is the key to it, being able to work with parents as well as providing good nursery provision for children. We have got a programme called "Highscope" that is an American concept which is about empowering children to make decisions at a very, very early age. You target the work with parents and working with parenting skills, looking at empowering them to go out and take up employment and also providing services for the children. I suppose in terms of poverty, burrowing down into it one of the major areas of concern is neglect. If we look at some of the most recent social work reviews, they have identified families who have suffered neglect and sometimes the threshold has gone up because there has been such an emphasis on working with parents. If we get the balance right the rights of the child and the welfare of the child should always be paramount. In discussions with two local authorities in the west of Scotland recently police raids have been carried out on drug using parents and a number of children have been taken into the looked after residential system because of neglect. This may be of some interest to Mr Davidson and the Chairman. I am involved in presenting a tender to Glasgow City Council tomorrow and they are looking to move children out of residential provision where possible, or prevent them going in, by putting more resources into intensive community support. It is a major initiative that will go across the city and target families at different levels, some will be less intensive intervention, some will be very heavy intervention in terms of the preventative work aimed at getting kids out of residential care. That will go across the whole city and at the moment they have freed up £1 million for that initiative and the "invest to save" will potentially free up a further £2.3 million that will become available to provide more intensive community support. If NCH is successful a lot of the methods of work that are taking place in Dundee Families will be used in terms of the work that will take place in that kind of initiative.

Q325 Mr McGovern: I realise at the moment you are talking specifically about child poverty but if we can move on a wee bit to talk about young people, and I hesitate to use that acronym NEET, I have got a problem with acronyms like that. I remember 30 years ago people were referred to as "YOPpers", if they were on a Youth Opportunity Scheme and it was not very complimentary to my recollection. That group "not in employment, education or training" are a priority for the Government and they also fit in with the Scottish Executive's strategy which is mentioned in the report *More Choices, More Chances*. Do you think enough is being done to address the needs of that particular group?

Mr Girvan: I will give an initial response to that and Joe Connolly is involved with a couple of projects where we are developing services around that particular area. The question is, is enough being done and from our perspective the answer would be no, more could be done and should be done to address the problem fairly urgently. Something is being done and as an organisation we are trying to tap into those resources to make an impact in that area. What we have had to do is pull together a cocktail of funding, however it has not been a simple task. We have had to access funding through European funding, Career Scotland, housing associations, Scottish Enterprise and Scottish Exec money. It is a hugely complicated process at the moment, it seems to me, to try to bring together a viable project to help young people get into employment, training and education. We had some research carried out on the Inverclyde project called the PICT project and the research was suggesting a 77% success rate in engaging young people who had been out of work, employment and education, getting them back and re-engaging them, giving them the skills and tools they need to get back into sustainable real employment, not pretend jobs. We are using that research to build a range of services. We have interest from a number of local authorities in Scotland in terms of doing that. We know we are not alone, there are a number of providers in this area and we would support all the work that is being done across Scotland. I think more potentially still requires to be done. We know there is huge difficulty even where we have had a proven success rate, and I would probably repeat this in relation to Dundee Families. I do not think anybody has a divine right to deliver services but if you are demonstrating success and you are demonstrating that things are working it seems an anathema that we are having to go out and spend as much of our time, effort and voluntary income from people who support NCH, for example, to chase the money to fund the projects that are delivering success. If we can address that in some way with simpler funding schemes, simpler mechanisms, sustainable funding around this issue, that would be key. We went in knowing this is a high risk area because all of the funding around it is very short-term and it will take up a lot of our time, effort and energy of our finance managers and others just to put a package together to go through 18 months and then we have to repeat the same process. I would

put that as a plea for all organisations involved in this area of work that we need long-term sustainable funding to address the issue.

Mr Connolly: I can give you a specific example of what Andrew is talking about. We work with a lot of young people, all of our services are geared to young adolescents and older teenagers, 16-21, and we have recognised that gap. It has got to be real jobs, it cannot be the YOP or the YTS, it has got to be real. We have entered this with that principle underlying what we do. We have got a couple of initiatives on the go but we have got a major one which will be a landmark for us in partnership with a private company, with local housing associations, with Glasgow City Council and we have got European monies, a cocktail of funding that we have pulled together to renovate a landmark building, the Great Eastern Hotel. That will create something like 35 or 40 jobs, real building apprenticeships for young people. A lot of those young people would not be ready to go in and sustain that but our part will be to support them, to get them over that hurdle where it is a good idea to have a job and sustain getting up in the morning and being able to work. With that combination I think that is quite an attractive package to pull together. The young people do need that type of intensive support to get them to achieve.

Ms Tran: Can I just say in terms of young people with disabilities, who are even more disadvantaged, that the issue for them is even greater in terms of work and experience of that because they need an additional support person and often that is not available to them and there is no money to try and find that and we have to seek other ways of doing that, either trying to get match funding or through the Big Lottery. In fact it should be a statutory responsibility, we should not have to go to other organisations like the Big Lottery to try and get money to develop programmes and sustainable work for young people who have a disability. What we have done through the Scottish Parliament Equal Opportunities Committee is we have tried to look at working with another organisation where if we can develop a programme we can develop some social care skills for mentors, if you like, to work with those young people going through that transitional period and try to get them into employment.

Q326 Mr Walker: Frances, I was going to ask this a bit later on in the session but since you raised disabled people I will ask it now. Do you have any evidence, anecdotal or otherwise, that parents of disabled children are being discriminated against by employers, perhaps because they are not allowed time off work to care for their children or take time off for hospital appointments?

Ms Tran: I have responsibility for a Service Development Group which covers all NCH Scotland, and project managers who work in a number of local authorities are involved in that group. The information is anecdotal but it has been stated that parents have difficulty. Firstly they have difficulty in finding employment because they do not have appropriate childcare facilities for either their child or young adult and as a young adult becomes 16-plus they change in some local authorities from being a child to an adult. They move from the childcare system to an adult care system under community care and within that the families do not get the same level of money that they get in terms of respite or support. There are personal difficulties for families in that area. That is the first part. Secondly, we have had information from all of our projects that it is not recognised that parents should get time off to attend hospital appointments, it is very much seen as it is their appointment they need time off for and if they have to take time off for their child that has got to be through annual leave or some other arrangement and they have to pay back the time. We do not have many families that we work with who are in employment. There may be one parent but if it is a lone parent who has a disabled child or a disabled young person in their family it is less likely that they have employment.

Q327 Mr McGovern: Mr Girvan, you have mentioned a couple of times the UNICEF report. What was your reaction to the UNICEF report, and I realise that I am now speaking in acronyms, which put the UK at the very bottom of the table of 21 industrialised nations in terms how they meet the basic needs of children?

Mr Girvan: Initially not entirely surprising, I have to say, just given my experience of working with childcare in the UK over a good number of years. Our own evidence in *FactFile* bears that out in terms of a lot of the figures and also brings some of the trends up-to-date. I think if you ask children, and as an organisation we try to make sure that when we are speaking here we are representing their views and trying to convey them, a lot of children would say they do not feel that the UK is a particularly friendly place for children to grow up in, they do not feel as though they are treated with the same level of respect as adults. Anecdotally, for example, if they go into a shop the security guards usually home in on them, they are not spoken to with the same level of respect. They do not enjoy equality in terms of the fact that they can still be physically chastised. They do not enjoy the same level of protection as adults do and that we would all expect if we were walking down the street. There are a number of ways in which we could learn from this report rather than just saying it is historical, as was being reported in the media with representatives saying some of the facts were historical. Given the overall picture it would be very dangerous to ignore what that report is telling us. We should be humble enough in the UK to look at some of the other countries, such as the Nordic and Scandinavian countries, where we are seeing much better results in relation to family cohesion, integration of children into society and far fewer children feeling excluded from society. In answer to an earlier question about where should child poverty sit, I think it should be at the top of the agenda because there are so many costs to children concerning the next generation and to society as a whole we should also be looking to try and achieve social cohesion as much as possible.

Q328 Ms Clark: The UK Director of Save the Children was reported as saying the fact that Britain was at the bottom of the table was "shameful". Do you agree with that?

Mr Girvan: It would be hard not to when you look at the wealth in this country, the fact there is the biggest disparity between the rich and the poor, the haves and the have-nots. Having worked for as many years as I have in Children's Services and now with NCH, my focus has very much been with vulnerable families and children. The evidence is often in front of our eyes. You feel embarrassed at times by the fact that you are in a well-paid good job when you look at the quality of the lives of the families we are working with and the gaps that are there. The thing that gives me some hope, thinking back to families who were all sitting in a group over there celebrating the tenth anniversary, was what I saw were groups of families who had been excluded, who were a cost to society, whose children were a cost to society, people potentially on Anti-Social Behaviour Orders who were not fulfilling their potential, who were all there looking happy to be here, not embarrassed or shy to be here, saying they were now contributing to society and felt they had established a place in their communities. It is helping people make that journey that is important in society and how we build greater social cohesion is going to be a key issue, not just child poverty but ensuring that we put a value on parenting, on caring for children, and that we do not get the balance wrong, which I think we have done over the last number of years. For example, it is often no longer a matter of choice for women going out to work, it is almost a matter of necessity because of the values that underpin society at the moment. We have to bring back that question of choice and we have to raise the importance of childcare and parenting and the value we put on it if we want the UNICEF report to change in the years going forward.

Q329 Ms Clark: You mentioned specific other countries, the Netherlands and Nordic countries, who did very, very well who were at the top of the table and Britain and the USA came at the bottom. Why do you think it is in particular that the United States and Britain were at the bottom?

Mr Girvan: I think I hinted at that in my earlier response. There is something underlying in our society regarding the value we place on children and their place in society and if we value them more and give them a sense of equality. In terms of the Equal Opportunities Commission we gave evidence saying where we felt children are treated unfairly in society. It is something we need to address. To look at what we invest in childcare and what we invest in terms of parenting support to families. Fran has mentioned in particular the issues for parents with children who are disabled, that is at one end of the spectrum. The link to poverty is undeniable there but what we need to do to support parents who carry that burden, in a sense and to make sure there are better support systems in our society.

Q330 Ms Clark: Do you think the US also undervalues children? Are the cultural patterns similar in the USA?

Mr Girvan: There is a similar pattern of undervaluing there. Professor Jim Garbarino from Cornell University was invited over here a couple of times. He was one of the speech writers and an adviser to Bill Clinton, although recently his phone has not been ringing a lot. He talks about the concept of social toxicity and I think that it is an important and useful concept. I am also aware that there is a British author who has more recently built on that premise. It is undeniable that we are talking about toxicity in the physical environment and we are all up to speed on that now but the concept of social toxicity in terms of children growing up in a socially toxic environment is not so well known. Yesterday in the media we were asked to comment on the impact of children watching too much violence on television. It is however not one single thing that is causing the problem for children today, it is a multiplicity of factors in terms of the level of risk in the environment in which they live. Whether it is the culture of binge drinking, whether it is access to drugs, about needing tighter parental controls and more support to vulnerable parents, there is a range of things that we need to look at in society and look at them holistically, bring them together and examine what can we do to reduce social toxicity for our children who are growing up in this environment. What are the key factors. It is all inter-related and it is important that we grasp that in developing social policies.

Q331 Mr MacNeil: This is an inquiry into poverty in Scotland and over the last day or so I have been thinking about comparing and contrasting the Scottish situation with the situation elsewhere in similar-sized countries. It strikes me that going to somewhere like Copenhagen and across to Malmö in Sweden might be worth doing as a compare and contrast exercise. I would just like to know what you would think, whether you think it would be worthwhile for our Committee to have another view on poverty in Scotland to see what they are doing elsewhere? If so, what do you think we could possibly learn if we did something like that?

Mr Girvan: The flights will already be booked! Perhaps you will consider another means of travel across, possibly the ferry and the train. As I said earlier, I think we should admit there are lessons to be learnt. If we look at our position on the league table we would be foolish to deny that there are lessons to learn from countries big and small. The small countries seem to be doing particularly well. I think there is something in their value base that underpins their cultures and societies. I know that in another fellow organisation, Children in Scotland, Bronwen Cohen, the Chief Executive of that organisation has been a long-time supporter and advocate that we should learn and look at what is happening in the Nordic and Scandinavian countries. I think that we could do more and should be humble enough not to think we are getting it right in this country because clearly we are not.

Q332 Mr MacNeil: It strikes me at the moment that we are not doing what they are doing.
Mr Girvan: There is a range of things we are not doing, even from the basic point of children's position in society and the support systems and mechanisms around them, whether it be childcare, supported parenting and flexibility around employment legislation to allow parents to properly parent at different stages, not just at the baby stage, where we are starting to recognise the role of males as well as females, but also different stages of childhood. For example I have 20, 19, 17 year-old children who require almost the same level but a different type of support than when they were growing up. We have to recognise children require support throughout their childhood and into adolescence, particularly at points of transition, and we need to better support parents to deal with that to make sure they have the time and give priority to that.

Q333 Mr MacNeil: In your submission you state that: "more than 80% of parents with a disabled child are unemployed". Why should that be the case?
Mr Girvan: I will ask Fran to come in on that, as she leads on disability in NCH Scotland's Children's Services.
Ms Tran: As I said earlier, I think the difficulties for parents are two-fold not only in terms of having a disabled child but very often they have not had the facilities in terms of appropriate childcare to support that, they do not get necessarily the benefits. Obviously the Welfare Reform Bill that is being discussed could disadvantage parents with disabled children even more. The difficulty is about their lack of support basically and resources in order to facilitate them working or having appropriate resources for the child.

Q334 Mr MacNeil: Also in your submission you are aware of the UK Government's role in setting up the framework that we are dealing with but what do you think the Government should do in order to address the particular concerns and issues that you might have in terms of welfare reform and disability and discrimination?
Ms Tran: Certainly, like a number of organisations, we would be supportive of that because there is discrimination directed towards parents who have a disabled child. I think the Government has to look at that because benefits for some families are perhaps all they have. It is important because if some of those benefits are changed in such a way that disadvantages them even further then there will be difficulties. If you look at fuel poverty, for example, and the fuel rates that are going up, often disabled children have to have the heating on all day, 24 hours a day, and that is another issue, so how do families who are on benefit pay for that. If you are working you may have a different experience but with the figures that are stated many families do not have a working parent and they are disadvantaged even more. To feed a child with a disability in terms of health needs means there is further cost to that and often benefits do not cover all of that. Although people say, "Oh, well, you'll get this benefit, that benefit, the next benefit", when it comes to what people have net left to provide for their child it is not a lot of money.
Mr Connolly: Can I just add to that. In terms of disability and the transition from school to going on to college or other adult provision there is a gap. For children who attend school with a disability there is a heavy intensive support package around them but the minute they move into the adult system that is not there because they move from childcare into community care quite often and the costings and funding packages are different in terms of providing that service. It is important that in terms of transition from childhood to adult services that that is adequately resourced because that is creating a lot of problems in terms of young people being able to sustain the next move whether to college or some training centre because the supports just are not there.
Mr Wallace: Can I throw something in on the question of disability and in particular learning disability, where a parent may have a learning disability. Research has shown that the majority of children in families where there is a parental learning disability will spend part of their lives being looked after, so they will spend part of their lives in care. There is a need for joined-up services. There is too much demarcation in terms of, "We are adult services" and "We are children's services", there is no joined-up working. They hide behind their little barriers, "We don't work with the children" and "We don't work with the adults". There needs to be something that is far more generic to prevent these children being removed.
Ms Tran: That is from the Executive down because even within departments within the Executive it is very clear that there is that demarcation of age responsibility, if you like, for young people.

Q335 Mr MacNeil: One of the things I heard Dundee Anti Poverty Forum talk about was people learning to be poor. Looking towards breaking that cycle and maybe incentives for work, one of my colleagues on this Committee in one of the other evidence sessions talked in the context of incentives for work that an awful lot of jobs are taken in Glasgow by people who come from Eastern Europe. What can be done to move people who are currently living in poverty traps, incentivising for work?
Mr Girvan: I am sorry, I missed the last sentence.

Q336 Mr MacNeil: What can be done to incentivise people for work who might be caught in poverty traps?
Mr Girvan: I will pick up the specific point and ask Joe Connolly to come in. There is a particular area of work where the disincentives to work or get into education are very marked and very clear for us. In terms of our housing support projects we deal with vulnerable 16–18 year olds and maybe we can focus firstly on the detail of that and then pick up on the generality.

Mr Connolly: We provide a lot of services for young people and we are key providers in terms of housing support. I do not believe there is such a thing as a homeless young person, there is a young person who is a son or daughter, they have issues and homelessness in a period of their lives can be an issue. We provide a whole range of services, some of them are residential, very, very high support for these young people with really high support needs. It is not just a case of they have a roof over their heads, they need support in a whole range of areas, it may be family, it may be addictions. We staff these projects appropriately with qualified staff with the training to be able to work with those issues. We have some that have supported tenancies as well and some have a combination of both. Across the country from the central belt right up to the Western Isles we have a range of services. This is something you can impact upon in terms of welfare reform, as it is not a devolved power. In terms of housing support there is a disincentive for them to go and study beyond HNC level. Once they get to HNC or degree they cannot fund the placement that they are in because of the cost. In employment terms, if they take a job—

Q337 Mr Davidson: Sorry, I am confused about that. I did not quite understand that.
Mr Connolly: I have a couple of case studies I can take you through in terms of breaking it down. High rent charges for housing support: for example, at one of our projects the rent is £147.90 per week because of the support needs of the young people. Some of these young people will go through the care system as well and they may have the same needs as teenagers in children's homes. The Housing Benefit calculation is a young person's wage or income minus £44.50 which is calculated as the amount they need to live on. After that amount of money 65 pence in every pound of income is paid in rent, so 65% of their income after that amount is paid in rent. Students on any course which has a Higher National Certificate are liable for rent. Case study one: a young guy studying for an HNC in travel and tourism is liable to pay rent of 65 pence in the pound calculated by us; he had a student loan of £3,685 and the more he borrowed the more he had to pay in terms of the rent because of the 65% calculation. There is a disincentive to take a part-time job because he would have to pay 65% of everything he earns. That is the calculation that has been worked out as what he contributes. The local authorities work out the calculation and that has been calculated as the amount he has to pay. He received a bursary of £2,510 but his annual living costs were calculated as £4,325. That was somebody who was studying. Case study number two is in terms of a young woman who was in employment and her weekly wage was £180 minus £44.50. She would contribute £88.07 towards her rent on a weekly basis and would be left with £91.93 after paying rent every week. She was also liable for council tax of £20 per week, electricity and laundry charged by the project of £10 per week, so after she paid all her rent and bills she had £61.73 to pay for her travel and food to buy from that. Because of the calculation and there is a high support need for the young people the rents are high.

Q338 Mr Davidson: That is partly because you are loading on to the accommodation costs a whole number of support costs and making the combined rent figure far higher than it would be if it was just simply accommodation.
Mr Connolly: What I am trying to say is—

Q339 Mr Davidson: It is a cost they would not have to pay if they were receiving that support in the community. Is that right?
Mr Girvan: The issue is that these are the most vulnerable young people who need that level of support and include those who are perhaps self-harming and, as Joe said, these are young people leaving care and we know how—

Q340 Mr Davidson: I understand that but it seems to me the example you have given us is a case of the way in which you have constructed your charging mechanism to try and maximise your income from Housing Benefit that has created the benefit trap for the young people.
Mr Girvan: This is the best way in which we can construct our budgets in order to deliver the level and quality of support needed. We do not control the way in which the supporting people money is targeted. That is the cost of delivering the level of support that these young people need and that is how they are penalised at the moment. I would be happy to supply some case studies if you would like for the Committee.

Q341 Chairman: I think that would be very helpful.
Mr Connolly: That would be more comprehensive and also show the background and the challenging nature of the issues for these young people. It is not just about accommodation, it is about the intensity of support that is needed. As Andrew said, there is a high level of self-harming and lots of other issues. We can give you comprehensive case studies, which is probably the best way to take it forward.

Q342 Mr McGovern: At the start, just before you gave us those figures, you said that this is not a devolved item, this is something that can be dealt with by us.
Mr Connolly: It is not for the Scottish Executive, it is a national UK issue.
Mr Girvan: In terms of benefits paid to 16-18 year olds.

Q343 Mr McGovern: Housing Benefit?
Mr Connolly: It is Housing Benefit.
Ms Tran: The Department for Work and Pensions.
Mr Girvan: It is not a reserved matter.

Q344 Mr McGovern: It is not a reserved matter?
Mr Connolly: It is not a reserved matter to the Scottish Parliament, no.

Q345 Mr McGovern: It is reserved to Westminster.
Mr Connolly: Yes.
Mr Girvan: It is not a devolved matter.
Ms Tran: Can I say in terms of incentives for people getting back to work, the other issue is about appropriate training and availability of that and other things kick in in relation to that because you then need appropriate childcare, the training that people are getting to go out with some form of qualification. I heard earlier on from representatives from the other group saying that more and more people are required to have particular qualifications for particular kinds of posts.

Q346 Mr MacNeil: There is a minimum wage that the Forum talked about earlier and they said that the minimum wage for the younger people should be the same as the minimum wage for older people. Do you agree with that?
Ms Tran: Yes.
Mr Girvan: In terms of broader points on incentivising people to get back into work, where we get involved as an organisation is very often getting people on the first rung of the ladder and there is the whole thing about getting confidence back, the first priority of having the confidence to get back into the labour, employment or education market. We have expressed concerns on the key aspects of the Welfare Reform Bill and have asked for MPs to reject any changes that would reduce or remove benefits, particularly in relation to the disadvantaged groups who could potentially be stuck in the poverty trap, some groups in relation to minimum wage, some in relation to their support needs and links to Housing Benefit and some in relation to the additional costs they will incur in trying to move back into employment.

Q347 Chairman: Can you tell the Committee Members two significant things that Government can do to alleviate poverty. I start with Mr Dobson.
Mr Dobson: I would like to reinforce what Joe Connolly was saying about the need for supported accommodation. I recognise that is a costly way of running things and the benefit system does not support it and in some ways provides a benefit trap but my experience in homelessness over the last 15 years is that the need for supported accommodation, whether that is low level or intensive support, is increasing. There is a whole range of societal factors that are affecting people and, as Joe says, homelessness is not homelessness, it is something that affects people at a period in their lives. Accommodation is not the only answer to it. People need to be supported, whether it is drug problems, alcohol, mental health or learning disability. Folk need that kind of support to allow them to have some stability and move on. I cannot give you hard figures here but my anecdotal experience is that people who move through the homeless route by going through supported accommodation do not end up becoming repeat homeless applicants. They tend to move on and the support often goes with them into independent living and they tend to be supported into employment and end up as more useful members of society and not come back to us. I would like to make a plea that we look at the mechanisms for funding support. Again, I would not dream of telling you exactly how you should go about that but there is a need to look at the way we find supported accommodation and to make the funding streams so much easier to access. We have heard quite a lot today about the time it takes to pull together funding cocktails in order to support projects for quite short periods of time. NCH is a national organisation and has a lot of expertise in this field but there are a lot of other organisations out there which are much smaller who do not have the expertise who are providing essential services, in my view, and half their time is taken up trying to scrabble around to pull together funding. Local authorities need to work in partnership with these organisations. We cannot do it alone. We rely very, very heavily on specialist support organisations. If there is one thing that I would ask you to do, it is to recognise the need for support for people who are coming through the homeless route or, indeed, people who are affected by poverty and to oil the wheels so that we can bring the support to where it is needed.

Q348 Chairman: Thank you. Mr Wallace?

Mr Wallace: I would make a plea that we give children prospects, that we ensure there are parenting services available to help parents so that their children can have futures. That is probably one of the things that I notice in our day-to-day work, that where families are in crisis for whatever reason, be it that there is a parental dependency, a mental health problem, these are people who are not yet ready to go into the employment market, they are not yet ready to provide adequately for their children, they are caught in the poverty trap and it is very difficult sometimes for them to access appropriate services. With drug problem services, three strikes, you miss three appointments and you are out. These are chaotic families, people who live in chaos, who cannot keep appointments because of the chaos in their lives because they are looking for their next fix, and the very services that are supposed to help them resolve that chaos cannot stick with them. Gill Strachan, in some of the work that she has done for the Respect taskforce, talks about "gripping" families. I would not say that we should be quite so macho, we should go that extra mile for families and services should be encouraged to do that. If we can get services that will go that extra mile for families, for the parents so that they can give their children prospects, then those children will have futures. That is one of my pleas. The other one is that we look at the question of funding of projects because in the voluntary sector very often, as has been said, a lot of energy goes into trying to secure ongoing funding, energy that we should be using to develop our services further.

Q349 Chairman: Thank you. Andrew, do you want to say anything?

Mr Girvan: I will limit myself to saying two things. On a broad point, going back to the idea of keeping child poverty at the top of the agenda, that would be one thing, and ensuring that it stays there, identifying the fact it is not children alone, it is children within families, so it is part of a broader policy agenda. I would ask the Committee here and our own Government to look at the UNICEF report and ask the question why we are bottom of the league. I know a lot of the media response has been to say it is old information, and to deny it, and say we are in a better place, but I think if there was a degree of honesty in responding to that report we have a lot to do to change that situation and look at how much we do or do not value children in society. That is the broad point, to make sure the Welfare Reform Bill does not further exclude or penalise parents or families on the margin of society. I would echo the point on sustainable long-term funding. The culture of best value in today's climate is very much focused on pushing costs down rather than looking at quality. When we see the value the voluntary sector is bringing to services to support vulnerable families, we are becoming more crucial and a lot of our time is needlessly wasted, and that goes for both government money and voluntary income, in terms of chasing sustainable funding. If we could make those mechanisms easier across the UK that would be really helpful.

Mr Connolly: My point would be around employment training, ensuring that we do not repeat the sins of the past and that in terms of the employment training initiatives we do create real jobs and empower young people or families sending them to real jobs that pay a decent living wage and that have future prospects with training. Those kinds of initiatives have to be driven by the Government both at Westminster and here in Scotland.

Ms Tran: I suppose my point is about the Welfare Reform Green Paper, the New Deal for Welfare, and urging MPs to reject any changes that will reduce or remove benefits. That is because 68% of our households with children where both parents are out of work include one disabled parent and 32% of lone parents who are out of work are disabled and disabled people's employment plays a major part in relation to child poverty. If that Bill is about getting people into work we need to have support packages and mechanisms to allow that to happen if that Bill goes through.

Q350 Chairman: Thank you for your evidence. Before I declare the meeting closed, would you like to say anything in conclusion, perhaps something we have not covered in the questions?

Mr Girvan: I would just want to say that we have welcomed the opportunity to give evidence to you today. We would be happy to supply further information and case studies if you would find that helpful. We mentioned the research that was carried out by Glasgow University for Dundee Families and there is also the Prime Minister's Strategy Unit that is currently carrying out a long-term evaluation of the project and we would be happy to pass on the findings to yourselves in regard to that. Sheffield Hallam University have researched similar projects based on the Dundee Families model and if you would like the executive summary of that, without overwhelming you with papers, we could certainly send that to you as well because I think that carries a resonance across England and Wales as well as Scotland.

Chairman: Thank you.

Tuesday 6 March 2007

Members present:

Mr Mohammad Sarwar, in the Chair

Ms Katy Clark
Mr Ian Davidson
Mr Jim McGovern
Mr Charles Walker
Mr Ben Wallace

Memorandum submitted by the Joseph Rowntree Foundation

Summary

This submission draws heavily on statistics about Poverty and Social Exclusion in Scotland which can be found at www.poverty.org.uk. The Committee's attention is drawn to the potential usefulness of this site.

1. Defining and Measuring Poverty

1.1 A relative definition of poverty is proposed which takes into account the resources needed for individuals to participate full in society.

1.2 Much of our submission uses the government's favoured measure of low income as those below 60% of the contemporary median. However, we prefer to use the After Housing Cost variant because of the distortions that can result from using a Before Housing Cost variant.

1.3 There is a need for government to provide low income statistics based on samples large enough to allow patterns of income poverty across Scotland to be identified and fed into policy-making.

1.4 In order to provide a measure of what constitutes an adequate income in Scotland, the Committee is urged to consider how further progress towards a Minimum Income Standard for Scotland might be made.

2. The Extent of Poverty

2.1 Trends in poverty in Scotland are broadly similar to those for Great Britain as a whole. Poverty has fallen significantly from 23% in 2001–02 to 18% by 2004–05.

2.2 Although poverty is particularly prevalent in some areas of Scotland, notably Glasgow, most poor people in Scotland do not live in areas with high concentration of low income.

2.3 Children and pensioners have seen significant falls in the proportions in poverty. But the trend for adults of working age is upwards particularly for those who are without dependant children, a third of whom are now income poor compared with only one quarter 10 years ago.

3. Contributing Factors

3.1 Whilst worklessness continues to be a problem for childhood poverty, worklessness is particularly prevalent among single adult households with no dependant.

3.2 There are more people, particularly women and in Glasgow, who are economically inactive but wish to work than there are officially unemployed.

3.3 In-work poverty is also problematic: a third of people in income poor working age households have at least one person who is in work. Low pay is a major problem throughout Scotland, but particularly in rural areas and among women. It is also prevalent in the public sector, which employs the second largest number of low paid workers of all sectors.

4. The Impact of Government Policy

4.1 The final section considers the impact of government policies and reaches the following conclusions and recommendations:

- If the targets for reducing and eventually "abolishing" child poverty in Scotland are to be met government needs to target additional resources through the Tax Credit system.
- But policies in education, skills and childcare are also needed and these will require all levels of government to work together to address the issue of poverty.
- Policies to assist people into work need to be more flexible, allowing programmes to be tailored to the specific need of local areas.

— The adult components of Income Support and Job Seekers Allowance need to be increased significantly as a matter of urgency.

— The amount that people can earn while in receipt of out-of-work benefits needs to be increased, in order to allow people to develop their work readiness and encourage them towards the labour market.

— Attention is urgently needed as to how people in Scotland can be assisted into sustainable jobs that provide adequate levels of income.

— The public sector should pay its workforce at levels sufficient to ensure that poverty is avoided and the need to claim tax credits is reduced.

5. Introduction

5.1 The Joseph Rowntree Foundation is pleased to respond to the request of the Scottish Affairs Committee for written evidence to assist its enquiry into Poverty in Scotland. Since 1998 the Foundation has supported the production of annual reports on Poverty and Social Exclusion in Great Britain with, since 2002, separate reports for Scotland (and Wales) (see, for example, Palmer *et al* 2004). These reports contain a wealth of statistics on many aspects of poverty and social exclusion in Scotland and are regularly updated on the project website at www.poverty.org.uk. Our submission draws heavily on these statistics, but it is not possible in six pages to do justice to the full range of information available. The Committee might find this source useful in its future deliberations[1].

5.2 The submission focuses on matters that remain the responsibility of the UK government. However, the Scottish Executive has used its devolved powers to put in place a raft of initiatives that seek to remedy the outcomes of poverty and which the Committee will also no doubt wish to consider during its deliberations (see, for example, Scottish Executive, 2004).

6. What is Poverty?

6.1 It is most useful to consider this question in two parts: how poverty is *defined* and how it is *measured.*

6.2 *Defining Poverty*

6.3 Although some would continue to argue for an "absolute" definition of poverty, it is widely accepted that avoiding poverty in modern industrialised societies requires more than food, clothing and shelter. Numerous definitions exist, but all have in common an emphasis on the need for individuals and families to have adequate resources to participate fully in the society in which they live. This means that people should have enough money to have the opportunity to access a wide range of resources, including education, health, employment, transport and a social life—in addition to having sufficient food, clothing and heating and adequate housing. In other words, poverty is a "relative" concept—requiring reference to some yardstick of what is an acceptable standard of living in Scotland today.

6.4 *Measuring Poverty*

6.5 A relative measure of low income is most often used to assess the extent of poverty in the UK and, indeed, in Europe as a whole. Individuals are said to be experiencing poverty at a point in time if their household income is below 60% of the median income for all households at that time.

6.6 The Government has recently adopted three measures of poverty by which it intends to assess the extent to which it is meeting its targets:

— "absolute" low income—incomes before housing costs below the 1998–99 relative low income threshold, adjusted for inflation;

— "relative" low income—below 60% of the contemporary median equivalised income, before housing costs; and

— "material deprivation and low income"—going without certain items and/or activities and having income below 70% of the contemporary median equivalised income, before housing costs (DWP, 2003).

6.7 No doubt other submissions to the Committee will debate the adequacy of these measures but we would make the point here that Before Housing Cost (BHC) measures of low income do not take into account variation in housing costs across the UK and, indeed, within Scotland. At its simplest, if housing costs are high an individual or family will have less money left to meet their other needs; if housing costs are low they will have more disposable income. The BHC measure can therefore present a distorted picture of the day-to-day living standards of the Scottish population. In what follows, therefore, we have chosen to present After Housing Cost (AHC) measures of relative low income.

[1] An update of the "Monitoring Poverty and Social Exclusion in Scotland" report will be published on 6 December 2006.

6.8 The Family Resources Survey, upon which Government relies for its statistics on low incomes, published annually in the Households Below Average Income series (DWP, 2005), allows separate low income figures for Scotland (and Wales) as a whole to be calculated. However, whereas disaggregated figures for nine regions of England are published, sample sizes are insufficient to allow such disaggregation within Scotland (or Wales). Yet as the Monitoring Poverty and Social Exclusion Scotland reports clearly show, using other measures, the extent of poverty and deprivation varies extensively within Scotland (see further below).

— There is an urgent need for low income statistics based on samples large enough to allow patterns of income poverty across Scotland to be identified and fed into policy-making.

6.9 The Government's measures of poverty do not tell us what level of income is adequate to command an acceptable standard of living in Scotland. Previous reports of the Scottish Affairs Committee, the Social Security Committee, and its successor the Work and Pensions Committee have all recommended the Government to commission work to develop a Minimum Income Standard. It is worth quoting from the Scottish Committee's previous report:

> "We consider it time for the UK to have a proper measurement of income adequacy and accordingly recommend that the Government commissions and immediate study . . . designed to develop a minimum incomes yardstick which is sensitive to local conditions. The introduction of such a measure would demonstrate both a sense of fairness and the Government's commitment to overcoming poverty". (House of Commons, 2000)

6.10 To date the Government has been reluctant to commission such a study. The Joseph Rowntree Foundation has commissioned the Centre for Research in Social Policy, Loughborough University and the Family Budget Unit, University of York to develop such a Minimum Income Standard for Great Britain as a whole (www.minimumincomestandard.org), which will be available by late 2007. Although a limited exercise will be undertaken toward the end of the research, that will attempt to check the Standard for its relevance to Scotland, resources do not allow for the development of a specific Standard for Scotland.

— We would urge the Committee to consider how further progress towards a Minimum Income Standard for Scotland might be made.

7. The Extent of Poverty

7.1 In many ways the extent of and trend in poverty in Scotland, as measured by the 60% of median threshold, is similar to Great Britain as a whole. In 2004–05 18% of people in Scotland were experiencing poverty (900,000 people) compared to around 20% for Great Britain as a whole. This represents a significant fall since 2000–01 when 23% of people in Scotland were poor (1.2 million).

7.2 *Concentration of Poverty*

7.3 Poverty is heavily concentrated in, but by no means exclusive to, certain areas of Scotland. For example, whilst the proportion of working-age people in receipt of out-of-work benefits has fallen in all local authority areas, this proportion ranges from one in three in Glasgow to one in 10 in Orkney. A raft of poverty indicators for the population as a whole and for sub-groups, seem to tell the same story—Glasgow has the highest concentrations of poverty. Nevertheless, poverty exists in every authority in Scotland. The Scottish Index of Deprivation divides Scotland into 6,500 data zones and provides estimates for the number of income deprived people in each. Analysis of these show that whilst Glasgow, not surprisingly, has by far the largest number of data zones with a high proportion of people on low income, almost all authorities in Scotland have at least one such area. Furthermore, whilst two-fifths of income poor people live in areas with high concentrations of people on low incomes, the remaining three-fifths live outside these areas.

7.4 *Who is poor?*

7.5 Children and pensioners in particular have benefited particularly from falls in income poverty: the proportion of children in low income households in Scotland has fallen from 30% in 2000–01 to 25% in 2004–05, compared to a fall from 30% to 28% in England and from 33% to 28% in Wales. Whilst poverty among children has fallen significantly there can be no room for complacency, since Scottish children are still far more likely to be poor than Scottish adults.

7.6 Among Scottish pensioners the risk of poverty has fallen from 23% in 2000–01 to 18% in 2004–05. Nevertheless, around 130,000 pensioners (a fifth of single pensioners and a tenth of pensioner couples) rely exclusively on state pensions and benefits for their incomes and single pensioners are two-thirds of those who rely exclusively on the State for their incomes. The prospects for future generations of pensioners are not good: around a third of employees aged 30 to 60 years are not contributing to a non-state pension.

7.7 For those of working age the picture is somewhat more complex and not so encouraging. The risk of poverty for an adult of working age in Scotland increased from 22% in 2000–01 to 24% in 2004–05. Although this increase was not as large as in England (from 19% to 24%), or in Wales (from 21% to 27%), this upward

trend in poverty among working age adults must be a cause for concern. The problem seems to be particularly severe among working age adults without dependant children. A third of this group is now income poor compared with only one quarter 10 years ago.

8. Contributing Factors

8.1 A wide range of factors can cause income poverty and it is not possible to consider the full range here. We have chosen to focus on the association between poverty and work status, but ill-health and disability and educational qualifications are also important issues which the Committee might wish to consider.

8.2 *Worklessness*

8.3 Government policy has emphasised the importance of work as a route out of poverty and there can be no doubt that the risk of poverty is particularly high among those who are workless or, in the case of children, live in households where no adult works. Although the proportion of children in workless families has fallen by a third over the last decade, there are still more than 140,000 children living in workless households in Scotland and these children are far more likely to be poor.

8.4 Whilst the numbers of workless households with two or more adults has fallen in recent years, the number of single adult workless households has not. In fact, two-thirds of working age workless people are in single adult households. Given that 55% of lone parents are now working—up from 40% a decade ago—it seems that the problem of worklessness is particularly severe for single adults with no children.

8.5 Although the numbers of people who are officially unemployed has fallen by 2005–06 to around 150,000, far more are economically inactive but want to work (200,000). Most of those who want work but are not officially unemployed are women, in all age groups except for the over 50s. The proportion of people who want work is three times higher in Glasgow than in the Highlands.

8.6 *In-Work Poverty*

8.7 But poverty is by no means confined to those who have no work. A third of people in income poor working age households have at least one person who is in work. In fact, the risk of poverty is very low only in households where all the adults are working and at least one is working full-time. The main contributory factor to this situation is low pay, defined here using a widely accepted indicator of less than £6.50 per hour, which is approximately two-thirds of median hourly earnings in Great Britain. The problem is particularly severe among women workers; almost half of women who work part-time earn less than £6.50 per hour, one-fifth of women who work full-time and only one-seventh of men who work full-time. Women are more likely to be paid below the £6.50 threshold than men in all occupations.

8.8 The sector with the largest numbers of low paid workers in Scotland is retail and wholesale, with almost 30% of all low paid workers in Scotland. But the public sector has the second largest number of low paid workers; 22% of workers employed directly by the public sector are earning less than £6.50 per hour[2]. Whilst low pay is an issue in all areas, it is particularly prevalent in rural Scotland, where employment in the tourist industry and agriculture are significant: rates of low pay are highest in the Scottish Borders, Moray and Dumfries and Galloway, along with West Dunbartonshire.

9. Impact of Government Policy on Poverty

9.1 This final section considers the impact that government policy has had on poverty in Scotland, both positively and negatively, and makes some suggestions for policy change. We begin by considering children, before looking at what has and might be done for workless people, including parents, and those who are in work but income poor.

9.2 *Policies for Children*

9.3 There can be no doubt that government policy has played a major part in the reductions in child poverty in Scotland which, as noted above, have been greater in Scotland than in England. Since 1999 it is estimated that state financial support for children in the UK has grown by 52% in real terms (Adam and Brewer, 2004). The Child Tax Credit, payable for children irrespective of the work status of their parents, despite its administrative difficulties, has provided a secure source of income for children.

9.4 Nevertheless, the Government failed to meet its target of reducing child poverty by one-quarter in the UK as a whole between 1997 and 2004. Recent research suggests that it will be difficult to meet the 2010 target of a 50% reduction given current policies, much less the ambitious target of "abolishing" child poverty by 2020 (Hirsch, 2006). Yet the 2010 target and, indeed, the 2020 target could be achieved given the political will. The same report estimates that the total cost of a policy package that could achieve the 2010 target, by

[2] This excludes those who are employed by contractors who work for the public sector, such as hospital cleaners.

increasing the Child Tax Credit for poorer families and those with more children, would be around £4–5 billion, or only about 0.3% of GDP (Hirsch, 2006, p 13). Achieving the 2020 target will require longer-term measures in addition to tax and benefits: in education, skills and childcare. These matters are, of course, devolved responsibilities of the Scottish Executive who have been proactive in policies in this area (see above). However it is vital that the different levels of government work together if the child poverty targets are to be met and, indeed, other groups at risk of poverty are to be protected.

— If the targets for reducing and eventually "abolishing" child poverty in Scotland are to be met government needs to target additional resources through the Tax Credit system.

— All levels of government need to work together to address the issue of poverty.

9.5 *Policies to Reduce Poverty among those who are Workless*

9.6 The obvious solution to poverty for people who are workless is for them to find (secure, adequately paid) work. Again, there can be no doubt that government policies including the New Deal programmes, have had a major impact on reducing levels of unemployment. Yet, as was shown above, there are large numbers of people in Scotland who wish to work but do not have jobs and worklessness is still a cause of child poverty. Given that worklessness is concentrated in particular areas of Scotland, it may be that:

— policy needs to be more flexible, allowing programmes that target worklessness to be tailored to the specific need of local areas.

9.7 Yet it must also be recognised that worklessness is so strongly associated with poverty largely because the level of out-of-work benefits is so low. Although benefits for children in families receiving Income Support or Job Seekers Allowance have increased significantly in recent years, and the government is committed to further increases at least in line with earnings, the adult components of these benefits have been increased by much lower amounts. The result is that the total incomes of families with children and of working age households without children receiving these benefits are falling further and further behind year-on-year. Given that, whatever the success of the economy in creating new jobs and of government policies to assist people into work, there will always be those who cannot work it seems wrong and, indeed, a contradiction of government policy, to condemn such individuals and their families to a life of poverty.

— The adult components of Income Support and Job Seekers Allowance need to be increased significantly as a matter of urgency.

9.8 There are also contradictions between the policy aim of assisting people to find work and the rules for receiving out-of-work benefits. It has long been accepted that part-time work can provide a bridge to full-time work. Yet the amount of money which people are allowed to earn whilst receiving Income Support and Job Seekers Allowance has not been increased since the 1980s. This means that most claimants could not work for even one hour a week at the Minimum Wage before their benefits were reduced.

— The amount that people can earn while in receipt of out-of-work benefits needs to be increased, in order to allow people to develop their work readiness and encourage them towards the labour market.

9.9 *Policy and In-Work Poverty*

9.10 A combination of Tax Credits and the Minimum Wage has boosted in-work incomes as part of the government's commitment to Make Work Pay. But too many people in work in Scotland, particularly women,—with knock on effects in terms of child poverty—are still experiencing income poverty or hovering on the edge as a result of low pay. Policy focus has been almost exclusively on getting people into work, rather than into sustained work with the possibility of progression to pay levels that would protect people from poverty.

— Attention is urgently needed as to how people in Scotland can be assisted into sustainable jobs that provide adequate levels of income.

9.11 The fact that the second largest number of people in low paid jobs in Scotland are employed by the public sector is of concern. There seems little point in one arm of the state underpaying its workers whilst another has to meet the shortfall through tax credits.

— The public sector should pay its workforce at levels sufficient to ensure that poverty is avoided and the need to claim tax credits is reduced.

Sue Middleton
Adviser
Joseph Rowntree Foundation

October 2006

References

Adam, S and Brewer, M (2004) *The Financial Costs and Benefits of Children since 1975.* Bristol: Policy Press.

Department for Work and Pensions (2005) *Households Below Average Income 1994–95 to 2004–05.* http://dwp.gov.uk/asd/hbai/hbai2005/contents.asp

Department for Work and Pensions (2003) *Measuring Child Poverty: Final Conclusions.* http://dwp.gov.uk/ofa/related/final-conclusions.pdf

Hirsch, D (2006) *What will it take to end child poverty? Firing on all cylinders.* York: Joseph Rowntree Foundation.

House of Commons (2000) *Poverty in Scotland* Select Committee on Scottish Affairs: First Report Session 1999–2000. http://www.publications.parliament.uk/pa/cm199900/cmselect/cmscotaf/59/5919.htm

Palmer, G, Carr, J and Kenway, P (2004) *Monitoring Poverty and Social Exclusion in Scotland.* http://www.poverty.org.uk/reports/scotland%202004.pdf

Scottish Executive (2004) *Closing the Opportunity Gap* http://www.scotland.gov.uk/Topics/People/Social-Inclusion/17415/opportunity

Witnesses: **Ms Sue Middleton,** Research Director, Centre for Research in Social Policy, Loughborough University, and Adviser to the Joseph Rowntree Foundation Poverty and Disadvantage Committee; and **Mr Guy Palmer,** Director, New Policy Institute; gave evidence.

Q351 Chairman: Good afternoon. First of all, may I welcome the witnesses to our inquiry into Poverty in Scotland. Perhaps you would introduce yourselves, for the record, please?

Ms Middleton: Thank you very much, and thank you for the invitation. I am Sue Middleton. I am Research Director of the Centre for Research in Social Policy at Loughborough University, and I am Adviser to the Poverty and Disadvantage Committee of the Joseph Rowntree Foundation.

Mr Palmer: My name is Guy Palmer. I am Director of the New Policy Institute, and we work with the Joseph Rowntree Foundation on a regular basis, producing poverty reports in Scotland.

Q352 Chairman: Before we start on the detailed questions, would you like to make an opening statement?

Ms Middleton: I found the preparation of the document quite interesting, in that the poverty situation in Scotland reflects so much the situation in England and in the UK as a whole. I have read some of the evidence that you have been taking, and some of the discussions that you have been having, with great interest and I would make just a couple of points to add to what is in the document that I prepared for you. The first is that I think there needs to be an understanding of the dynamic nature of poverty, that it is wrong and misleading, in policy terms, to view people who are experiencing poverty as a static population; they change, they move. I think I saw evidence, for example, that you were informed that the average length of lone parenthood in Scotland is six years, something like that. I think that also has lessons for us, in terms of what we know about, for example, severe child poverty, which is that the children who experience the worst forms of poverty are not those whose parents sit on benefits year in year out, they are the children who are in families whose parents seek to get out of work but move between work and no work. That seems to propel those families into a much more severe sort of poverty; so we need to be looking at a flexible benefit system. Whilst there has been lots of progress made on shooting people into work from benefits, there has not been as much attention given to, shall we say, the parachutes to protect people as they fall out of work, bearing in mind that most people actually do get back into work. There needs to be more attention given to the situation of those who are inevitably dependent upon "out of work" benefits.

Mr Palmer: 50% of those who are not working are disabled.

Ms Middleton: If you add to that the proportion of lone parents who have a disabled child, the proportion of lone parents with young children, there really is not very much evidence that there are large numbers of people on long-term benefits who are simply sitting there. We know that, even with the tax credits, the amount allowed for adults in "out of work" benefits has fallen way behind. I think attention needs to be given to that.

Mr Palmer: Like Sue, I was struck by the fact that in most of your discussions to date the direction of conversation has been more about poverty generally in Great Britain than poverty specifically in Scotland. That coincides with my experience, that many of the issues in Scotland are similar to the issues in Great Britain as a whole. Indeed, if you compare Scotland with the English regions, for example, Scotland typically, on most subjects, falls bang in the middle. The one exception to that is health, and therefore health might be a subject for you to take a particular interest in. As well as Scotland having similar issues to Great Britain, the big policy levers are the non-devolved levers to do with tax and benefits and New Deal, and so on and so forth. One of the issues we grapple with perpetually is what leeway the Scotland Executive has to take different angles from the UK Government; and, secondly, to what extent, Scotland should be trying to influence the UK agenda. My impression is that, largely, the UK agenda is set and Scotland accepts it, rather than that Scotland lobbies. Therefore, it seems to me that the challenges are to think about policy in terms of both what the Scottish Executive can and should be doing and how it should be lobbying on behalf of Scotland to get a Scottish angle to UK-wide policy.

Q353 Mr Davidson: I wonder if I could follow up one point in relation to that. I thought you were saying that Scottish poverty was pretty much the same as poverty in the UK as a whole. Therefore, is there a specifically Scottish aspect for which they ought to be lobbying?
Mr Palmer: The politics in Scotland are different from the politics in the UK as a whole. When I go and have discussions about poverty in Scotland, the whole ambience of those discussions, both amongst the politicians and amongst the third sector, is rather different from equivalent discussions in London.

Q354 Mr Walker: Can you explain what you mean, "the ambience"; that there is more smoke in the room, or whatever?
Mr Palmer: There is more concern about the subject of poverty and there is more entertainment about doing more on the subject. Perhaps potentially doing something about inequality more generally is much more on the political agenda up there than it is down here.

Q355 Mr Davidson: Apart from the health issue, which we understand, you are not suggesting that there are actually solutions which would be identifiably flowing from the Scottish situation, as distinct from the North East of England, or anywhere else?
Mr Palmer: No. I am suggesting precisely the opposite; that actually Scotland has got very similar problems to the rest of Great Britain.

Q356 Mr Walker: You say the ambience is different; do you think the outcomes are different? Obviously, what we have discovered is that people who are in straightened times do not need nice mood music, they need actions to be taken to alleviate the circumstances in which they find themselves. Whereas in Scotland there may be more sympathy, do you think the outcomes are better than in England, where perhaps there is less sympathy?
Mr Palmer: In general, I would say, no. A specific example would be banking, where there is a lot more concern historically, in Scotland, about people who do not have bank accounts and therefore the financial exclusion which results. The banks in Scotland have undertaken a number of initiatives to try to address that problem, but the net result is similar in Scotland to that in England; the trends over time and the number of people who are unbanked are similar in the two countries.

Q357 Chairman: We understand that the Joseph Rowntree Foundation spends about £10 million a year on research and development programmes, seeking to understand the causes of social difficulty and exploring ways of overcoming them. Could you explain exactly how the Foundation goes about this?
Ms Middleton: That is interesting. Remember, I do not actually work for the Foundation. I am a consultant to the Foundation, so I can explain to you what I know about the way in which the Foundation works. The Foundation is separate from the Joseph Rowntree Housing Trust, which is something different. As you say, the Foundation disperses research funding, usually through a number of committees, one of which is the Poverty and Disadvantage Committee; there are committees on other aspects of social problems, such as disability, and so on, but the Poverty and Disadvantage Committee is the one I know best. It disperses its funds in a number of ways. It has programmes of work and then it will put out a call for projects within those programmes of work, for example, there is one at the moment on Needs and Resources in Later Life. There is a developing programme on Poverty Dynamics, and there will be, as I said, a call for projects within that competitive core of projects. Occasionally, it has specific ideas about an area where it believes further research is required, so it will put out an invitation to tender. At the moment there is a call out for a project to look at the dynamics of debt and poverty, in other words, looking at how debt can facilitate people into poverty, keep them in poverty and what sorts of initiatives would be needed to remedy that situation; also it allows open calls, so at any time. From my perspective as Director of a self-funding research centre, the joy of it is that they give you the opportunity to put in bids to do some blue-skies thinking, which in the past was absolutely wonderful. At a time when Government was not funding research on poverty, they were one of the few organisations where you could get some money to do some really innovative thinking about issues around poverty. That is roughly the way they work.

Q358 Chairman: Since they spend £10 million in the United Kingdom, can you tell us how much, or what percentage, of that money is spent in Scotland?
Ms Middleton: I think really you would have to ask someone from the Foundation itself that question; it would be completely wrong of me to answer on their behalf. As I said, I do not work for them, I act as a consultant to them, and honestly I do not know the answer to that question. I can ask it for you afterwards and find someone. I know a man who can.

Q359 Chairman: You have mentioned twice, and probably we know as well, that you do not work for the Foundation. Are you familiar enough with the Foundation's work to answer our question?
Ms Middleton: I am familiar with much of the Foundation's work, but I do not know about the Foundation's internal workings or the proportions of the funds which it allocates in different regions of the UK.

Q360 Chairman: The Foundation's current research themes include matters such as housing, drugs and alcohol, immigration, etc., etc. How important would you rate "poverty and disadvantage"; is it the most important matter you look into, or are there other issues you consider even more important?

Ms Middleton: I think Guy will answer that one.
Mr Palmer: The Joseph Rowntree Foundation has two basic main priorities; one is poverty and social exclusion and the other is housing and neighbourhoods. All the other issues you mention are very much smaller programmes from the JRF.

Q361 Chairman: Why do you think these are the priorities of the Foundation?
Mr Palmer: When Joseph Rowntree set up the Foundation that was what he said its remit should be. Seebohm Rowntree did some ground-breaking work in York, where he was one of the first people to talk about the nature of poverty, as it was then, and the Foundation was set up precisely to stimulate research in the areas of poverty and housing.

Q362 Mr Davidson: In your submission, you mention that annual reports on Poverty and Social Exclusion in Great Britain have been produced since 1998 and then since 2002; reports for Scotland have been identified separately. Can I ask why you decided to do Scotland separately at that stage?
Ms Middleton: I think that is for Guy to answer.
Mr Palmer: The UK report covers Scotland as well as all the rest of the UK. We decided that because there were Scottish political institutions, there were Scottish policies, and so forth, we should also do a Scottish-specific report.

Q363 Mr Davidson: It is a natural progression, is it, that, having done it since 1998, after four years or so of that you did a Scottish one as well?
Mr Palmer: Yes; which now we do every two years and we do ones in Wales and Northern Ireland as well.
Ms Middleton: Of course, the data have improved, have they not.

Q364 Mr Davidson: I just wondered if there was any additional significance. In your paragraph 7.1, I am not sure if I am reading too much into this, it does look, from that, as if poverty in Scotland is coming down quite substantially, because it says here that in 2001 23% of people in Scotland were poor, and then by 2004–05 it is down to 18%. You mention that the UK figure is 20%, but that was in 2004–05. You have not given comparable figures here for 2001 so I am not sure whether or not the rate of decline in Scotland is faster. It would appear from this that poverty in Scotland is lower than in the UK as a whole, which I would have thought would be counter-intuitive; people generally would have the impression that, with areas like Glasgow, and so on, across the UK as a whole, poverty in Scotland was higher?
Mr Palmer: We tend not to quote single year numbers because any single year number has quite an uncertainty to it. The broad thrust is that poverty has been reducing in Scotland, as it has been reducing elsewhere; it has been reducing very quickly for pensioners, reasonably quickly for children. It has been increasing for working-age adults without children, which has slowed up the overall rate. Overall, the Scottish poverty rate is slightly below the Great Britain average. I think that is surprising to most people but that is what the statistics say.

Q365 Mr Davidson: That is a pity, is it not; the only reason is because it will not confirm their prejudices?
Mr Palmer: In some ways, you have illustrated why we do the Scotland report. In some sense, the Scotland report is a good-news report, in part.

Q366 Mr Davidson: Has the rate fallen faster in Scotland than in the UK as a whole?
Mr Palmer: It has fallen a bit faster.
Ms Middleton: Scotland is no different from the UK, in the sense that there are pockets of severe poverty in the UK, which would make you think, if you were there, that actually poverty as a whole was a lot worse even than it is. The interesting thing about Scotland is, before I came, I had some other work we have been doing, looking at severe child poverty, in other words, looking at the children who are at the bottom of the pile, and, again, on the measure that we used for that, there was something like just over 10% cent of children in the UK who were severely poor, and in Scotland it was about 9%. Again, whatever measure you use, Scotland looks like the national average. As in the UK, you have got pockets, but remember that even though you have these pockets of concentrations of poverty, most people who are poor do not live in those pockets, and that, of course, is the danger for focusing attention purely on those pockets.

Q367 Mr Davidson: One of the issues you mentioned particularly about the working poor was the extent to which poor people go in and out of unemployment; is there a difference in that pattern between those who are in pockets of severe unemployment, as distinct from those who are scattered more widely? People who are scattered more widely might be able to get into work more easily because there is perhaps a more buoyant economy and then they find themselves falling out again; whereas those who are in pockets of multiple deprivation, partly because of the social attitudes and mores who might not make as much effort, they might be conditioned not to try, with fewer employment opportunities in their area. I just wondered whether or not there was a difference?
Ms Middleton: I do not know the evidence for that. I do not have evidence about that.
Mr Palmer: This is not quite answering your question but there is some evidence that churning is greater in the UK than it is in the rest of Europe. In other words, people move between low-paid work and non-work more quickly and more often in the UK than in the rest of Europe. I think there is also some evidence that the way you move from low-paid work is back out of work. Very few people move from low-paid work into progressively higher-paid work; whereas, on the Continent, there are more career paths out of low pay.

Q368 Mr Walker: Why is that? One could take the view that your first job is not your last job and that if you get a job it is easier to progress up the career ladder into slightly higher-paying jobs, because hopefully you are becoming more familiar with the workplace, your confidence is growing, you are learning new skills, and so on and so forth; but you are saying that is not the case at all really?
Ms Middleton: It does not happen in the UK. One of the things that we found, and in the States as well, with the American Welfare to Work programmes, is that, possibly because of the emphasis on actually just getting people into work and a lack of support for people once they are in work, in other words, a lack of emphasis on policies to assist job retention, it leads to people slipping out of work rather than moving up. You move up, surely, by training, by career development initiatives within the workplace, and employers in the UK are just not very good at that.
Mr Palmer: Also, there has been, historically, a different emphasis to policy. If you look at the European Employment Strategy, until recently it gave quite a lot of emphasis on the quality of jobs, reflecting a continental view that the quality was as important as the quantity. In the UK, we have concentrated more on the quantity of jobs and we have been very successful in getting people into work. Arguably, there is a tension between quantity and quality.

Q369 Mr Walker: Quality jobs on the Continent, the structural unemployment is about 10%, so they might be focusing on the quality but you have hugely high levels of engrained unemployment. Do you think that is a price worth paying?
Mr Palmer: No; but that illustrates the tension. I would not make a judgment on the issue.

Q370 Mr Walker: No; I am not meaning to be argumentative.
Mr Palmer: It does seem to me, in principle, one ought to be able to do things on both quantity and quality. Clearly, strategically, one of the big issues on poverty is doing something about the quality of jobs at the bottom, because a lot of people in poverty in Scotland, as elsewhere in Great Britain, are in families where one of the adults is working.

Q371 Mr Walker: Just to explore this a little further, if you have got low-quality jobs but a high quantity of those jobs, those jobs are not going to disappear, because obviously they need to be done otherwise they would not exist. You can have high-quality jobs alongside them, which would be nice, to have more high-quality jobs, but, the low-quality jobs, who are we going to get to fill those jobs; are we going to ask more people from Poland or Bulgaria to come over and do them? I do not quite understand this. You cannot just wave a magic wand and say, "McDonald's isn't going to flip burgers any more," because what McDonald's does is flip burgers; so who are you proposing should fill those low-quality jobs?
Mr Palmer: I think the issue is about improving the quality of some of the jobs which exist. Quite a lot of low-paid jobs are in the public sector, a lot are in retail, McDonald's and so forth, but that is quite a small sector; whereas the public sector is the biggest sector and I think it is a fifth of all low-paid jobs in Scotland are in the public sector.
Ms Middleton: The second highest proportion of low-paid jobs is in the public sector.
Mr Palmer: It is not that intrinsically they are low-quality jobs; they are jobs which are done predominantly by women, who have not been unionised, where, for reasons of history really, quite largely they are low-paid jobs.

Q372 Mr Walker: That is different from low quality. Can you give me some definitions of low-quality jobs in the public sector?
Mr Palmer: Low pay and low quality, in practice, tend to go hand in hand, because jobs which are low-paid tend to have bad benefits on sickness, and they quite often tend to have quite tight rules on hours worked, poor pensions etc.

Q373 Mr Davidson: I want to pick up this point about quality. I was not entirely clear whether or not you were saying that quality and low pay essentially were the same thing, or whether or not therefore we could tackle what you were describing as low-quality jobs by an increase in the National Minimum Wage, or whether or not there is a whole raft of other things, concerned with not only terms and conditions but also the intrinsic involvement of the employee in these particular jobs, which I can see is going to be more difficult for us to tackle. Essentially, is it a question of, in your view, low pay versus low quality?
Mr Palmer: No. I think quality is a wider concept than low pay. It is low pay, it is a certain amount of security, it is decent terms in terms of pensions and sickness, and it is things like access to training. The public sector scores quite well on all those issues, apart from low pay, so in the public sector I think the issue is mainly the pay. In your McDonald's type of example, I think you get quite a lot of these things coming together.

Q374 Mr Davidson: The second point is, and I wonder if maybe you can give us a note on this, if it is possible, or point us in the right direction, this question of lack of progression of people who get into low-quality jobs. A lot of the Government's strategy is based on getting people into work who then progress. If you are saying that really does not work then I think that would require a rethink and we would want to have evidence just to support, or otherwise, that statement?
Ms Middleton: The Government has recognised that, in fact, and there is a very large evaluation underway at the moment, called The Employment, Retention and Advancement Demonstration Project, funded by the DWP, because of the recognition that the New Deals, whilst they have been hugely successful in some ways, retaining people in work and people advancing in work has

not been so successful. There is this very big evaluation going on, to see what you can do about retention and advancement; but it is not just a problem in the UK, as I said, it is a problem in the States as well. Whilst the Welfare to Work programmes are very successful at getting people into work, they are not so good at retaining them, because there is a lot of churning. Of course, if you are talking about where the people are coming from, the sensible thing is to have policies which can retain people in a job. In an entry-level job you go cooking burgers in McDonald's, and that is okay if you are a student and you are doing it while you are getting your degree, or whatever, and then you move on; or as a starting-point, and the idea is to get that person moving into a better job and then someone else comes in at the bottom to cook the burgers. It is about how you advance people in that way.

Q375 Mr Walker: I want to focus on this public sector/private sector divide, because I understood that outside the city many public sector jobs actually, for the equivalent work, were paying higher rates now than the private sector. I am sure I have had some anecdotal evidence, certainly I have had discussions with people in Scotland who were saying that a lot of young people in their communities aspire to get a job in the public sector because of the pension, the wage, the holidays, the flexi-time, which is a far more practive proposition than a job in the private sector. I am just slightly confused as to where these jobs exist in the public sector and where the divide is you mentioned, that the public sector lags behind the private sector in pay. Certainly, if you are talking about mega city jobs it does, but there seems to be more and more evidence that public sector jobs actually are offering equivalent or better pay than the equivalent job in the private sector.

Ms Middleton: That is not exactly what we said. What the statistics are showing us is that there are very high concentrations of low pay in the retail sector, that is the biggest sector, but the second biggest concentration of low-paid workers is amongst those who are public sector workers, not those who are employed by contractors, as you might expect, so excluding those who are employed on contracts, but employed directly by the public sector. The public sector has 22% of workers employed directly by the public sector who are earning less then £6.50 an hour.

Q376 Mr Walker: Doing what?

Mr Palmer: Most of them are in health and education. There are two ways of looking at them. The statistics are not very good on this stuff, I am afraid. One is that most of them are in health and education, and certainly most of them are women and most of them are part-time, the classroom assistant type. Then there is a second group, which goes under the headings of cooking, cleaning, caring, which overlaps with the first group.

Ms Middleton: Of course, there is an argument which would say, in policy terms, what is the point of one part of the public sector paying low pay for another part of the public sector to pay tax credits to top it up and, given that sort of inference, actually could drive up perhaps pay in the private sector.

Q377 Mr McGovern: The Government has said it intends to halve child poverty by 2010 and to end it completely by 2020. Could you comment on the progress, or lack of progress; how do you think it has done so far?

Ms Middleton: We know that, in the UK as a whole, Government missed its target slightly for the reduction of a quarter. In Scotland, it depends which measure you look at; on one measure the Government did slightly better than its target, and on the other measure it missed it slightly but did better in Scotland than in the UK as a whole. You may have heard of, referred to in the paper, a project which the Foundation undertook recently, when it brought together some of the best economists in the country to brainstorm the issue of how you halve child poverty by 2010 and how you end it by 2020. The conclusion was that to halve it by 2010 is possible, it is possible by increasing tax credits, and we came up with three different models of how you could end it, by various combinations of benefits. We came to the conclusion that, the total cost of a policy package which could get to that target, particularly by increasing the Child Tax Credit for poorer families and those with more children, you could do it for around £4 billion to £5 billion, which is a lot of shops at Sainsbury's but only about 0.3% of GDP. We concluded that to get to the 2020 measure it is going to require a lot more, in terms of education, in education, in skills and in childcare. Of course, the parents of 2020 are actually now in school, so we need major interventions in education to ensure that generation has the qualifications which can help to avoid poverty.

Mr Palmer: In terms of the 2005 target, to start with, the reason that Great Britain failed to meet that target was quite largely because of lack of progress in London. If you exclude London, Scotland, like the rest of Great Britain, basically went along the lines of the target; relatively little progress was made in London.

Ms Middleton: Inner London, in particular.

Mr Palmer: If then you look at the 2010 target, to halve it, the two biggest groups of children who are still in poverty are those with lone parents who are not working and couples who are working, and I think the issues are rather different for those two groups. If a lone parent starts working, the tax credit system is sufficient; no matter what they are earning and no matter how many hours they are working to take them out of poverty. In other words, there are very few lone parents in work who are in poverty; so the policy agenda for that group, for lone parents, is to get them into work, and the tax credit system then will do the rest. For the couples, the other half, where children are with couples, where one of the couple is working, the issue is that usually it is only one of the couple who is working and not the other or it is only part-time work that is being done, and the tax credit system at the moment does not help those families nearly as much as it helps lone

parents, and certainly does not take those families out of poverty. The policy agenda there is either to do with having an objective that both the adults in a couple should work, in which case they will be out of poverty on the minimum wage, or to do something reasonably dramatic to make tax credits more generous for couples. In terms of the 2020 target, if it is taken literally, it has never been achieved in any western country and therefore we would be in totally unknown territory. Personally, I much prefer a target which says "to be amongst the best in Europe", and if you look at the best in Europe, which are mainly the Nordic countries, they have child poverty rates which are roughly half what the Great Britain child poverty rate is currently.

Ms Middleton: I do not think anyone in the world has ever got it below 5%, which I think was Finland, in the 1970s, or something, they had it in the 1990s, I cannot quite remember exactly but I think that is right. Guy is right, of course, one of the things which has happened, which I think people forget, and I think I did make a point in my opening statement, is that whilst there are very large proportions of children in lone parent families who are poor, because lone parents are still a relatively small proportion of all families, there are still very large numbers of children in couple families who are poor. As Guy points out, they tend to be concentrated in working families. What seemed to happen was that lone parents tended to be much closer to the poverty line before all the policy initiatives started, they were much closer to the poverty line, so it was much easier to move the children in lone parent families out because they had not got so far to go. If you look at where children in couple families who are poor sit, they tend to be much further below the poverty line and therefore they are harder to get above it.

Mr Palmer: The tax credit system is much more generous to lone parents.

Ms Middleton: Yes, the tax credit system is much more generous to lone parents.

Q378 Mr McGovern: Ms Middleton, when you mentioned Scotland and it depending on which target you use; were you referring to what Mr Palmer said about whether or not London is included in the target?

Ms Middleton: No. I was referring to whether you use a "before housing cost" measure of poverty or an "after housing cost" measure of poverty. The Government prefers the "before housing cost" measure, which simply looks at incomes before housing costs are taken into account. For example, as in London, if you have very high housing costs, that will mask a lot of poverty, because you are not taking housing cost into account. The "after housing cost" measure, which I prefer to use personally, which takes out your housing costs and looks at what disposable income you have got left after your housing costs have been taken out, obviously gets round that problem. On the "before housing cost" measure Scotland hit the target, and on "after housing costs" Scotland just missed it.

Q379 Mr McGovern: That is two interpretations then of whether or not Scotland is reaching the target; the third one presumably is whether or not we include London?

Mr Palmer: No.

Ms Middleton: No.

Q380 Mr McGovern: I thought you said earlier that Scotland was ahead of the game if you took London out of the equation?

Mr Palmer: What I said was that Great Britain as a whole missed the 2005 target, but if you look at Great Britain excluding London, broadly it achieved the 2005 target, and Scotland broadly achieved the 2005 target. In other words, London is doing something different from the rest of the country, rather than Scotland doing something different from the rest of the country.

Q381 Mr McGovern: I see. Again, from your submission, it seems to suggest that there is much to be positive about in Scotland—and maybe we have covered this—but not so much in the rest of the UK. I do not know if that is specific to London or if it is the UK excluding Scotland, but is that a fairly accurate assessment?

Mr Palmer: I would argue the issues are reasonably similar. One of the concerns that we talk a lot about in Scotland is trends for working-age people without children, which have been getting worse. If you like, the trends have been pretty good for pensioners and for children and much more adverse for those of working age without children. That raises a whole bunch of interesting issues, because, quite largely, that is to do with the way the benefits system works and the fact that benefits have been frozen for those of working age without children for quite some time now.

Q382 Mr Wallace: Just going back to the single parent issue, as you said, the single parents predominantly were closer to the poverty line and that the system favoured them when they were in work, the Working Tax Credit, helped lift them out of it. How much of that could be put down to the overall trend of improving the poverty statistics that you have talked about, of hitting the target? How much of the number of people lifted out of poverty belongs to that single parent group, do you see what I mean, and how much does that contribute?

Mr Palmer: Can I answer a slightly different question and then try to answer that question. The main reason there has been a reduction in child poverty in Scotland is because the risks for both working and workless households have fallen, rather than because households have moved from workless to working. Therefore, the tax credits have had a direct effect; the proportion of working households in poverty has fallen. From memory, certainly that is true for lone parents; in principle, working lone parents should not be in poverty if they are claiming the tax credits to which they are entitled, and that was not the situation 10 years ago.

Ms Middleton: I can give you those figures. For lone parent families, 8% of children in low-income households live in lone parent families with work, 33% of children in low-income households live in couple families with work, 42% of children in low-income households live in lone parent families without work, and 17% of low-income children live in couple families without work. If you add that together, you will find that actually something like 41% of children in low-income households in Scotland are in families where there is work, but most of that is amongst couple families. As I said, only 8% of low-income children are in lone parent households with work.

Q383 Mr Davidson: I thought Mr Palmer was saying there that families in work who were claiming tax credits should be lifted out of poverty.
Mr Palmer: Lone parent families. The impact of the tax credit system is very different between lone parents and couples.

Q384 Chairman: What you are saying is that couple families are disadvantaged as against single parent families?
Mr Palmer: I would put it the other way round. The tax credit system helps lone parents more. For example, if you are a lone parent working at the minimum wage 16 hours a week, the tax credit system will more than double your take-home pay.

Q385 Chairman: What incentive do you think the Government should take to help the couple families to lift the children out of poverty?
Mr Palmer: Clearly, one possibility is to make the tax credit system more generous for couples. Another possibility, which I think is a more strategic way forward, is to do something about the prevalence of low pay. The third possibility is to help the second person get into work; the reason the issue arises for couples is because one adult is working and the other adult is not working, so clearly one policy response would be to find ways of helping/encouraging the second adult to work as well.

Q386 Mr Wallace: First of all, the middle option, the prevalence of low pay, would help both, it would be slightly different and it would help them all?
Mr Palmer: Yes.

Q387 Mr Wallace: The third option; we know that some of the contribution to social disorder is lack of parenting roles, I am not getting into married or not married, but someone being there to supervise the children in their growing up. I would suspect, when you live in a high-risk area and your children are left alone, that is not going to do well for their future in the same way. Really, do we want an option which encourages both parents to go out if you live in a high-risk area, as opposed to doing the first option, which is finding a way to adapt or be more generous, to make that a choice and maybe encourage someone to be there?

Ms Middleton: I think that is a very, very important point, but I think it should extend to lone parents as well. Then you are back to benefits what I said in my opening remarks about the levels of support for people who are not in work, because, by definition, if you are a lone parent either you are in work or you are not, and there is only one of you. I think that choice has to remain for lone parents, as we would wish it to remain for a couple, that one of them could stay at home. The next inevitable shout from economists is always what about work incentives, that you cannot increase levels of "out of work" benefits because it will encourage people just to sit around and not go into work. I have to say that I have never seen any evidence which has convinced me that work disincentives actually exist on a macro level important enough to make national policy which leaves large proportions of children living in families in the sorts of levels of severe poverty that we find as a result of our current Income Support and Jobseeker's Allowance rates. Yes, anyone can give examples of someone they know in their constituency or round the corner who does not work and has got no intention of working, and all the rest of it, but the statistics are quite clear. As Guy said, as we said at the outset, 50% of people out of work in Scotland are disabled. Another large proportion—the number escapes me—are lone parents who, although also they want to work, it is they want to work one day. Many lone parents, the research evidence is quite clear, feel strongly that, as one lone parent put it to me once, their child has already been deprived of one parent, "I'm not going to deprive them of two by going out to work." That issue of "out of work" benefits has got to be addressed.

Q388 Mr Wallace: The line of my questioning was not about the bashing of the single parent or the individual, we all perhaps have instances or perhaps do not; it was actually the remarkable difference, that the tax credit system seems to be benefiting and helping the single parent family as opposed to a couple, and I do not care whether the tax system encourages the single parent to stay at home and look after children either. I am saying that clearly there is something which needs to be rectified. To put a further question to you, about the London contribution to the changes in the figures, if, in London, there are significant areas of poverty with immigration, where some people come to this country as families, that could be a significant contribution. If you are an immigrant family living in parts of London, that contributes to the disproportionate slowness in the change of figures. I do not have many immigrant families in poverty in my constituency because I do not have many immigrants.
Mr Palmer: We can talk about London if you want. I think there is a bunch of unique issues in London. There are high levels of lone parenthood in certain communities and low levels of work in other communities. Then, particularly in the Bangladeshi community, very few of the women work, so you have got quite a lot of the families are these couples

where one works and one does not, which leads to poverty problems. It seems to me, the strategic problem we have is low pay, that, in some sense, tax credits are a response, that low pay and the National Minimum Wage are both responses to the fact that low pay is prevalent in this country. One of the interesting things about low pay is that the areas where it is prevalent are not areas which have anything to do with global competition; you will not find low pay in manufacturing. Low pay is prevalent in the retail sector, which on the whole is nothing to do with global competition, hotels, and, because it is the biggest sector, the public sector. In that sense, we could do something about low pay. In the public sector, we could say we will raise the pay levels for certain groups of part-time women, and so on and so forth, and actually it would not cost anywhere near as much as one would imagine, because you would get a whole raft back through reduced tax credits. We have produced reports in the past which have argued that the public sector potentially could set an example on low pay, a good example, whereas, in some sense, at the moment, it is setting a bad example, by saying it is okay to pay at certain rates.

Q389 Mr Wallace: The question I asked the Low Pay Unit about the low pay was the alternative of raising the threshold, when people start paying tax, bottom up. Do you favour lifting the low pay because the threshold would be a tax cut for everyone, as opposed to targeted? If you lift low pay, that is not going to help the rich, in a sense, but if you lift a threshold everyone will get a bit more to take home. Is that why you would choose a higher rate of pay than that?
Ms Middleton: Certainly it is, for me.
Mr Palmer: Yes; talking broadly.
Ms Middleton: Yes; because one of the roots of the difficulties that we face, which I know you have had discussions about in your deliberations, is the incredible inequality that we have in our income distribution in the UK. We know, from the research evidence, that across the world high levels of income inequality go with high levels of child poverty, and what I think has been less prevalent, in the evidence we have received so far, is very low levels of social mobility. Yes, I think I would go for the raising of low pay, rather than the raising of the threshold.

Q390 Mr Wallace: You have raised the perfect link, which I wanted to ask about next. Obviously, poverty is relative, the relative poverty, if the target is to exclude it in 20 years, but at the same time we know that the gap between rich and poor has got bigger, statistically, that almost contradicts itself, does it not? If relative is about median but we know the gap between rich and poor is getting bigger, your median point is rising as you are trying to capture it?
Ms Middleton: That is the problem with a relative income measure of poverty, and it is something we have not raised, that one of the problems the Government will face is that, to a certain extent, they are at the mercy, in terms of the child poverty targets, of what happens to relative incomes over the forthcoming years. It is one of the strange things about this measure of income poverty that, for example, the two contrasting examples I have always given are that, if you look at Ireland in the 1990s, the tiger economy, affluence everywhere, their child poverty rate went whoompf, because incomes at the bottom were not increasing as fast as at the average. In Russia, after the collapse of Communism, when the economy collapsed their child poverty rate plummeted, because, again, their incomes were not falling as fast as those further up the scale. It is a moving target, the relative income measure, and that is always going to be an issue.
Mr Palmer: I am a very strong believer in having a relative poverty line.
Ms Middleton: As am I.
Mr Palmer: As are most people working in this area. I think one of the great strengths of the poverty debate in Britain over the last decade has been that everyone has been in support of a relative poverty line. I think it would be a disaster if that consensus was diluted in efforts to achieve unachievable goals, and that is one of my worries about the formulation.

Q391 Mr Wallace: Having a zero?
Mr Palmer: Having a zero, as opposed to the best of Europe. The second point I want to make is that the way poverty is defined is not the poor compared with the rich, it is the poor compared with the average, and the poor compared with the average has not been growing in the last decade, it has been shrinking. What has been happening with the overall income distribution is that, on the whole, it has been shrinking, except that the bottom few per cent have been falling behind, because "out of work" benefits for people without children have been frozen, and the top few per cent have been shooting up, because pay at the very top, I am talking about with 1 or 2%, has increased dramatically in the last decade. If you compared, say, the 97th percentile with the 3rd percentile actually, if anything, that has shrunk.

Q392 Mr Wallace: Within the public sector, interestingly enough, which you say is a major job centre for low income, in the higher reaches of the public sector, even medium to higher reaches, that has grown significantly above. If you are a middle manager, or even a junior manager, in planning in your local authority, your pay scale has gone up a lot quicker than the cleaner in my local authority. While they might have 2 or 3% going up there, any one of my deputy planners will be on pay significantly higher than mine, and they have not gone up at 1%, 2%?
Mr Palmer: It has varied over time, has it not; and one of the issues that the unions always have to deal with when they are doing their pay negotiations is, in effect, they have different groups and whether they should try to argue for the architects getting more or the cleaners getting more.

Q393 Mr Wallace: Is not that another solution though? Government, as you say, can deal with the public sector, not on a one-off but it could start doing that in a much more uniform way, which will significantly help that moving target to be steadier

and allow it to lift people in a more equal way. I notice that the middle management, I think, in the County Council will be a 3 or 4 or 5% cent rise this year. I do not think the cleaners in the County Council will be getting that.

Mr Palmer: There is a whole bunch of issues here; can I name two issues and then say what my overall conclusion is. One problem is the way logistics work. Let us say, local authorities paid their part-time cleaners a lot more money; it would cost the local authorities X pounds. The Treasury actually would gain Y pounds through reduced tax credits; there is no vehicle for the Treasury then giving those Y pounds back to the local authority. If you could set up a system where the local authority only had to bear the net cost to the public purse, rather than the Treasury making a profit, it would be a much more practical proposition. At the moment, the way the logistics work actually creates a big disincentive to the local authorities to do anything about low pay; ditto the Health Service. The second point I wanted to make is that outside of the public sector the vast majority of low-paid people are not unionised, and no-one is batting on their behalf; quite often, they are unseen, they are unheard, mainly they are women, mainly they are part-time, and no-one is fighting their corner. It seems to me, in both of those cases, if we recognised there were problems it would be a major step forward. Currently, the rhetoric is "This is supply and demand; this is the way the labour market works, there is nothing we can do about it." I think that is a very defeatist attitude. If we recognise that we have a low pay problem, which affects particular groups of people, then we might be able to develop some more effective policy responses to supplement the National Minimum Wage, which is the only policy response we have in place really.

Q394 Ms Clark: What is your reaction to the recent UNICEF report which, as I am sure you are aware, has put Britain at the bottom of the league of 21 industrialised countries, so far as children are concerned?

Ms Middleton: I have had longer to reflect on this than most people, because I actually heard the findings of that piece of research last September, when the author was kind enough to give a lecture at a conference that we held, and it did not come as any surprise to me. I think the reaction has been sad. I think the Government's reaction, that the data were out of date, was actually rather sad, because we have no evidence to suggest that, on most of the indicators we used, we could have expected things to have got any better in recent years. I think it was a wake-up call. We seem to be raising generations of children who are deeply unhappy and I think it was one of the saddest things, the evidence in that report about the feeling of children that they are not listened to, in contrast to children in other areas of the world. Again, you see, it is interesting, is it not, that the countries which came out at the top in that report are the Nordic countries, where they do have a different attitude to the state and to the role of the state and to the solidarity and to income inequality, amongst other things. That would be my comment.

Mr Palmer: I would make two comments. One is, it was the perfect report, in the sense that it allowed any politician to argue anything they wanted, it justified every politician's prejudice whatever that politician's prejudice was. The second is that, although a lot of it did ring true to me, I am actually quite suspicious of cross-country comparisons. I think you have to be very careful; cultural issues can change how people answer questions, and I will give you just one, simple example of that. According to the Census in this country, levels of disability have risen sharply for any age group, but the received wisdom of people who have studied that is that people have become more ready to admit they have got a disability. You can see that maybe country cultural issues affect some of that stuff.

Q395 Ms Clark: This afternoon, you have been talking about the fact that there have been advances made in terms of reducing child poverty. To what extent is the UNICEF report linked to poverty or linked to other factors, you have mentioned cultural factors, or attitudes towards children?

Ms Middleton: The UNICEF report; income poverty was just one of a whole range of indicators which was used, so it formed a relatively small part, and, yes, we may have improved on that one, but we do not know enough about the links between income poverty and a lot of the other indicators in that report. I suppose the answer is, who knows?

Mr Palmer: It does remind us that poverty is not just about income. One of the problems we have in society is being excluded from the mainstream, either because of our income or, in some sense, despite our income. I mentioned one of the issues which are specific in Scotland is ill health. If you look at suicides amongst young men in Scotland, they are miles higher than amongst young men in England, or in Europe: why is that?

Q396 Mr Wallace: Finland, I think they are the highest in the world. That is another story.

Mr Palmer: Where is Scotland in that list?

Q397 Mr Wallace: I think Scotland is at about eighth in Europe, from memory. I think it is interesting you say that. Again, I suppose to reiterate the point about income, in Austria, the welfare state income is higher, in many areas, than the UK but it features, in this list, at 18, and the size of the state is smallest in Sweden, Netherland and Denmark. It is a higher-taxing country, but the size of the role of the state is smaller than the top communities in Britain.

Ms Middleton: In what way?

Mr Wallace: It has got a private health service and the education system is grant-maintained and not run by the local authority, or indeed the public sector. The public sector is smaller, higher taxed, better funded, rightly so, in the trusting of the people, the community feel is much better, so I think that underlines your view that the factors cross-country make interesting figures. Finland, I am afraid, on suicide, as well.

Q398 Mr Davidson: It has been suggested that we should visit various places, to make international comparisons. In terms of dealing with the various varieties of poverty that we encounter in Scotland, is there anywhere that you would suggest, in particular, ought to be examined for policy solutions?
Ms Middleton: Sweden, I would say. Sweden is the obvious place. Norway is interesting, because in some ways Norway is a bit like us. Traditionally it is seen as one of these social democratic welfare regimes but it is slightly different from some of the others; but Sweden, I think, is worth looking at.
Mr Palmer: The other country I would mention would be Germany. The reason for mentioning that is that historically they have been at the opposite end of the spectrum from us on their welfare system, and they are moving towards our system and I think we ought to move a bit towards their system.

Q399 Mr Davidson: Sorry; in what way do you mean the other end of the spectrum?
Mr Palmer: They have a system whereby if you lose your job you get very generous "out of work" benefits for quite a period of time. They have a system where virtually no pensioners are in poverty because, in one way or another, they have got pension provision such that they are not. They do not have a minimum wage, I think, because they do not need one.

Q400 Mr McGovern: Forgive me if I sound a bit parochial, but it is the Scottish Affairs Committee; where you are making these comparisons and saying Sweden is the obvious one, do you mean to compare it with Scotland or the UK?
Ms Middleton: I am not going to get into a debate about independence for Scotland.

Q401 Mr McGovern: Neither am I.
Ms Middleton: That is like saying why compare it with anywhere then; we would have to compare it with one of the German *Länder*, one of the German regions.

Q402 Mr McGovern: The comparison is with the UK then?
Ms Middleton: Sweden has a similar population to Scotland, does it not, I think, if my memory serves me correctly, as does Norway actually, as does Austria, so it seems, in population terms, it is of a similar size. If there are issues around the way in which you can deliver systems within a state, or within a society, it seems sensible to make comparisons with a society of a similar size. My other reason would be on a UK level; my personal view is that we have looked far too much to America, Australia and New Zealand, in seeking solutions, rather than looking closer to home, at some of our neighbours in Europe, to seek solutions to the problems with which we are faced.
Mr Palmer: One of the things I was trying to say in my introduction was, I think one of the issues for you is, as a Committee, are you concentrating on the UK policy agenda as it applies in Scotland, ie tax and benefits, etc, or are you going to concentrate on things the Scottish Executive might do differently from the way it is done in England; and I think they are very different agendas. A lot of the questions you have been asking today have been actually about the UK tax and benefits system.

Q403 Mr Wallace: Employment law, the tax and benefits system, is a UK issue, and the only thing that you would say is, one of the main other contributing factors is the NHS, which is devolved, and education, which is devolved. The interesting thing about the lone parent family is that is a benefits issue too.
Ms Middleton: Then again, housing, and, of course, there are immense housing issues in Scotland, which are devolved. As I said in my paper, I find it difficult to write but, as you are the Scottish Affairs Committee of the UK House of Commons, I decided to focus on matters which therefore were reserved to you. Obviously, that is mainly the tax and benefits system, but I did mention briefly in the paper that one of the things is, with unemployment and the New Deals, and I think again that is a UK issue, but one which could be usefully thought about in Scotland, how you could make the New Deals more flexible to deal with more specific, local issues. You raised it, because you mentioned employment law, which set me thinking, and I think there are opportunities there for specific pockets of unemployment.

Q404 Chairman: Has the Foundation done any research into what should be the level of the National Minimum Wage to help alleviate poverty in Scotland and in the United Kingdom?
Ms Middleton: This is one of my particular interests. That is the issue, is it not, that we have talked about a relative measure of poverty, which, I absolutely agree with there, has to remain, but really it does not have much resonance, does it; 60% of the contemporary median before or after housing costs, including or excluding the self-employed, it is not exactly a buzz, is it; and, we do not know exactly, what does that mean, what does that buy. Does having a 60% of median income actually give you a lifestyle which you would accept as not being poverty; what does it give you, and I think the same applies to the minimum wage. Does the minimum wage actually buy you a standard of living that we would accept is adequate; and this has been an interest of mine for many years. We are in the process, for the Foundation, at Loughborough and York, of developing what we are calling a minimum income standard for Britain, where we have brought together the best methodology that is known, the two best methodologies that are around for developing minimum income standards and combined them to undertake a major project to arrive at something which can be widely accepted as a minimum income standard. That is going to have all sorts of uses. I have always argued that the minimum income standard should be developed outside of Government. It is not for Government to develop a minimum income standard, it should be

done outside of Government, because Government then has to think about whether they can afford to meet that standard, in terms of whether it be the minimum wage or benefits or whatever, against all the competing priorities that the Government has. I think it would be of immense value in showing us exactly what people need to live an adequate standard of life, we would be able to understand much more, I think, about what is meant by poverty, what you go without, and all those other things.

Q405 Mr McGovern: As I am sure you are aware, fuel poverty is defined as a household having to spend more than 10% of their income in order to maintain some sort of adequate heating. When we were in Dundee recently, which is my home city, we heard evidence there that some households in Dundee actually are spending over 40% of their income on fuel. How best do you think we should tackle that; should it be the UK Government providing, as you have just mentioned, a higher minimum wage, or should it be boosting benefits, or how would you see it?

Mr Palmer: Clearly, fuel prices are one issue, and one of the noticeable things about fuel poverty policy in all the parts of the United Kingdom is they exclude fuel prices from their remit, for what it is worth. I might come back to that in a second. We are doing a piece of work in England at the moment and basically it is concluding that if either you eliminated income poverty or you eliminated energy-inefficient homes, either of those things, you would eliminate fuel poverty. The way to tackle fuel poverty is either to do something about income or to do something about fuel prices, or to do something about energy inefficiency, and you can make great inroads on any of those three fronts.

Q406 Mr McGovern: Do you think any of that is happening? Energy efficiency strikes me as something which certainly is encouraged.

Mr Palmer: In energy efficiency, there have been great strides. Fuel poverty has come down a lot in Scotland over the last decade, and one of the reasons for that is improved energy efficiency. Most new homes now are energy-efficient and there is quite a lot going on to improve the energy efficiency of existing properties. Things are happening on that front. I think the biggest risk is fuel prices. The latest data in Scotland is for 2003–04, on fuel poverty. My calculations would say that maybe the number of people in fuel poverty has doubled since then, because of fuel price increases, and mainly the people they affect are the elderly and single people, because fuel is a bigger burden on small families than it is on bigger families, for reasons I could explain, if you wished.

Q407 Chairman: Can you tell us the two most important things the Government could do to alleviate poverty generally?

Ms Middleton: I would say, accept that work incentives are not an issue and increase "out of work" benefits, and I would change the regulations for tax credits in couple families.

Mr Palmer: Strategically, I would say the challenge is to reduce the prevalence of low pay, and that the way to tackle that is to start by looking at low pay in the public sector. My second one, I am not sure how much it would reduce poverty, certainly it would be beneficial to a group of people who are very badly off at the moment, is increasing benefits to adults without children. "Out of work" benefits for adults with children have gone up quite sharply over the last decade, but "out of work" benefits for adults without children have frozen, over the last decade. I have never really heard anyone argue why that is right, it sort of happened a bit on the sly, and you cannot freeze "out of work" benefits for people without children for ever; they have been frozen now for 20 years.

Ms Middleton: Reports of what has happened is what they are saying is correct but of course it is the adult element of "out of work" benefits that has been frozen or has increased only slightly. What is happening with families with children on "out of work" benefits is, yes, they are getting Child Tax Credit, which is being increased in line with earnings, but the adult elements of the "out of work" benefits are frozen, so that, in combination, if you are a child in a family with "out of work" parents your income is still falling behind, because the adult elements are frozen, or increasing only very slightly, so it is an issue for them as well.

Q408 Mr Davidson: Presumably, part of the argument around that is the question of the way out of poverty for non-child adult households is into employment. I find it very difficult to accept that we should leave aside the question of incentives. Certainly, again, in an area like mine, I think this issue about people genuinely making a choice between whether or not it is worth their while going to work for an extra £10, or £15, or £20, or so, is a decision that people make. Quite a lot of the people in my community have made a lifestyle choice, they have preferred to accept less money on the basis that they will continue on benefits and have made the appropriate adjustments. If we provide them with more money they are much more likely then simply to remain unemployed and not seek work in any way whatsoever, and to some extent that ties in, I think, does it not, with the issue about rising numbers of people with disability? Quite clearly, again, in a constituency like mine, which is part of Glasgow, there are substantial numbers of people who are registered disabled who have been given that status as an act of generosity, in the sense either to keep them off the register or because there is a recognition that financially they would be better supported, registered disabled, and there was little chance, at that stage, of them getting into work. This whole issue of incentives, and so on, it should not be adopting a view which is quite at variance both with my own experience but also certainly at variance with Government policy. It is not necessarily a bad thing, but do you want to respond to that?

Mr Palmer: I am not against there being incentives to get into work, but the point is that currently the "out of work" benefits are frozen, so, if you like,

those incentives are getting greater year on year. At some point in time, it is unsustainable. Currently, if you are a single adult your Income Support entitlement is £55 a week. At some stage, that is leaving people on extremely low levels of income. There is not an incentives problem, in the sense it is miles lower than they would get if they were working.

Ms Middleton: I would go back to the point that, yes, obviously there are examples, but we should not work from a micro level issue to a macro level problem. You can raise questions about the history of incapacity benefit and people being registered as disabled, and so on, which is a whole different debate, but the facts are that 50% of people who are in poverty in Scotland are disabled. You have a second large proportion which are on "out of work" benefits who are lone parents and we have had debates this afternoon about choice and whether that should be the case. We have a large proportion of the "out of work" benefit population who are there for very short periods anyway and they go back into work very quickly; so what you are actually coming down to is a relatively very small proportion of the "out of work" benefit population, that you are penalising the whole population for what is actually a small proportion. It may look big in your constituency, but what I am saying is, on a national basis, it is really not an issue. There is no way necessarily that you would argue that someone who is out of work needs the same level of income as someone who is in work, because, for example, they can live cheaper, or whatever, but what I would argue is that it does need to be much closer.

Q409 Mr Davidson: I am not sure that the £55 figure is entirely a fair one, because it does not take account of the council tax benefit and the rent, and the rent and rates in Glasgow are amongst the highest in the country, and therefore it is much more than simply the £55 figure. I am not sure either that you have taken adequately into account the impact of public support for a benefits system, the extent to which we have got to take people with us in the argument about raising benefit levels, if, at the same time, they see the credibility of the system being undermined by people who are abusing it?

Ms Middleton: The vast majority of people in this country have no idea what the current level of benefit is. If you went out, on those streets, and asked randomly a number of people "What is the current benefit level for a single person on Income Support or JSA?" I guarantee you, you would get an answer that was about three times what it actually is.

Q410 Chairman: I have met many of my constituents who are on benefit, and they tell me they cannot see any benefit from taking up a job, in fact, perhaps they will lose out?

Ms Middleton: Are you telling me that they are telling the truth?

Q411 Chairman: I do not know, but that is what they are telling me.

Ms Middleton: That is a question then for Jobcentre Plus in their "better off" calculations.

Q412 Chairman: Yes; and, of course, Jobcentre Plus tell us "We calculate the benefit for them and try to convince them."

Mr Palmer: One of the issues here is the complexity of disability benefits, which is a whole other subject. There are all sorts of different disability benefits which potentially you can claim. One of the problems, I think, with the system currently is that the amount of benefit you get depends in part on how well you advocate yourself, or have an advocate on your behalf. Certainly there are advisers out there who guarantee that if you are disabled then they will be able to raise your income quite considerably. I think one of the problems with the current system is that those who do not advocate well get left on quite low levels of benefit, and there are other people who get quite high levels of benefits, not because their needs are that different but because that is the way the process happens to have worked. I think there is no doubt that the basic benefit is very low. Incapacity Benefit is £55 a week, is it not; that is for disabled people. I agree, there are all sorts of add-ons you can get, if you know your way round the system.

Q413 Chairman: Can I thank the witnesses for their attendance. Before I declare the meeting closed, would either of you like to say something, in conclusion, perhaps on issues which we not covered during our questioning?

Ms Middleton: No. Just to thank you very much for the invitation, I have enjoyed it very much, and to ask you if you would like me to get the Foundation to send you some more information about its dispersal of grants?

Chairman: Yes, that would be very helpful for us, and we can assure you that your evidence will be extremely useful for us when we compile our report. Thank you very much for your attendance.

Tuesday 13 March 2007

Members present

Mr Mohammad Sarwar, in the Chair

Danny Alexander
Ms Katy Clark
Mr Ian Davidson
Mr Jim McGovern
Mr Charles Walker

Memorandum submitted by Save the Children

EXECUTIVE SUMMARY

Save the Children is concerned by the peristence of high numbers of children living in severe and persistent poverty in Scotland (and throughout the UK). Recent research commissioned by Save the Children, provides new data on the extent of severe child poverty, it's persistence and the overlaps between childhood poverty and social exclusion.

The research estimates that approximately 80,000 children in Scotland (one million across Britain) live in severe and persistent poverty and that there has been no change in this number in recent years.[1] This suggests that while UK and Scottish Government policies have succeeded in lifting many children out of poverty, current policies are having no effect on the very poorest children and their families. Tackling severe and persistent child poverty is therefore the biggest challenge in achieving the eradication of child poverty.

This paper outlines what is known about severe and persistent poverty and suggests possible ways the UK and Scottish Governments can work together to address the issue and improve the living standards of the poorest children and their families in Scotland. A summary of our key policy recommendations is outlined below.

The UK and Scottish Government should:

1. Incorporate the aim of eliminating severe child poverty into official targets and ensure that this is monitored.
2. Prioritise resources to those children and young people living in the most acute poverty, whether they live in areas of deprivation or not.
3. Increase emphasis on initiatives to address social exclusion of severely poor children.
4. Work together effectively to compliment policies, share good practice and ensure consistency in approach.

In addition, the UK Government should:

5. Introduce Child Seasonal Grants, as part of an urgent review of the Social Fund.
6. Introduce a more flexible benefits system to improve financial protection for children during times of change eg. reduce delays in re-starting benefits after temporary work and improve benefit take-up by families with changing circumstances.
7. Explore ways to improve the financial protection of families experiencing the unemployment of one or both parents.
8. Investigate why some families are living below Income Support levels.
9. Equalise the rate of child benefit for all children.
10. Commit to spending an extra 0.3% of GDP more than currently planned on benefits and tax credits.

1. *Introduction*

1.1 Save the Children welcomes the Scottish Affairs Committee's, Poverty in Scotland Inquiry, and the opportunity to submit evidence. This submission focuses on children living in severe and persistent poverty. It is based on recent research commissioned by Save the Children, *Britain's Poorest Children* (BPC) (2003) and the follow up study *Britain's Poorest Children Revisited* (BPCR) (2005), that provides new data on the extent of severe child poverty, its persistence and the overlaps between childhood poverty and social exclusion.

---

[1] Britain's Poorest Children (2003) and Britain's Poorest Children Revisited (2005), Centre for Research in Social Policy and Save the Children.

1.2 Save the Children, as a child rights organisation is concerned with the well being of all children, but in particular with the most vulnerable children. Our work in the UK with children has shown that poverty and deprivation is a major issue affecting many children. Our work is underpinned by the United Nations Convention on the Rights of the Child (UNCRC) and provides a basis for our approach to child poverty. Article 27 states that:

> "State Parties recognise the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development."

1.3 The impact of devolution and diverging policy decisions cannot be ignored, however it remains true that addressing child poverty in Scotland is a central issue both for the reserved government at Westminster and the devolved government of Scotland. Given this distribution of power within the UK there is a need for co-ordination at UK, Scottish and community levels, to ensure consistent and complementary policies to eradicate child poverty. It is laudable that the Scottish Executive, and UK Government, are committed to eradicating child poverty within a generation. Momentum in achieving this goal must be continued. This paper focuses on areas of policy that the UK Government can address.

Involving Children and Young People in the Inquiry

1.4 Save the Children urges the Committee to consider ways of involving children and young people in the inquiry. A recent consultation carried out by Save the Children in Scotland with young people highlights the key issues that young people identify with living in poverty. The young people also suggest some possible solutions at local and national levels. The report is attached at Annex A for your information.

2. *What is poverty?*

2.1 Child poverty needs to be understood in its broadest sense. This includes access to basic services and full participation in society, as well as income. Any measure of child poverty needs to be based not only on income but also deprivation and social exclusion. BPC and BPCR looked at the persistence and depth of child poverty as well as overlaps between income, deprivation and social exclusion. The measures of poverty chosen to examine the extent of severe child poverty in Britain in our research were threefold. The first measure is child deprivation—the child goes without one or more items that the majority of parents in Britain believes to be necessary because parents cannot afford to provide the item. For example children may go without a warm winter coat, properly fitting shoes, toys, school uniform, a holiday or celebrating their birthday. The second is parent deprivation—the parent goes without two or more items that the majority of adults in Britain believes to be necessary, because the parent cannot afford to provide themselves with the items. Lastly, income poverty of the household—the child lives in a household that has less than 40% (less than benefit levels) of median income. For a family of two adults and two children this means living off about £178 a week (after housing costs).[2] Out of this amount the family has to buy all their food, clothes, heating, other bills and transport, amongst other things. The longer a family lives in poverty the worse the consequences can be. Persistent poverty was defined as occurring when children experienced poverty in three out of the five years for which they were analysed.

3. *The extent of poverty.*

3.1 The Government statistics on child poverty in Scotland are well known and in the public domain. According to 2004–05 statistics, 240,000 children (23%) live in relative poverty after housing costs in Scotland. Since 1998–99, there has been a 34% decrease, (Scottish Households Below Average Incomes, 2004–05). In absolute terms 130,000 (13%) in 2004–05 live in poverty in Scotland. There are less children living in poverty in Scotland than elsewhere in the UK. It is as yet unclear why this might be so as analysis is limited and constricted by lack of transparent information.

3.2 Little is known about severe poverty in Scotland. BPC and BPCR estimate relatively large proportions of children experience severe poverty—80,000 children in Scotland (one million across Britain). The research also found that children who experience severe poverty often experience it as a persistent rather than a temporary condition. *A key finding is that the extent of severe poverty has not changed between 1999 and 2002.* The research was unable to make distinctions between geographical areas or outline particular characteristics of children living in severe poverty in Scotland. Save the Children believes that more detailed information is required regarding children living in severe and persistent poverty in Scotland so that policies can effectively address this group. Other evidence suggests that child poverty is unevenly distributed, with Glasgow experiencing a disproportionately high level.

[2] 2004–05 prices.

The Impact of Living in Severe and Persistent Poverty

3.3 Children who live in severe and persistent poverty do not enjoy the basic living standards that their peers take for granted. BPC and BPCR found that families living in the most acute poverty are living on a very low income and are unable to afford the basic necessities the rest of us take for granted. For example some children and young people go without a warm winter coat, properly fitted shoes, adequate housing and heating, access to leisure activities, such as swimming, and holidays. Out of this amount the family has to buy all their food, clothes, heating, other bills and transport, amongst other things. The longer a family lives in poverty the worse the consequences can be.

3.4 The research also tells us that severe poverty is not just about low income. It is about lack of access to basic services and a lack of opportunities for participation in social activities that are vital for wellbeing. The poorest tend to do worse at school and have the poorest health—mental as well as physical. Poverty impacts on family functioning. It can lead to social isolation and stigmatisation and affects life chances and aspirations. Experiencing poverty in childhood may have lifelong consequences. It is a powerful risk factor for outcomes in adulthood, for example low educational attainment, limited employment opportunities and poor health. Poverty not only wastes children and young people's potential but negatively affects communities and wider Scottish society.

4. *Contributing factors*

4.1 BPC and BPCR found that living in certain family types was a risk factor for living in severe poverty. The family types most at risk of severe poverty are young adults (16 and 17 year olds), large families (three or more children), families with young children (under 10) and families transitioning into and out of work. This suggests that an approach to policy is required at UK and Scottish Government level that further directs resources and actions towards these family types.

4.2 Additionally, key findings from BPC and BPCR suggest the following factors contribute to severe and persistent child poverty:

1. There was a clear association between receiving Income Support (IS), or Jobseeker's Allowance (JSA) and experiencing severe poverty—in 1999, 87% of children in severe poverty were receiving these benefits.
2. Long periods of benefit receipt or no adult in paid work in a household are associated with persistence of poverty.
3. At the time of the survey, almost all non-poor children lived in households with at least one worker and approximately 70% had two or more workers. This shows that paid work therefore provides the best protection from poverty.
4. However, the research also found that over a five year period, 81% of children in persistent and severe poverty had a worker in the household in at least one year. *Therefore work did not always protect from poverty, particularly in households where there was only one worker.*
5. Changes in the number of adults in paid work or changes in the main source of income or benefit receipt is associated with severe poverty. Transitions between having workers and no workers in the household, and between receiving and not receiving benefits were associated with children experiencing persistent and severe poverty. (For example, over a five year period, 57% of children in persistent and severe poverty and 42% of those in persistent poverty only had made at least one transition between receiving and not receiving IS or JSA, compared with only 21% of children who experienced no poverty).
6. Family transitions were also associated with children experiencing persistent and severe poverty.
7. Social exclusion is associated with severe poverty. Severely poor children were less likely to have access to local services such as mother and toddler groups and after-school clubs, lived in poorer quality housing and experienced more problems in their local area. For example:
   - Severely poor children could not afford to participate in children's social activities at a much higher rate (25%) than their non-severe (7%) poor or non-poor counterparts.
   - Severely poor children were less likely to be able to afford, or did not have the access to, local services—11% compared to 5% of all children.
   - Severely poor children were more likely to experience problems with their local area—35% compared to 11% of all children and 21% of non-severely poor children.
8. BPCR found that persistence of poverty rather than severity remains the critical factor in household social exclusion.
9. Persistence of poverty is associated with a lack of basic necessities. Children in persistent poverty were more likely in general to be in households who could not afford various "necessities", or in households experiencing various problems with accommodation and local area.

10. The research found that a large proportion of parents were going without but not allowing their children to be deprived—when they became severely poor and persistently poor parents were less able to protect their children—this is the point where children themselves then go without, for example, missing meals or being unable to join in social activities with other children.
11. Persistent poverty is strongly associated with parents inability to save.

4.3 Other research suggests that one-off events such as the collapse of a washing machine or a large bill can drive family finances into crisis. Children and young people themselves identify a lack of money as being a major factor that limits their ability to take part in society—both in relation to the family income as well as their own ability to earn money. (Save the Children, 2006).

4.4 Save the Children's work in Scotland also highlights particular groups that are susceptible to poverty, specifically refugee and asylum seeking children and Gypsy and Traveller families.Asylum seekers and refugee children in the UK face unacceptably high levels of poverty and social exclusion and experience extensive violations of their rights. This is exemplified by lower levels of support—90% of income support levels—and problems faced by those children and young people that have become separated from their families. In Scotland, a consultation conducted by Save the Children with Glasgow City Council Education with asylum-seeking children and young people found that many cited restrictions on play and access to leisure due to lack of money as a major issue. (*Starting Again*, Save the Children 2002).

4.5 Gypsy/Traveller children in the UK have been identified by Save the Children as a particularly vulnerable group not only in terms of income poverty but particularly service and participation poverty including lack of access to education and health services. Limited access to formal education is a key issue for Gypsy/Traveller children and has implications for their wider participation.

5. *Impact of Government policy on poverty*

5.1 At UK level the Labour Government has emphasised policies designed to encourage parental employment and to "make work pay" through tax credits and the minimum wage. The Scottish Executive has complimented these policies by investing in and supporting vulnerable children and their families. Amongst other initiatives this has included Closing the Opportunity Gap (CtOG), Sure Start Scotland, Working for Families Fund and support for lone parents into further and higher education. While these policies appear to have been effective in making considerable progress towards a general decline in child poverty in Scotland, a significant proportion of children continue to experience severe and persistent poverty, which in turn is associated with other manifestations of poverty and social exclusion.

5.2 The Scottish Executive does not have an overarching strategy for tackling child poverty. Although most of the targets in CtOG either directly or indirectly relate to children and their families there is no overall target for improving the standard of living of children living in poverty. Alongside this it is unclear what the total level of government spending (UK and Scottish) on children in Scotland amounts to, and more specifically how this money is targeted on children who experience poverty. The Scottish Parliament's Finance Committee found a lack of transparency in expenditure on child poverty in its inquiry in 2003. It is therefore difficult to monitor, analyse and evaluate overall progress. This has led to a lack of scrutiny in tackling child poverty in Scotland. Save the Children recommends that the Scottish Parliament undertakes annual review of progress in eliminating child poverty.

Eliminating Severe and Persistent Child Poverty

5.3 Save the Children's research suggests that children and young people from the poorest families remain a legitimate concern, since current policies appear to have little impact on their poverty situation. Save the Children therefore recommends that the eradication of severe and persistent poverty is incorporated into UK and Scottish Government targets.

5.4 BPCR suggests that the situation is worsening for children living in families who experience changes in the number of adults in paid work or changes in the main source of income. Increased protection is needed for children at times when households are in transition. The policy approach of the UK and Scottish Government should consider improving short-term assistance to cushion the adverse effects of periods of unemployment. This means introducing a more flexible benefits system and reducing delays in restarting benefits after temporary work. In Scotland work should be developed to improve benefit take-up by families with changing circumstances and further developing work with employers to improve job security and retention and in work poverty to reduce the number of transitions in and out of work.

5.5 A recent JRF report, *What will it take to end child poverty? Firing on all cylinders,* suggests that to halve child poverty in the UK (2010 target), which would mean lifting an extra million children out of poverty, would cost just over £4 billion extra a year. That is an increase of 0.3% of GDP more than presently planned. The JRF suggest that extra payments could be targeted directly at children in the poorest households, with extra payments targeted at children in large families (one of the groups at highest risk of poverty and severe poverty). Save the Children supports this recommendation as one measure that could improve the standard of living of the poorest families in the UK.

5.6 Our research has shown that large families are at greater risk of experiencing severe poverty. These family types should be targeted by policies as they are disproportionately represented in those experiencing severe poverty. Save the Children believes that one measure that would assist large families experiencing severe poverty is equalising child benefit for every child. Save the Children therefore supports the Child Poverty Action Group's "Make Child Benefit Count" campaign. To increase the rate of child benefit for second and subsequent children to the same amount as for the first/eldest child would have lifted 250,000 children out of poverty and cost £1.7 billion in 2005–06. There is also a case in its own right for equity in the treatment of different children in our financial support system. (*Child benefit: fit for the future*—CPAG 2006).

5.7 There is also a strong link between leaving the parental home to independent living and short-term severe poverty. Current policy is therefore not addressing the needs of 16 and 17 year olds. The Committee on the Rights of the Child recommended in 2002 that the UK Government should review its legislation and policies concerning benefits and social security for 16 to 18 year olds. Save the Children supports this recommendation and believes a review is a required.

5.8 Save the Children's research also found that persistent poverty is strongly associated with parents' inability to save. Therefore one off events such as household equipment breaking down or a large heating bill in winter can have a detrimental effect on a family's income. Social Fund crisis loans are a current option for families however in the long term a loan exasperates the problem by reducing weekly benefit payments until the loan is paid back. Various reports point to the need to reform the social fund. (including *Lump Sums*, CPAG 2003).

5.9 Save the Children is therefore proposing the introduction of Children's Seasonal Grants. These grants would be made twice a year in the summer and the winter to help families on the lowest incomes meet additional costs at these times of year. In the winter, this money is for increased fuel bills and other items such as warmer clothes and shoes. In the summer this grant could assist with activities during the summer holidays, additional food when children are not in receipt of free school meals and back to school costs. We propose that these grants should be made to all children living in families claiming out of work benefits including Income Support, Job Seekers Allowance and Incapacity Benefit, or in working families claiming the maximum Child Tax Credit. These families are among the lowest income groups in the UK.

5.10 Save the Children's research suggests that children and young people from the poorest families remain a legitimate concern, since current policies appear to have little impact on their poverty situation. The current range of policy solutions is insufficient to alleviate the impact and address the causes of severe and persistent poverty in Scotland. Save the Children urges the Scottish Affairs Committee to consider how the UK Government and Scottish Executive can take all necessary measures to the "maximum extent of . . . available resources" to accelerate the elimination of child poverty in Scotland (Committee on the Rights of the Child Concluding Observations 2002).

Claire Telfer
Save the Children

October 2006

Witnesses: **Mr Douglas Hamilton**, Head of Policy and Research, and **Ms Claire Telfer**, Policy and Parliamentary Officer, Save the Children in Scotland, and **Mr Jason Strelitz**, UK Policy Advisor on Poverty, Save the Children, gave evidence.

Q414 Chairman: Good afternoon and welcome to today's witnesses in our inquiry into poverty in Scotland. Can you please introduce yourselves for the record.
Ms Telfer I am Claire Telfer, the Policy and Parliamentary Officer for Save the Children in Scotland.
Mr Hamilton: Douglas Hamilton, Head of Policy and Research for Save the Children in Scotland.
Mr Strelitz: Jason Strelitz, UK Poverty Policy Advisor for Save the Children.

Q415 Chairman: Before we start on the detailed questions, would you like to make an opening statement?
Mr Hamilton: Just further on the introductions, it is probably worth saying that for the evidence today Claire and myself will hopefully be able to give you a lot more detail about our experiences in Scotland whereas Jason will be able to give you a lot more detail on the information generally on poverty and our position on a lot of the issues relating to welfare rights, et cetera. We would like to thank you for this opportunity to give evidence. I suppose it is worth saying at the start that there is an element of frustration about the fact that we are giving evidence on an issue such as child poverty, the frustration being that an organisation such as Save the Children is continuing to have to campaign on this issue and that we still have not resolved many of the problems that are facing some of the most disadvantaged children living in Scotland. On the other hand, the positive aspect is that at least it has not gone off people's radar and we really welcome the fact that you are conducting this inquiry and the fact that we are continuing to pay attention to the issues and the needs of these children. The key issue that we want to highlight for you in our evidence is the situation facing children living in severe and persistent poverty in

Scotland. Thousands of children are going without basic items that most of us would take for granted; properly fitting shoes or a warm winter coat. Undoubtedly there has been progress in Scotland in tackling overall child poverty and the 2005 target for reducing child poverty was met in Scotland, but I think the greatest challenge is still with us. What is clear is that the policies that are in place, both at a Scottish Executive level and from Whitehall, are not reaching the very poorest children and their families. Our evidence shows that the situation facing the poorest children and their families has not improved and indeed in some areas of Scotland may be getting worse. We want to highlight the reality of poverty as parents and children have told us about their experiences. Parents we have talked to have told us of their despair in thinking that they will never have enough to live on. At the same time they are telling us that they are doing their best and are proud of what they are able to achieve on meagre resources and the fact that they are going without things themselves in order to provide for their children. More importantly, we also want to stress what children and young people have told us about how severe poverty affects them. It affects their future life chances. We know that it affects their employability and their health outcomes, but the reality is that it is having a real impact on their lives just now, and our message is that children cannot wait. Children tell us about the basics that they miss out on—having a warm home, having warm clothes. They do not necessarily want things that are fancy or luxury items. A lot of the children we talk to just want the essentials. There was one young person who told us, "It doesn't matter about having designer clothes, we just want something warm to put on." It is not just about material items that they are missing out on. What is even more distressing is when young people tell us about their inability to take part in the day-to-day life of what it means to be a child; basic childhood experiences, doing things that other children do, going swimming, going on school trips, again simple requests that every child should be able to take part in. So we are pleased that you are doing this inquiry and today we want to stress the importance of joint working between Holyrood and Westminster towards a shared goal of ending child poverty and also to take the opportunity to flag up some of the policies such as seasonal grants that we think could be introduced at Westminster that would have a significant impact on children living in poverty in Scotland.

Q416 Chairman: Thank you. We have taken evidence from witnesses on general poverty issues and this is our first evidence session when we are concentring on the practical aspects of poverty. We are focusing on child poverty because previous witnesses have suggested to us that child poverty was probably the most important priority to tackle. Would you actually agree with such an assessment, or would you agree more with NCH Scotland, who took the view that the best way to alleviate child poverty is to alleviate the poverty experienced by their parents and guardians?

Mr Hamilton: I think we would be the first to agree that child poverty is actually the key issue here. I think child poverty is the thing that we should be concentrating on. Parental poverty is clearly part of the picture, and children live in families and live in households so we cannot ignore the poverty that is going on around them, and parental poverty is key as part of the solution. However, in order to achieve what we want to achieve we have to retain the focus on children and their experiences. I think we could be talking about family poverty generally and that type of stuff, but it is about children and having an holistic view of the child and the impact, as I was saying earlier on, that it is having on children now as well as the future implications of growing up in severe poverty in Scotland. Most of the key interventions that we have at the moment are probably parent-focused. We recognise that most of the policy solutions we are looking at are about getting more money for parents, but alongside that we have got to look at the interventions and things we can do to improve children's experiences more widely within the community and also look at the life chances of children.

Q417 Chairman: If the parents are experiencing poverty certainly that is going to have some kind of impact on children, so do you not think that we have to tackle both, the child poverty and the parental poverty?

Mr Hamilton: Absolutely. I suppose I was trying to get across that we should keep the focus on child poverty and tackling parent poverty is a very important part of the solution in order to tackle child poverty.

Q418 Mr Davidson: This distinction that you make between tackling parental poverty and tackling child poverty, given that the parents will be the operators of the finance of the house, I am not quite clear how you can make that sort of distinction. It is not as if we can direct benefits directly to children as distinct from via their parents. Can you just clarify that for me?

Mr Hamilton: I was not trying to make a distinction between parent and child poverty; I was just trying to respond to the question. We just see it as child poverty and in addressing child poverty you have got to address the poverty of the parents, quite clearly, as you have set out. It is about getting more income into the household. By focusing on child poverty we have got to look at an holistic view because child poverty is not always just about income; it is also about the social exclusion that they face and about their participation in society, and so when we are tackling child poverty, income is the biggest issue that we need to address but it is not the only part. Retaining the holistic view and making sure that we are also tackling the issues of life chances, participation in society, and taking

part in things that other children are taking part in are also important. That is why we want to retain the focus on child poverty.

Q419 Danny Alexander: I appreciate that it was not a distinction that you introduced but it does highlight quite an important issue because if we define poverty purely in terms of income, as Ian says, then you can only really operate to tackle child poverty through the medium of their parents or guardians, and I guess that probably then brings out another point which is in an income sense you cannot really measure child poverty except by measuring the income of their parents or guardians. It may be that there are some parents or guardians who are passing more of the money on to the children so that perhaps the parent might be experiencing poverty but the child is not, as in fact I think you say in your submission, but in terms of measuring and therefore targeting policy you cannot do it. What you seem to be saying now is that there needs to be a broader definition of poverty and there are some things like experience of school and other factors in the community which can be targeted directly at children without being through the medium of their family situation.
Mr Hamilton: If we are talking about measurement I will get Jason to come in here on that. Levels of income are central to the whole measurement around child poverty. Already the DWP have introduced measures around deprivation to try and build in other factors so that we can have a better measurement of what it means for a child living in poverty. I do not know if you want to say something about measurement, Jason.
Mr Strelitz: I think the only thing to add there is there is a broad range of ways in which poverty is measured and one thing that is missing right now is a child perspective measure of what it means to live in poverty, and it is something that we have identified and something we hope to work on over the next year to develop a child-focused measure that comes from children's views of what matters to them and their standard of living and their perception of well-being rather than an adult expert view of well-being.

Q420 Mr McGovern: Throughout this inquiry we have heard evidence in various locations and from various groups and it would appear that there are quite a number of forms of poverty—fuel poverty, pensioner poverty, urban poverty, rural poverty, child poverty—so why would child poverty be the most important, above all others?
Mr Hamilton: I think from our perspective we are saying with children it is about the present but also about the future. The risk of children living in poverty is quite severe. Even though we have met the targets, we are still talking about 23% of children in Scotland who are in poverty; it is such a high number. I know that pensioners are another key group and there is a large percentage more likely to live in poverty. However, I think we would be arguing for the focus to be on child poverty. We are not saying that we should not deal with the other aspects—

Q421 Mr McGovern: Of course not.
Mr Hamilton:—But from where we are coming it is the link into that life cycle and if we do not tackle child poverty now we are storing up massive problems for the future because the evidence shows that children who grow up in poverty are more likely to be adults living in poverty and their children are going to be living in poverty, so we need to try and break that cycle as early as possible. We have been arguing for the importance of a focus on child poverty and we are very pleased as well that the Government, both at a UK level and at a Scottish level, have recognised that and made tackling child poverty a priority.

Q422 Ms Clark: The Government has set itself targets of halving child poverty by 2010 and eradicating child poverty by 2020. In your memorandum you say that whilst government policies have been successful in lifting many children out of poverty, current policies have no effect on the very poorest children and their families. Does that mean that you think the Government has only been partly successful in its own aims?
Mr Hamilton: I think, yes, they have only been partly successful, particularly around the 2005 target for example. At one level if you are taking very topline measures, you are saying 60% median income as being that kind of barrier there and if we only ever look at that we are ignoring the reality of the different levels of poverty that exist beneath that. What our evidence has shown from our research in *Britain's Poorest Children* and *Britain's Poorest Children Revisited* (and we have actually got a further follow-up study which is going to come out later this year which we want to share with the Committee) is that the group living below 40% of median income, to use the income measure, has not actually changed very much, and I think what we are aware of, and in our discussions with politicians at Scottish Parliament level and with officials at local authority level, et cetera, I think there is a general recognition that this group exists, is that current policies are not reaching the very poorest. The success that has been achieved has been maybe with those who are closest to the poverty line, if you like, sort of lifting them over that threshold, the ones who were maybe closest to getting back to work or those who had an income level just below the poverty line. For just under 10% of children in Scotland who we describe as living in severe poverty the policies are just not reaching them, so we really need to look at how we can refocus attention now. We need to carry on with the current policies that we have because they seem to be having an impact on a large number of children, and we are pleased with that, but there is a big group that it is missing out on and unless we do something about that now then these longer

term targets are never going to be met because it is going to be even harder in future years because the gap is going to increase even more.

Q423 Ms Clark: Could you remind the Committee of what your definition is of "acute poverty" as opposed to "poverty"?
Mr Strelitz: We have got a couple of definitions which mirror the Government's definitions. One that we use is 40% of median income as a pure income measure and then there is the forthcoming research which will be out over the next couple of months which is a mirror of the Government's mixed measure using income and deprivation, so there we would use a measure of 50% of income (whereas the Government in their mixed measure are using 70% of income) and adults and children lacking basic necessities.

Q424 Danny Alexander: Mr Hamilton, in your opening remarks one of the things you said was that in some areas the poorest children's situation is actually getting worse. I would be grateful if you could expand on that in two ways. One is in what ways is the situation of the poorest children getting worse? You also used the phrase "some areas". Have you been able to pinpoint certain parts of the country, for example? Is that an urban phenomenon or a rural phenomenon? I know from my experience in the Highlands for example that there are a lot of issues (and we heard about some of them when we were in Inverness) affecting children in remote communities. I would be grateful if you could expand a bit on that statement you made right at the beginning.
Mr Hamilton: Some of that evidence we have around that is anecdotal stuff from our visits round local authorities. As part of Save the Children's future plans we have been doing a lot more work to try to find solutions towards how we reach the poorest children who are in severe poverty and how we can work with those families and those children to improve their situation. When we have gone to talk to potential partner agencies and other authorities about that we have described our research which has basically shown that things have remained the same. The comment I have had back now two or three times has been, "We know the areas you are talking about in our local authority area and in some respects we think actually it is getting worse." Using the Scottish Index of Multiple Deprivation to confirm analysis of that (which we still have to do) might help us to pick out exactly where those areas might be. When we are talking about the situation getting worse, it tends to be small, concentrated areas in most authorities and more children in those areas who are living in situations of severe poverty.

Q425 Mr Davidson: Can I ask about your view of the Social Fund and how much is it a success and how much a failure and are there things that could be done that would greatly improve it?
Mr Strelitz: We think the Social Fund is clearly not meeting its purpose and there is a whole range of ways in which there could be improvements. Our primary concerns are about the size of the pot and its reach. Far fewer people are able to take up Social Fund loans and a great many people do not even know about its existence. There are also concerns about levels of repayment and a real need to expand the system of grants. We also have concerns about eligibility. Just one example—last week we published a report called *The Poverty Premium* looking at a range of ways in which low income households pay more for purchasing essential goods and services. One example that we looked at was the cost of a cooker from Argos, which would be £160, and then looking at the same cooker from a shop targeted at people on low incomes with poor credit ratings where the overall cost to them would be over £400. Clearly we are missing a trick here if we are putting a lot of concern into the way in which money is going into the pockets of low-income families but not having concern about the way it is coming out. If a low-income family is paying nearly twice as much for a cooker, that is going to be a cause of great concern and it is an area where the Social Fund could be coming in and offering the kinds of low-cost loans for really basic essentially goods and services that it should be there to do. Looking at critiques of the Social Fund over recent years there have been two aspects that have been drawn out. People have repeatedly called for an expanded system of grants and at the same time called for a renewed approach on the loans as well. One thing we have been calling for is a seasonal grant, a grant to low-income families at winter and summer, which are the two toughest times.

Q426 Mr Davidson: We will come on to that later on. Let me just stick with this question of the Social Fund, if I may. There is an issue about repayments but there is also an issue about the amount of the loans that you are prepared to give to people on the basis that you give them too much then they simply cannot pay it back. There is a whole set of issues about all of that. I am not clear whether you are saying that there should be more grants, in which case how is the issue of repayment is overcome, but then there is a perverse incentive for people to remain on things like the Social Fund because I get in a poor area of Glasgow quite a lot of people complaining to me that there are those who are on benefits "who are far better off than we are because of . . ." and they will reel of a whole number of things including access to the Social Fund. How do we strike that balance correctly taking into account that disincentive?
Mr Strelitz: Currently over two million people are taking doorstep loans, paying 177% APR or equivalent to take out loans, so clearly people have a need to go into debt to support the very basic needs that we all have. That in itself is a call to expand the Social Fund because the need is clearly out there and it seems people on low incomes are not particularly responsive to changes in the levels of interest which they are charged for loans. They are much responsive to the amounts as of their weekly payment and hence they are willing to take on extremely large amounts of debt if it can be offered

in a flexible and affordable way (in terms of week-to-week). In terms of your point about incentives, I think we have to continue to make work more affordable for people. I think part of the issue about eligibility of the Social Fund or a renewed system of budgeting loans with a far expanded pot is whether we can make it available to people experiencing in-work poverty. 50% of children in poverty today are in families where someone is working. There is a whole range of ways in which we can address that kind of issue but one way is to have a system of loans that was available to people in work.

Q427 Mr Davidson: And is that something that you are advocating?
Mr Strelitz: That is something that we are advocating. We are involved in discussions with other children's charities and a range of other groups about a renewed Social Fund pot that may be able to use the money within the Social Fund to lever in a significant amount of private investment, for example. That is one thing that is being discussed to really increase the size of the pot and make it available to a wider group of people.

Q428 Chairman: Do you not think that we have to strike a balance here? If you give people too big loans and they are then unable to make the repayments, do you not think we are pushing them in a debt trap?
Mr Strelitz: We have definitely got a responsibility to think about that but, like I say, two million people are taking out incredibly high-interest loans which are totally unaffordable and which send them into a cycle of debt, and I think we have a responsibility to face up to the fact of the way people are actually living their lives and try and adapt the systems that we have so we can offer people more affordable loans to try and meet their needs. People on low incomes are on very low incomes and do not have enough money to make ends meet, to pay for essential items, to pay for large, one-off items that they need to purchase throughout the year, whether it is replacing a cooker, buying school uniforms or buying smart clothes to go to work. Whatever those lump sum items are, people cannot afford them and people need some way of being able to get a lump sum amount of money, and so that is why we are advocating the grants, which we can come on to shortly, but also an expanded system of loans.

Q429 Mr Davidson: You are arguing that the state should move into the Provident cheque business in that you would undercut Provident cheque by offering the same amounts of money at much lower and affordable rates of interest. Is that correct? I am not necessarily against it, I just want to be absolutely clear what it is you are saying to us.
Mr Strelitz: Yes, we are saying that there should be a very widely expanded system of low-cost loans available to people on low incomes.

Q430 Danny Alexander: Is not what you are describing a kind of market failure in the business of lending money because often, as you rightly say, the only credit to which a lot of families on very low incomes can get access to meet the one-off costs that you are describing is through doorstep lenders, and that is at least in part because those are the only lenders who are available in that local community. The banks are not there, the bank branches have long since left and, so on and so forth, so the person coming round the door often, as Ian says, offering "Provi cheque" is the only person they have access to. The solution that you are proposing, which is a much expanded Social Fund, is potentially one part of the answer. I wonder if you think as well that for example post offices could have a role here because post offices are one of the few institutions that still have a representation in small rural communities and in deprived urban areas, where people can access public services, people can access financial services and access cash, and there may be a role here. This is something the Government could look at, given its responsibility for the post office network, using post offices as a way of providing that additional means of financial support that you are describing, rather than through state-sponsored products through financial products which would offer the same sorts of low interest rates as you are describing and through having a presence in the local community, which would encourage people to pay back on a regular (perhaps weekly) basis like the doorstep lenders do?
Mr Strelitz: I think there is great potential there. It is a market failure in one very great sense: if you look at repayments of the Social Fund, the defaults on those payments are incredibly low, so it presents lenders, whoever the lender is, with a very good opportunity to make a secure loan, so I think there is a great potential in using the post office service for some kind of expanded system of low-cost loans.
Mr Hamilton: The market failure aspect is an interesting angle to bring in and we can send you another report from an agency in Scotland called the Scottish Council Foundation which have recently done a report called *Making Markets Work* and they have addressed that particular issue of market failure and had some really interesting examples come in (which I could not give you the detail of just now) from the States and from Canada of where financial institutions can work to provide lower cost loans and credit facilities for lower income households and these companies are still making money off it, so there is that aspect of things as well. I think you are right in saying it is a combination. We are advocating for a lot of change to the Social Fund, but it is not just that, we still need to look at what the private sector can do and their responsibilities in all these issues as well. That is part of Save the Children's approach at the moment. Our calls are not just coming straight to government in all of this. We feel there is a much more increased role for the private sector and the voluntary sector in working together to tackle child poverty.

Q431 Chairman: These financial institutions are charging people who are in the most need very high interest rates and then applying penalties if they do not make the payments on time and then those people end up in real trouble. Are you proposing

that there should be some check and balance on these financial institutions so that they do not make money at the expense of poor people?

Mr Strelitz: I do not think we are there yet. We published a report last week, like I said, on the poverty premium and we are going to take forward a lot of the evidence that we gathered in putting together that report in trying to work out some solutions here. We would say that we think the private sector needs to act more responsibly but I do not think we are exactly where you are saying yet.

Mr Hamilton: I think the point Jason made earlier is the point we are at just now, which is recognising the way that people on low incomes actually work and how they respond to the challenges that they face and then adapting things like the Social Fund, working with the private sector as well, so we can actually respond to the way people access financial services. We have to look at why people get themselves into debt in the first place, and it is not that they are unaware that they are being charged extortionate rates of interest but, as Jason said, it suits their method of budgeting. Again our evidence and experience shows that on things like pre-payment meters with electricity supplies and gas supplies in the home, households know that that is more expensive than other ways. Sometimes they are forced down that route and other times they choose it because it is a way they can control their finances. If we can understand and recognise how people organise their finances and respond to that, it then means we can come up with solutions and find the solutions that work in the public sector and are actually going to meet those needs, rather than create a system that is inflexible and not actually work for the families that want to use it, therefore they go to these people who, as you say, are robbing the poor.

Q432 Mr Walker: I was going to ask you another question, but on reflection it probably does not need to be asked because this is much more interesting. "Corporate social responsibility" is an oft-used phrase by large, multinational organisations including UK banks—the Halifax Bank of Scotland, I am sure the Royal Bank of Scotland, both of whom are making enormous profits at the moment. I am deeply uncomfortable with the profit motive, but I am extremely concerned that big companies talk about corporate social responsibility but do not actually apply it. I personally would like to see the major banks take a far closer interest in the welfare of those currently excluded from the mainstream financial services; would that be a view that you would share?

Mr Strelitz: Absolutely. One specific example is around the area of basic bank accounts which have been introduced, and many more people have access to them, but it is not clear that banks put much energy into pushing them, they do not see the people who are going to take up these basic bank accounts as particularly useful customers for themselves, so they do not push them enough, and it is also not clear that basic bank accounts are set up in a way that meet the needs of the low income customers who use them. They can do much more.

Q433 Mr Walker: My concern is that poor people who are living on very restricted incomes may well be concerned and put off from opening bank accounts because if they fail to balance their account at the end of the month by £5 here and £5 there and go into an overdraft for £10, they could end up paying £60 in penalties and then of course that is deducted the next month and so on and so forth. There is not enough sensitivity from the major banks to the constraints and budgetary restrictions that many people on low incomes operate to, and there does not seem to be a willingness to understand and engage with these people. That is very disappointing.

Mr Hamilton: I am not going to defend some of these companies. We are at an early stage at in working with the banks on these types of issues, and I know there have been lots of other initiatives such as the Bank of Scotland initiative in Westerhailes that people are aware of in terms of community banking, and it has seemed to be successful in the past as a way of addressing some of these issues. The key thing for us as campaigners on these issues—and politicians are able to assist with this process—is working with the banks to show them that actually there is a market there, and actually by working in a more flexible way with lower income consumers, there are benefits to the bank as well. They are missing customer bases around that, they are missing a trick on what they can do and it is not something which is inconceivable. As I say, we know there are examples from the States and from Canada about how this can work, and we can do more to try and encourage banks to do that. I do not know the banking sector inside out, but I am guessing that the things that are going to motivate them the most to do things are to increase their customer base and increase their profits. There is some evidence to show that they can do that, whilst at the same time providing a good service for lower income families and households.

Q434 Mr Walker: I would actually slightly disagree with you there because there does not necessarily have to be a market there for banks; it is about time that banks in Scotland and across England stood up and demonstrated tangibly their claim to be socially responsible. My personal view is that banks in this country are not doing enough, with their vast profits, to help the most excluded.

Mr Hamilton: I would absolutely agree with you on that point. The point I was trying to make is that it is how we get there with the banks and the process for how we can encourage them to do that.

Q435 Chairman: Are you aware of the campaign which is led by a number of the media and certain organisations to claim back money from the banks, which have overcharged their customers to the tune of £2 billion? A number of my constituents have made claims to the banks and some of them have been successful to get money back from the banks; do you not think we should lend our full support

behind those organisations who are trying to help the people who have been charged wrongly by the banks?

Mr Hamilton: Absolutely, I do not disagree with that at all. Our concern would be particularly for the lower income end again, those children living in poverty, and unfortunately the situation is that many of the families we are talking about do not actually have the bank accounts in the first place to be overcharged, and they are having to go through other routes, use more unscrupulous businesses, banks that are making lots of money at the expense of the poor. We have already made reference to some other businesses that are making even more profit in a more unjust way than some of these banks.

Mr Walker: I am finished, Chairman; that is enlightening.

Q436 Danny Alexander: To change the subject slightly, the recent Unicef report which analysed the experiences of children in 21 industrialised countries put the UK at the bottom of the league, and your director quite rightly condemned that as shameful. Given that that report analysed the experience of children on a number of measures, not just income, but a whole range of experiences in their lives and seemed to present a very comprehensive measure of children's experience, there are two questions really. Having had time to reflect on that report, are there any further comments you would like to make on it because it seemed to be a very significant contribution to the debate? Secondly, do you through your experience of working in Scotland particularly see any difference between the experience of children in Scotland that might have been found in that report and analysed separately for Scotland compared to the rest of the UK?

Mr Strelitz: The report was hugely significant and received some stick from some quarters, but it is pretty clear if you look at the range of hard outcomes in the report, the UK comes very low as we know on income poverty, but also very low down the league in terms of infant mortality, the numbers of children born at a low birth weight, the proportion staying on at school and the proportion being in work, education or training between the ages of 16 and 19. These are all very significant outcomes and it is, as our director said, shameful that the UK, one of the richest countries in the world, remains towards the bottom of the league table in these kinds of indicators. Take the example of children aged 16 to 19 being out of school or training or work, being in that situation is strongly predicted by childhood disadvantage and in itself independently strongly predicts later life disadvantage, yet in the UK as a whole and in Scotland the numbers of children not in education, employment or training has remained fairly stagnant for a number of years now. It is a really significant factor.

Mr Hamilton: In terms of the question is it different for Scotland, I do not know in terms of the actual statistics. The picture that is described is one that we are familiar with in Scotland as compared to the rest of the UK and it would be helpful to have a particular Scotland focus on it so that we can try and pull out some of that, and I know that colleagues in other agencies are looking to do that type of work, so we do have that picture of where Scotland is placed against the rest of the world on a number of those issues. Two points I suppose are worth flagging up: we do know from our own research and from other research that we have got coming out soon on children's access to services, the experience in Scotland is probably worse than I originally anticipated when we set out to do this research. The basic services such as children's leisure activities et cetera, the children are not able to access because of the extreme levels of poverty they are living in. We will send copies of that research to the Committee once it is published in April. We are looking at stories where a child cannot go to a youth club because the parents do not have the 50p for them to go; we are not talking huge amounts of money here. That kind of element of being able to participate in society and that side of things comes out in these sorts of reports and it is clearly being missed out on by children in Scotland. As I said I do not know much about the difference, but it clearly mirrors what has been said across the rest of the UK. Some of the situations we are amazed by in Scotland, we are doing worse on some of the indicators—around child health in particular—but the Scottish Executive has recently produced a draft report for the UN committee on the rights of the child; that has been submitted down to the DfES and it will be submitted to the United Nations later on in the year. The thing that really jumps out on that is the health indicators, particularly for the poorest children and young people, indicators around breastfeeding statistics and around teenage pregnancies. It is fair to say that Scotland will fare worse in a number of those areas internationally than you will probably find in England and Wales.

Q437 Chairman: Would you like to say anything on the Unicef report, particularly the comments made by the UK Director of Save the Children?

Ms Telfer: Just to add really, as Jason said, the difference between hard and soft aspects of the report. The hard information is obviously important in terms of material deprivation, but I do not think we should lose sight of the fact that a lot of children's views are in that report and a lot of children in the UK obviously have very low opinions of their lives, of things to do with relationships with their peers, relationships with their parents, that is the kind of thing that came across quite strongly that they are not happy with. We need to not dismiss that, but take that on board and see why children have these opinions and look at those more closely.

Q438 Mr Davidson: I wonder if I could just follow this up and your point about not having the 50p for the youth club. It seems to me there are two ways of tackling that and that relates also to your question of the charges for swimming and school uniform which is mentioned in the report, charges for things in school and trips. Either these are free to everyone, in which case there are multiple costs obviously because you are not targeting, or you are essentially

means-testing and you are either providing free access to some children in some circumstances, or you are trying to give them more benefits. What have you taken into account when coming to a conclusion and what is your conclusion?

Mr Hamilton: The conclusions from our forthcoming research are being written up just now, but one of the things that we are discovering from that is that while services may appear to be free at the point of access, that is still actually excluding children and young people from taking part. Looking at how people access these services and how they interact in real life—and it came as a surprise to me as well, some of the things that are coming out. If we take swimming as one of the key examples around that, free swimming is provided as you will be aware in Glasgow and other authorities in Scotland. Some of the young people we were talking to were saying there is free swimming, but they could not afford to get to the swimming pool. One of the most important things, which is obvious when you think about it, one of the kids said "Yes, I would like to go but I've never actually learnt to swim and my parents cannot afford the armbands so I can go swimming." Actually when you then look at the cost of swimming lessons, these sorts of things have a cumulative effect that keeps on going so even if we make some of it free—even if we made all the youth clubs free, around that particular thing as well some of the children come back and say yes, there is a free youth club in their area, but they do not go because there is a tuck shop there. These are the sorts of things that make them feel so excluded because actually even if they go to the youth club they are not able to buy any food, so people will think they are different, or when there is a trip they have to say they cannot go to it. I do not know if we have an answer around that just now, but it is up to us to find one. We can make things free for everybody and open them up, but there is still a problem there which you still need to address in order for these children to be able to access them.

Q439 Mr Davidson: This is almost a "we are all doomed" sort of answer, in the sense that if you do this you store up another problem. I know the point about the free swimming, I have a lot of complaints from working class women of a certain age who bitterly complain that they cannot use the swimming pools when the free kids get in on the basis that they are so disruptive and noisy and mock them and all the rest of it, so by caring for one group you actually end up alienating another, which is a problem for us. The second point related to that is in relation to public services. It is my impression, and I would be grateful if you could give us your view on it, that public services generally, in areas of deprivation and the like, particularly those caring for children where they are relatively inarticulate, tend to be worse than elsewhere and the youngsters are therefore multiply under-provided for. Is that your impression as well?

Mr Hamilton: Again, from this research we are hoping to have some of the answers, but we would probably agree with your perception that the services in some of the more deprived areas are not as good as the services that exist in some of the more affluent areas. Our research, just to explain what we have been doing, is looking at the experiences of children in urban and rural deprived areas and non-deprived areas, living in families with low incomes and relative affluence, to try to pull together the differences in experiences. It is clearly coming out that the children in the more affluent areas have greater access to better services, as we describe. I also think that one of the key things which comes out is the importance of what type of service becomes important then in the more deprived areas, and the importance of areas such as leisure facilities—they are not actually that concerned about a health club or a gym within their area, it is the park and the safety of access to the local park and local open spaces around that. It is not that one size fits all and we can just improve the same types of services in an affluent area and maybe take it into the deprived area, it is actually recognising that the children in those areas are more likely to access the open spaces, the parks and those types of facilities because it is free for them to go, there is no stigma there. It is the point I was making earlier, they do not have to worry about being different because they have not got money to buy things when they are there. Yet those facilities as well are still probably poorer in those areas than in some of the more affluent areas. There are multiple issues and reasons that we could go into as to why that is.

Q440 Mr Davidson: I just wanted my prejudices confirmed. You have made a number of recommendations for both the Scottish and the UK Government; maybe you could just expand on those for us and give us an indication. If you had three choices, three things in particular that you think we ought to be doing, what would they be?

Mr Hamilton: If I kick off, at a UK level seasonal grants is our main call at the moment.

Q441 Mr Davidson: I understand that. Can you just clarify for me why you think seasonal grants as distinct from increasing the standard amount of money that people get through the year?

Mr Strelitz: We think both. We are supportive of the evidence from the Joseph Rowntree Foundation Report published last summer that about £4.5 billion needs to be invested, broadly speaking, in the tax credit and benefits system to help meet the 2010 target. As part of that we think there is a strong case for seasonal grants, based on two things really. The one is reflecting evidence from reviews of the Social Fund over recent years, as I mentioned earlier, and the other is evidence from the US-based earned income tax credit where American families receive lump sum payments at the end of the year. Evaluation of the earned income tax credit, despite the fact that those families live on very low incomes on a week to week basis, something that we would not seek to emulate by any means, having a lump sum payment allows low income families the freedom that week-to-week payments do not, so when you are subsisting on a low income from week to week there is a whole range of elastic items that

small increases in your weekly income can be spent on, whether it is a bit more food, money for activities such as swimming or a trip to the launderette or whatever. There is a whole range of things that it can go on. Families in poverty, specifically families in severe poverty, find it almost impossible to save any money, and therefore they do not have the lump sum payments to pay for the large one-off items to make some choices about how they use their resources. We think there is a strong case, based on that, for a lump sum payment, specifically at the two times of year that our research has identified are the times when low income families struggle.

Q442 Mr Walker: Is there not a danger with lump sum payments in the sense that, knowing the payment is coming, families will build up debt in anticipation of the payment? Do you see where I am coming from—the money will be spent before it arrives, so would it not be better just to allocate it over the course of the year evenly as opposed to two big dollops?
Mr Strelitz: I have no doubt that some people would use the lump sum payment for that and I do not necessarily see that as a danger. The knowledge that the lump sum will be coming will allow people the freedom to balance their resources in a more even way leading up to that lump sum payment, but for others getting the lump sum will give them the opportunity to pay for more expensive one-off items.

Q443 Mr Walker: Sorry, I am not meaning to be argumentative, but if you improve their weekly or monthly payment over the cycle they would not be building up debt, because if you are building up debt in advance of money being paid you have to service that debt before the payment arrives at some of the levels we have already discussed, 177% you mentioned. There is a difference and I know it might sound small, but for families living on very low incomes small differences seem to make a difference. That would be one of my concerns.
Mr Strelitz: I do see the concerns and we are also advocating increases in weekly incomes which we think are necessary, but as I say the evidence is there that families could make significant use of lump sum payments in a way that is very difficult for them to save small amounts of money on a week to week basis.

Q444 Mr Davidson: How much would these lump sum payments be compared to the weekly payments? Are you talking about twice as much, thrice as much, half as much?
Mr Strelitz: What we are suggesting is £100 per child at summer and winter and then an extra £100 for the family at winter to be an equivalent of the winter fuel payment. That has some mirror in existing policy; the Christmas bonus that you receive on incapacity benefit and a range of other benefits was introduced in 1972 at £10 and in 2007 is £10, so it has entirely lost its value. It was recognised then that in winter there was this need for an extra resource to help the family at a particularly difficult time of the year and that money has just lost its value.

Q445 Mr Davidson: What are your other two?
Mr Hamilton: That is number one for the UK. I will give you one that will focus on the Scottish Executive and one that hopefully they can do together between the Scottish Parliament and the Westminster Parliament. The one we are calling on particularly for the Scottish Executive at this time is—and I go back to what we were saying about keeping the focus on severe and persistent child poverty—to refocus some of the policies they have got, that are clearly making a difference around things like the Working for Families Fund and Sure Start, for example, to take them and address them so that they actually reach the poorest families. Again, the evidence we are getting on the ground is that projects set up by the Working for Families Fund, they are recognising that they are still not able to reach actually the poorest and the most vulnerable families in their communities because of the gaps that still exist in assisting parents back into training courses. Some of the people we are talking to around Sure Start, for example—which, as you know, operates very differently in Scotland than it does in the rest of the UK—the money and the services are not necessarily reaching the poorest families, so we will be calling on the Scottish Executive to refocus a lot of the attention for those types of interventions to the poorest and most deprived communities, with a very tough target of making sure that they actually reach the poorest and most vulnerable families. That would be number two. Number three, which we are very keen to take up, is something that probably came from the 2000 inquiry that this Committee conducted around poverty and is the joint arrangements at a parliamentary level and also at an executive level for taking scrutiny and accountability on these issues around child poverty. We think there is real merit in exploring that further. Child poverty is probably one of these issues which is fairly unique in the sense that it is a domestic social policy where the levers are shared between the Westminster Government and the Holyrood Government and we can do a lot more in trying to work together. I know there was a joint ministerial committee that was set up a number of years ago and I was trying to find out some information on that, just before we came down. My understanding is that it met once or twice, and there were all very good intentions and they agreed that they would work together but nothing really happened and they have not really met for a long while. Now that we are looking at welfare reform and we are at a stage where the Scottish Parliament is going into its third term in May, as far as we are aware most parties are committed to targets around eradicating child poverty, it is a shared commitment.

Q446 Mr Davidson: I understand generally that it is good to talk as it were, but what I am not clear about is how that process would add value in this area? Are there particular examples where the two Parliaments not having talked to each other have caused a particular difficulty?

Mr Hamilton: I do not know if it is necessarily causing difficulty, but what we are missing are potential solutions there that could be put together.

Q447 Mr Davidson: Give me an example of how having a dialogue would add value?
Mr Hamilton: When discussions are taking place around welfare reform, for example, and we say what are the kinds of initiatives that are taking place at Westminster around welfare reform, and how to help people transition from benefits into work, we can get the Scottish Executive to make sure that any gaps that are maybe in those policies are identified, or any strengths that can be really capitalised on in developing policies in Scotland. I am convinced that there are other ideas out there, there are new ideas that we need to be looking at on how we can tackle and reach the poorest families, and by combining resources and combining the focus and attention on that, we may be able to start to unpick some of that. Maybe I am too optimistic, but I really feel there is a lot of value in pursuing that.

Q448 Ms Clark: Going back to Child Seasonal Grants, have you calculated how many children in Scotland would benefit from the introduction of those grants, and at the levels that you have suggested have you worked out how much it would cost the Chancellor of the Exchequer for introducing such a measure?
Ms Telfer: UK-wide it is £1.46 billion and the UK-wide figure for that is lifting 440,000 children out of poverty, and in Scotland we would estimate that to be about 45,000.
Mr Hamilton: What we are saying is that we reckon 45,000 children in Scotland would be lifted out of poverty and we also reckon that the benefits would reach about 300,000, we are looking at a threshold level of people who would receive seasonal grants would be those in receipt of income support or in receipt of jobseeker's allowance or the maximum working tax credit. We are roughly talking about 300,000 children who would benefit in Scotland.

Q449 Mr Walker: The cost of that would be?
Ms Telfer: We do not have the cost just for Scotland. The UK-wide cost is £1.46 billion.
Mr Walker: If I can put that in context, that would be like lifting the threshold at which people start paying tax by £150. We start paying tax at around £5035, so it would be the equivalent of lifting that by around £150.

Q450 Ms Clark: In your submission you also give a number of ways that the UK Government could specifically alleviate poverty, and one of the examples is a more flexible benefits system. Can you actually outline what you mean by that and what it is that you want the Government to do to make benefits more flexible?
Mr Strelitz: One of the things that is clearly a risk for many families in severe poverty, which our research has emphasised, is the point of transition into and out of work. People on low incomes tend not to go from out of work into experiencing regular, nine to five work, they go much more into part-time work, unsociable hours, shift work, et cetera, and also coming in and out of work so experiencing the kind of low pay no pay cycle. The benefits system is not really set up to allow people to move in and out of work. For example, housing benefit is a significant problem for people, the way it is administered, and it is a cause of many people going into debt as they either wait for their housing benefit to come through or they get housing benefit overpayments and then are forced to pay back some of that benefits. It is necessary, therefore, for there to be simplification of benefits around things like housing benefit, but there is also potential for helping people move back into work. For people who have been out of work for a significant period of time, moving back into work should be a slow and gradual process and the benefits system can do more to allow people to keep some of their benefit income whilst they move into work, doing a few hours a week, and support that gradual reintegration into the labour market. Those are a couple of areas that we would look to.

Q451 Ms Clark: There is quite a lot of regional variation at the moment in terms of how the Department of Work and Pensions operates and the job centre operates. For example, in my area Pathways into Work was just brought in at the end of December so it is really only just beginning to operate; do you have a view in terms of whether more recent Government initiatives are making a difference? Is that something that you have looked at, because this is an issue that has been raised previously by a number of organisations but they have not necessarily been aware of some of the initiatives that are coming in. I just wondered if that is something that you have given consideration to.
Mr Strelitz: The one area where we are aware of some improvement is around tax credit administration, where there have been some improvements, but it should not be under-estimated on the grounds that the problems tax credit administration has had in terms of people's fears and even engaging with the system at all mean there is a lot of work to be done to rebuild trust in that kind of system, and the fears of people on benefits and out of work are important. Moving into work can, for many people, mean increases in their incomes, but with people's concerns about the benefits system, with tax credits, with housing benefit, with what will happen to their income support, at times people prefer the security of a low income that they know they will get to the risks of an inflexible benefits system, an inflexible tax credits system and difficulties around the low pay no pay cycle. For parents with young children moving back into work, they cannot afford to take those kinds of risks so there is a real responsibility to try and create a more simplified, more transparent and understandable benefit and tax credits system so that parents can feel more secure moving from benefits into work.

Q452 Danny Alexander: I have to say that having visited Scotland and met with distinguished people like yourselves, I am increasingly of the view that

people just start paying taxes at too early a stage. It seems madness to me that someone earning the minimum wage, for example, is paying income tax and national insurance on that wage and then having the money laundered back to them, for want of a better word, in the form of tax credits. It just seems wildly inefficient. I am trying to be non-partisan on this because I am sure as politicians we have different ways of deciding how we would fund that if there was an increase in the threshold, but I would be interested to know what your views are on that.

Mr Strelitz: I would not give a particular view on the tax threshold, but what I would say is that there is no doubt that the kind of effective marginal tax rate faced by people on low wages is far too high, so whilst Government policy has been very successful at creating the incentives for people to move from being out of work and into work, there are major barriers existing for people to move from lower pay to higher pay, to increasing their number of hours, to taking on a promotion with extra responsibilities and extra pay when actually in their pocket they will see a very, very low increase in what they take home. We have created a new issue around in-work poverty and difficulties of stepping up a ladder from a position of receiving low pay.

Q453 Mr Davidson: May I ask about the national minimum wage and whether or not you have an attitude as to the level that would be appropriate?

Mr Strelitz: Obviously we are very supportive of the national minimum wage but we do not have a view right now of the level that we think it should be set at.

Q454 Chairman: You state that gypsy and traveller children are particularly vulnerable and I am sure you will appreciate that it is very difficult for local councils and health authorities to keep tags on such families who are continually on the move. Does Save the Children try to impress on gypsy and traveller parents the need to ensure that their children do have access to education and health services?

Ms Telfer: In Scotland we have been working with the gypsy and traveller community for over 20 years and we do work with them in terms of education and health services. One recent example of something we have done with communities in Scotland is to produce a handheld health record whereby families or individuals can carry that record with them rather than GPs holding records when families are moving around, which obviously makes it easier for them to access health services. In terms of education that is a difficult one because there are different views on whether formal education is supported within the gypsy and traveller community, so we need to look at more informal types of learning and not just school education, but widen out access and think about other ways in which we can support gypsy and traveller families in terms of their education and support more informal learning as well within our communities.

Mr Hamilton: The experience as well of gypsy and traveller families around these sorts of issues in terms of benefits is going to be the same for other parts of the community as well. As Claire says, we have been working with the gypsy and traveller community for twenty-odd years in Scotland and part of that work has been around benefits advice. Despite child benefit being the most universally claimed benefit, the most widely taken up benefit, we are still finding families that were not aware or were not able to access or claim that type of benefit. The other angle that we are coming from is that we are talking about how these families can access some of the advice that is actually available at the moment, and sometimes the systems are in place but they do not always work. If you are in a rural area then the only kind of way that you can make an appeal is a phone line that you have to call and, as you are aware, there are vast areas of Scotland that still do not have mobile phone reception, with decreasing levels of public phone services or whatever, which actually makes it very difficult for people to engage with the systems that are in place. That is not just for the gypsy and traveller community, it also highlights some of the issues which are facing other groups that may be living a more rural or more transient lifestyle.

Q455 Mr Davidson: Could I clarify three points if I could? The first is your point on the 50p issue as it were and then what you said subsequently. I am not clear what you are saying to us that we should do about all that because we have to draw up a report at the end of this and then recommend something and so on. Apart from saying slit your wrists it is all hopeless, what are you suggesting? That is the first point and maybe I will just take them in series.

Mr Hamilton: What we are suggesting is that we are at the stage where in some ways we are going to be able to report and cover what exactly the reality of our experience is from a lot of children and families. What we would be looking for service providers to do—and it is not just Government, there is going to be voluntary sector providers, public sector providers at local authority level and some private sector providers—is to reconsider how it is that they provide services and how young people can access those services by tackling not just the barriers of entry costs but looking at the other barriers that may exist for low income families et cetera, how they may access that, how do they get there and other issues about how they are set up. There is probably very little in some ways directed towards what is within the Government's powers around that, there is a lot more around what is going on at a local level and how local service providers actually deliver their services.

Q456 Mr Davidson: You are producing something on this are you?

Mr Hamilton: Yes, research will be produced in April. We have been doing this research for the past two years.

Q457 Mr Davidson: Maybe we could be sent that when it is issued.

Mr Hamilton: Absolutely we will do that for you.

Q458 Mr Davidson: The second thing is part of what you said when you talked about the cycle and how poor families reap poor families et cetera. How do we break that cycle?
Mr Hamilton: One of the most depressing things when we were talking to young people about this was actually the whole level of aspiration that exists within children who come from low income households. If I was to pick anything at all, that would be the key thing. How can we work with children and young people and families in severe poverty to increase their aspiration, show them that actually there is a different—

Q459 Mr Davidson: How do we do that?
Mr Hamilton: We are working on a programme just now to start looking at how we can address that and what we can contribute towards that debate. The way we are going to be doing that is by targeting the work, so working with the most deprived communities, looking at children in those situations and asking what other things go on with more affluent children, for example, to help them, encourage them to be aspirational and look towards the future.

Q460 Mr Davidson: Middle class parents.
Mr Hamilton: Parents are a key issue, absolutely, and that is going to be one key thing. The other key thing is that ability to be successful in something, to try new things and to be successful. One example we are exploring just now is around young enterprise schemes, for example, which have been very successful in relatively middle class schools. If you look at the list of schools that come up with these schemes, could we not be doing more to try and encourage such children in lower income households to access these things at an early stage in their lives and show how they can come up with an idea, how it can be developed and how they can make some money from it and what they can then achieve in the future. The challenge for us within that is actually reaching the kids to get them involved. These are the sorts of things we can do to try and help raise the level of aspiration.

Q461 Mr Davidson: We have also been looking at the question of role models, so you might say to a school in this area "Did you know that X, Y and Z have come from here and managed this, that and the other"; we find that not unsuccessful. The third point I want to ask relates to your paper where in 5.6 you are basically saying more money for large families. It seemed to me that there was perhaps a perverse incentive in that in that the assumption there is that if you give them more benefits, the argument would be from a lot of my constituents is that that is simply encouraging fecklessness, and if you are giving more money to people who either cannot or will not control their fertility then you are not only making it more difficult for them to move into employment because the hurdle to be jumped is higher, you are providing an alternative lifestyle and all the rest of it and that that is something that is likely to undermine support for the benefits system as a whole, if that is how it is seen to operate. How do you respond to that?
Mr Strelitz: I would challenge your constituents as to whether that is how most people operate and that is how most people live. I do not think people generally have more children so that they can have more benefits, the levels of benefits that people in large families subsist on are very low and it is an incredible struggle to make ends meet. We are talking about large numbers of people who do have large families really struggling and there is a great need to support their incomes further. There is a lot of prejudice around groups living in poverty and disadvantage; many large families experiencing poverty are from ethnic minority backgrounds where they have a tradition of large families and that is not about fecklessness, that is about the kinds of cultures and traditions that they come from. We need to support those kinds of families' incomes.

Q462 Mr Walker: Just picking up on what Ian said, of course there is a role for the state to play in supporting people but actually there is a role for personal responsibility as well somewhere in this equation, surely, because we cannot have a victim society, we actually have to demonstrate to them that they can impact and change their circumstances. That can be very difficult and I am not diminishing the fact that if you are in some of these places where everything around you is in decay it is very difficult to change your circumstances, but we must provide people with hope that changing their circumstances is and does remain within their power as well.
Mr Hamilton: I would totally agree, the personal responsibility is within them. What we are trying to advocate is that we should provide the circumstances and the support structures where people can exercise that personal responsibility for the benefit of their children. Looking at some of the parents that we talked to as part of our research on the seasonal grants, all of the people we spoke to were parents who could be described as living in poverty and that level of personal responsibility was very, very keenly demonstrated in the responses to our questions.

Q463 Mr Davidson: I understand that, but there are those in my community who would say to me that if people have two children and they are finding financial difficulty in maintaining their children and keeping themselves, is it responsible for them to go on and have another three when all that does is exacerbate the financial problems that they have? If they decide that they are going to have another three, is that then the responsibility of the rest of us to meet the costs of that? How do you respond to that?
Mr Strelitz: I just do not think that that is the core issue that we are facing in terms of tackling poverty. Large numbers of families living in poverty have small numbers of children, 50% of children—

Q464 Mr Davidson: I understand all that, I was addressing in particular your point in 5.6 where you are saying extra money for bigger families.
Mr Hamilton: Hopefully around that point the research that we are referring to is pointing at particular groups that are more at risk of living in severe poverty. Large families are one of the groups but we are also talking about families that have a disabled parent being at particular risk. We have talked about the transition between work and benefits and families in situations—

Q465 Mr Davidson: I understand these other issues, I do not quite understand the logic of this one though, that is the issue that I am pursuing. I can understand the issue that it does not apply to most families, I understand the issue of a disabled parent and so on, I am just seeking clarification as to how you would respond—I know what would happen in my area if it was clear that additional benefits were available at a higher level or the same level for more children. If that is then what happened you would have a situation where there would be a kickback, there would be a reaction to that and it would undermine the credibility of the whole system.
Mr Hamilton: We are not talking about additional benefit, it is more in terms of equalising child benefit, which would have a disproportionate impact on larger families effectively because there are more children there, but it would equally have an impact on families living in poverty who have two children or three children. There is a system just now where the first child gets more than the next child and it would cost relatively little; we costed it out as being £1.7 billion to equalise the rate of child benefit but it would have a significant impact on, in particular, children living in poor situations.
Mr Strelitz: We are talking about £5.70 extra per child per week. It is not very much money to incentivise someone to go out and have another baby.

Q466 Chairman: Can I thank the witnesses for their attendance. Before I declare the meeting closed would you like to say anything in conclusion; is there anything we have not covered?
Mr Strelitz: There is one thing I would like to add on the earlier question about the cycle. Douglas gave an answer and I want to add that we have not spoken much about education today. One of the keys to ending the cycle is that we need an absolute revolution in our education system, starting from the early years.

Q467 Mr Davidson: Why have we failed up to now? What exactly do you mean?
Mr Strelitz: Compared to other countries I do not think we invest enough resources in education, too much we concentrate children from different backgrounds in the same schools and create huge barriers for children in schools which have concentrated amounts of disadvantage, where it is very difficult for teachers to teach and to give the children there a quality education. We have a legacy of children leaving school at 16 which leaves us way down the league table in terms of the amount of years and the age at which children leave school that we need to address urgently. We need to bring children and parents together in the early years to start to address their cognitive and child development issues; there is evidence that at 22 months the social class already predicts differences in children's ability, and from that point the differences widen, so we need to start early, invest heavily and really give children the opportunity to thrive. Unless there is an enormous turnaround in that we are not going to be able to address these issues.
Mr Hamilton: I just wanted to finish off because it was the last line in our submission and it is important that we tried today to reflect what children and young people have told us and to represent their needs and their interests. They had asked Save the Children to "Make everyone aware that it is everyone's responsibility to ensure children have their rights". I hope that we have been able to show that we can have a joint responsibility, everybody has to take responsibility on that. One quote to finish off is that a young person told us that what we need to do is fund more things for poor families to do, it is no good if there is something good to go to and do if nobody has any money to do it.
Chairman: Thank you, I am sure your evidence will be very helpful and useful when we compile our report. Thank you once again.

Tuesday 20 March 2007

Members present

Mr Mohammad Sarwar, in the Chair

Ms Katy Clark
Mr Jim McGovern
Mr Angus MacNeil
David Mundell
Mr Charles Walker

Memorandum submitted by the Child Poverty Action Group in Scotland

1. Executive Summary

- There has been significant progress in tackling child poverty since 1997 following policy action from both central and devolved government. However child poverty in Scotland, as across the UK, remains extremely high in comparison to adult poverty, in relation to other European countries and compared to the pre-1979 era.
- UK Government and Scottish Executive policy to tackle child poverty has focused on increasing the employment rate and targeting additional support at low income families. There has been limited focus on tackling underlying income inequalities.
- This submission argues that there are dangers in over-focussing on work as the solution to child poverty, particularly where the quality of employment opportunities is not adequately addressed, and where such a focus is not accompanied by action to tackle inadequacies in the benefit safety net for those who are unable to work. There are also limits to the impact highly targeted approaches to providing additional support to families can make on child poverty rates.
- CPAG in Scotland argues that for further progress toward the eradication of child poverty in Scotland government policy at UK and devolved level needs to:
  - focus on tackling the low pay, insecurity, discrimination and family unfriendly practice that too often make work an ineffective route out of poverty;
  - balance the focus on work with increases in the benefit and tax credit package for families who are not in a position to undertake paid work;
  - balance the drive to target resources with the need to ensure support reaches all families that need it, for example balancing investment in tax credits with investment in child benefit, working toward a universal approach to providing childcare free at the point of delivery, and building on improvements in the nutritional quality of school meals with a shift toward universal free provision;
  - seriously consider the role underlying income inequalities play in undermining further progress toward eradicating child poverty.

2. Context

2.1 CPAG in Scotland, as part of the Child Poverty Action Group, welcomes the Scottish Affairs Committee inquiry into Poverty in Scotland. CPAG's particular concern is with child poverty and our submission reflects that focus. However, as our evidence makes clear, child poverty cannot be tackled in isolation from adult poverty.

2.2 Child poverty in Scotland, as in the rest of the UK, remains extremely high. In recent historical terms, in relation to other European countries, and compared to adults, children in Scotland face unusually high risk of poverty. Nearly one in four are officially recognised as poor, compared to 18% of the population as a whole and almost double the 1979 rate.[1] Moreover Scotland's children are more than twice as likely to be poor than their peers in Scandinavian countries.[2] (See appendix for a fuller discussion of the definition and measurement of poverty).

2.3 Yet whilst child poverty remains high, the number of children in poverty has been decreasing. Unprecedented government commitments to eradicate child poverty within a generation, and policy action from both Westminster and Holyrood to support those commitments, are having an impact. This provides an important lesson for anti-poverty ambitions generally, that, with political will and investment, policy can reduce poverty.

[1] http://www.scotland.gov.uk/Publications/2006/03/08155404/0 and Poverty: the stats; CPAG, 2006.
[2] *See* J Bradshaw, A review of the comparative evidence on child poverty, JRF, 2006 Figure 2.

2.4 Yet thousands of our children continue to miss out on the basics; on adequate clothes and shoes, on healthy food, on educational opportunities and on the social activities that bind children to their families, friends and wider communities and that allow them to develop to their full potential. Poverty continues to grind down the quality of children's lives and stunt their life chances.

3. Recent Child Poverty Policy

3.1 Three key principles have underpinned child poverty policy within both central and devolved government. First, paid work is viewed as the key route out of poverty; second, targeting is seen as the most effective way of providing additional support to families; and third, there has been an underlying assumption that eradicating child poverty is possible without significantly challenging underlying income inequalities.

3.2 Increasing the numbers of parents in work is at the heart of central and devolved government strategy to end child poverty. At UK level policy has focused on increasing the numbers of people in work by promoting economic growth, the New Deals and reforming the welfare system. Rights to benefits have increasingly been accompanied by support to engage with employment, but also a stress on responsibilities, accompanied by compulsion and threat of benefit sanction. The UK government has taken action to make work pay by introducing the minimum wage and increasing in-work support through the working tax credit. Financial support to families, both in and out of work, has also been increased through the child tax credit.

3.3 Increasing employment is also at the heart of Scottish Executive policy to tackle poverty. The first of the six objectives in the Scottish Executive's Closing the Opportunity Gap (CtOG) strategy to tackle poverty is to "to increase the chances of sustained employment for vulnerable and disadvantaged groups".[3] Specific work-focused Scottish Executive child poverty policy initiatives include the Working for Families fund, targeting resources to help parents, particularly lone parents, toward employment by overcoming childcare problems. A further strand in devolved policy has been the Hungry for Success programme seeking to improve nutrition and uptake of school meals as part of a wider health inequalities agenda.[4,5] There has, however, been no use of the Scottish Parliament's power to vary the basic rate of income tax or to reform local taxation.

4. Child Poverty Policy to Date: A Brief Critique

4.1 The key factors behind recent reductions in child poverty have been both rising employment levels and the development of means-tested tax credits aimed at families both in and out of work. Tax credits are a key lever behind the reduction in child poverty, despite the well publicized failings in the system and hardship too many claimants have faced through no fault of their own. There has been a limited redistribution of income to the poorest, but within an overall policy environment that has not challenged the incomes of the richest.

4.2 Targeting support at children through child tax credit has also increased incomes for families where no-one is working. However the decline in the value of adult benefit rates in relation to average incomes has contributed to a severe "poverty gap", of up to £148 a week, between a families benefit and tax credit income and the poverty line.[6] Furthermore, one out of five entitled families, including one in ten of the most deprived, miss out on tax credits worth £110 million in Scotland alone.[7] The decreasing value of adult benefit rates, particularly as they effect women's ability to maintain health and well-being in and before pregnancy, also impacts on children's life chances.[8]

4.3 Despite the minimum wage and tax credits, low pay (combined with job insecurity, lack of flexibility for working parents and sparse in-work support for those with disability or long term illness) continues to undermine work as a route out of poverty. Nearly a quarter of children living in poverty are in households where an adult is working full time,[9] whilst a couple with two children where one works forty hours a week for the minimum wage and who receive full benefit and tax credit entitlements are still left £50 per week below the poverty line.[10] Furthermore 30% of low pay in Scotland is within the public sector[11] over which devolved and central government have direct responsibility. Despite policy action aimed at improving employability and in-work progression the Scottish Executive has not grappled head on with poverty pay,

[3] http://www.scotland.gov.uk/Topics/People/Social-Inclusion/17415/opportunity.
[4] http://www.scotland.gov.uk/Topics/Education/Schools/HLivi/schoolmeals/hungry-for-success.
[5] CPAG internal analysis.
[6] CPAG press release 6 March 2006.
[7] http://www.jrf.org.uk/conferences/centenary/pdf/understandingandovercomingpoverty.pdf p18.
[8] http://www.dwp.gov.uk/asd/hbai/hbai2005/excel—files/chapters/chapter—4—excel—hbai06.xls£'4.4 BHC & AHC'!A1.
[9] http://www.jrf.org.uk/conferences/centenary/pdf/understandingandovercomingpoverty.pdf p20.
[10] Defined as less than 6.50ph see http://www.poverty.org.uk/reports/scotland%202005%20findings.pdf.
[11] http://www.scotland.gov.uk/Topics/People/Social-Inclusion/17415/CtOG-targets/ctog-target-f.

whilst UK minimum wage policy leaves many families below the poverty line. Low pay is not the only driver of in-work poverty but Government is failing to resolve the irony of promoting progressive anti-poverty strategies on one hand whilst paying low wages on the other. Affordable childcare provision is another key to overcoming barriers to employment. Despite significant improvements childcare is still not accessible to many families in Scotland with a patchwork pattern of provision reflecting national targeting of resources and local prioritisation.

4.4 Devolved policy to tackle poverty by improving the school attainment levels of the most disadvantaged, and so tackle the deficit of opportunity they face, has had little impact to date[12]. Furthermore there is, as yet, no clear means of evaluating the impact of targeting support at integrated children's services and on children leaving care on child poverty generally. The Hungry for Success approach to improving child health through school nutrition has improved quality, but a highly targeted means-tested approach leaves an estimated 77,000 of those children officially recognised as living in poverty without a free school meal.[13]

4.5 In Scotland child poverty is falling in line with initial UK government targets (see A4 below). Yet extensive analysis shows that relying on current policy would see progress grind to a halt.[14] For families furthest below the poverty line progress is much more limited.[15] Policy simulation suggests that further impact of rising employment on child poverty is likely to be limited[16] and evidence, particularly from people experiencing poverty, indicates an overemphasis on paid work, too often of low quality, may actually damage the lives of children growing up in poverty by exacerbating the impact of parental ill health and disability and increasing family stress.[17] Nevertheless Ministers remain confident in their focus on work as the solution to poverty as can be seen in proposals for Welfare Reform.[18]

4.6 However CPAG has serious concerns that the potential benefits of increased support to enter work for those affected by long term illness and disability, and those with caring responsibilities, as outlined in the Governments Welfare Reform Bill, are at risk of being undermined. A lack of resources to support the roll out of the Pathways to Work approach, an over-emphasis on compulsion and associated sanctions, and the restructuring of benefits for sick and disabled people risk leaving many claimants on sub-poverty payment rates. The level of proposed new sanctions will be prescribed in regulations but the Green Paper refers to benefits being reduced down to JSA levels. Yet three quarters of children in a family receiving JSA are currently left in poverty. The impact upon sick or disabled claimants, who face significant extra living costs, is likely to be much worse. It is not just those at risk of being sanctioned that face sub-poverty benefit payments. It is proposed that claimants of the new Employment Support Allowance (replacing incapacity benefit) are placed on a "basic allowance" in line with Jobseeker's Allowance (JSA) rates whilst their capability for work is being assessed. It seems inevitable that placing sick or disabled people on JSA rates will actively plunge a particularly vulnerable group of people—and their children—into poverty.[19]

4.7 The limitations of targeted approaches to tackling child poverty are also becoming apparent. Far too many families in poverty miss out on, or have to repay, vital tax credits; parents are still unable to access affordable childcare because they fall outwith current targeted initiatives; and tens of thousands of poor children don't receive free school meals. A 2005 UNICEF report on Child Poverty in Rich Countries[20] highlighted the problem targeted social expenditure creates across the developed world and concluded that benefits universally provided, though apparently more expensive, can avoid the poverty traps targeting creates.

5. Toward the Eradication of Child Poverty

5.1 CPAG believes a number of policy shifts are needed if further progress is to be made toward abolishing child poverty in Scotland.[21]

5.2 First, action to increase the employment rate of parents needs to focus on tackling the low pay, insecurity, discrimination and family unfriendly practice that too often makes work an ineffective route out of poverty.

5.3 Second, the focus on work needs to be balanced by increases in the benefit and tax credit package for families who are not in a position to access paid employment.

---

[12] CPAG in Scotland internal analysis. 23% of children are living in poverty (see Note 1 above) yet only 13% get a free school meal (see http://www.scotland.gov.uk/Publications/2006/06/05141444/1).

[13] D Hirsch What will it take to end child poverty? Firing on all cylinders, JRF, 2006.

[14] http://www.savethechildren.org.uk/scuk—cache/scuk/cache/cmsattach/3794—BPC2Briefing.pdf.

[15] D Hirsch What will it take to end child poverty? Firing on all cylinders, JRF, 2006.

[16] see G Preston (ed) A route out of poverty?, CPAG, 2006 and Payne, L Unequal Choices, ECP, 2006.

[17] See http://www.dwp.gov.uk/welfarereform/legislation—green—paper.asp.

[18] For further discussion of CPAG's concerns in relation to welfare Reform see G Preston (ed) A route out of poverty?, CPAG, 2006.

[19] See Unicef Innocenti Report Card 6, Child Poverty in Rich Countries, Summary, at www.unicef-icdc.org/presscentre..

[20] Further details of CPAG's policy demands can be found in our Manifesto Ten steps to a society free of child poverty, CPAG, 2005 download at www.cpag.org.uk/scotland.

[21] F Bennett with P Dornan, Child benefit: fit for the future, Child Poverty Action Group, 2006.

5.4 Third, the limits of targeted approaches need to be recognised. Policy needs to rebalance the need to target resources with the need to ensure support reaches all families that need it. Further increases in tax credits need to be balanced by investment in child benefit to ensure financial support reaches children whatever other fluctuations in household income, employment status or relationships occur.[21] Childcare strategy must build on current patchwork improvements toward a policy of universal childcare, free at the point of delivery. Similarly school meals policy needs to build on the improvement in nutritional quality toward a more universal free school meal approach.

5.5 Finally, given that those countries that have low levels of child poverty also have more equal income distribution,[22] consideration of the role income inequality plays in undermining progress in tackling child poverty is urgently needed.

APPENDIX

DEFINING AND MEASURING POVERTY

A.1 CPAG, alongside most UK commentators, accept Townsend's definition that "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged and approved, in the societies in which they belong."[23]

A.2 Three key issues should be drawn from this conceptualisation. First resources can come through both incomes and services. However the marketised nature of Scottish society means that income is central to discussions about poverty. Second, poverty is relative to the needs and wants of the wider society. This means that poverty in Scotland is a qualitatively different thing to that in the global south. Thirdly; poverty in Scotland in the 21st century is not only about survival and minimum subsistence to avoid starvation, it is about a standard of living that allows participation within society.

A.3 Approaches to the measurement of poverty vary significantly and studies often combine measures. Commonly used approaches include measures of income poverty and position in relation to an income threshold; measures of material deprivation; measures of numbers claiming key means tested benefits; measures of occupational background or socio-economic classification; and measures of those living on levels below a defined budget standard.[24]

A.4 Government at UK and devolved level has used a relative low-income approach to measure progress in reducing child poverty. Children have been considered to be in poverty where they are living in households with less than 60% of the median income before and after housing costs are taken into consideration. Between 1998–99 and 2004–05 policy delivered a reduction in child poverty across Great Britain of 17% from 4.1 to 3.4 million after housing costs (AHC) and down 23% from 3.1 to 2.4 million (before housing costs (BHC) (both falls well short of the 25% target).[25] Using the same measure child poverty in Scotland fell over the same period by 25% from 320,000 to 240,000 after housing costs, and by 34% from 290,000 to 190,000 before housing costs.[26]

A.5 The Government has announced three new measures of child poverty to replace the existing measures. These are absolute low income (counting children living in households with a before housing costs income of less than 60% of the 1998–99 median income); relative low income (counting children living in households with a before housing costs income of less than 60% of the contemporary median) and material deprivation and low income combined (counting children in households with a before housing costs income of less than 70% of the contemporary median *and* lacking and unable to afford defined material necessities.

A.6 before housing costs income of less than 60% of the 1998–99 median income); relative low income (counting children living in households with a before housing costs income of less than 60% of the contemporary median) and material deprivation and low income combined (counting children in households with a before housing costs income of less than 70% of the contemporary median and lacking and unable to afford defined material necessities.

A.7 CPAG is concerned that BHC data is a less effective measure of income poverty than AHC data, since it takes no account of the costs of housing which bear particularly heavily on families with children and which both significantly reduce disposable incomes whilst affecting work incentives through housing benefit. Both before and after housing cost data include housing benefit as income but only the latter deducts for actual money spent on housing. The effect of the additional housing benefit for those entitled to it reduces poverty rates by increasing BHC income, even though families see none of this income and no improvement in their children's quality of life.

---

21 F Bennett with P Dornan, Child benefit: fit for the future, Child Poverty Action Group, 2006.
22 B Jackson and P Segal, Why Inequality Matters, Catalyst, 2004, p16.
23 Townsend, P, Poverty in the United Kingdom, 1979, p 31.
24 See Poverty: the stats; CPAG, 2006.
25 See Poverty: the stats; CPAG, 2006 Figure 1.
26 See http://www.scotland.gov.uk/Publications/2006/03/08155404/0 Table 4.

A.8 The third measure, material deprivation and relative low income combined, has not yet been defined, but a PSA is promised to halve this measure by 2010–11 in line with the relative income level. CPAG believes this new measure needs to pick up those children redefined as not poor by the shift away from using after housing cost data and for its baseline to be set in line with the numbers of children previously counted as poor under the after housing cost relative low income measure.

John Dickie
Childer Poverty Action Group

October 2006

Witnesses: **Mr John Dickie**, Head, Child Poverty Action Group (CPAG) Scotland, and **Dr Paul Dornan**, Head of Policy, Child Poverty Action Group, gave evidence.

Q468 Chairman: Good afternoon and welcome to our inquiry into poverty in Scotland. Would you please introduce yourselves for the record.
Mr Dickie: My name is John Dickie, Head of Child Poverty Action Group in Scotland.
Dr Dornan: I am Paul Dornan, Head of Policy and Research at Child Poverty Action Group.

Q469 Chairman: Before we start on the detailed questions, would you like to make an opening statement?
Mr Dickie: Yes, I suppose just to give a wee bit of background to what we do and where our evidence is coming from. We, at CPAG in Scotland, are a fairly small team of seven people involved in various activities, firstly, trying to raise awareness of the issue of child poverty, secondly, looking at influencing policy both at the Scottish Parliament, but also contributing to influencing policy at Westminster here in the interests of children and families experiencing poverty, and finally what most of our staff are involved in doing is providing expert advice on benefits and tax credits to front-line advisers across Scotland, sort of training advice, information and support to ensure that families facing poverty get the full benefit and tax credit entitlements that they are entitled to. We work closely with CPAG in London and mirror the kind of activities that CPAG is involved in. CPAG was established over 40 years ago, so it is a kind of sobering thought for us as campaigners that 40 years on we are still here in a situation where nearly a quarter of Scotland's children are living in poverty, but hopefully sobering for Members of Parliament as well. I think it is particularly useful and we very much welcome the fact that the Scottish Affairs Committee is willing to give this kind of time and interest into looking at how we can tackle that poverty. I think the timing is particularly useful in that we will have a new Prime Minister likely in the summer here at Westminster, but also a new term of the Scottish Parliament.

Q470 David Mundell: And a new First Minister.
Mr Dickie: I just said a new Scottish Parliament, but the make-up of that, I do not know. We also have, I think, for the first time a real cross-party consensus that child poverty exists, that it is unacceptable and that it must be eradicated and eradicated within a generation. It is absolutely vital that that new Government, at both UK and Scottish level, understands the policies that are needed to make poverty a thing of the past and understands the different roles that devolved and central government need to play if we really are to bring an end to poverty, so we really hope that the timing of this Committee's report will play an important role in actually contributing to an understanding of those policies and the different roles and the different layers the Government needs to play. Another thing I would like to flag up is that since we submitted our written evidence, we have published, in quite a powerful collaboration with Poverty Alliance, the Scottish Poverty Information Unit at Glasgow University and the Open University, a book, *Poverty in Scotland*, which was just launched a couple of weeks ago with the First Minister speaking at that event in Scotland. It lays out in quite stark terms the extent, nature and impact that poverty has on people across Scotland, it covers not just child poverty, and it also reinforces some of the key messages and makes clear some of the key issues that we wanted to raise in our previous written evidence to the Committee, issues around needing to tackle the quality of work as well as increasing the numbers of people in employment, the need to balance an emphasis on work as a route out of poverty with a need to ensure that we are investing the right amounts of money in benefits and tax credits to protect those who for a reason cannot work, that we get the balance right between policies that target and policies which are provided on a universal basis, both Westminster policies and devolved policies, and also that we need to be recognising the underlying role that inequality plays in driving down the levels of poverty that we see in Scotland and across the UK. Those messages come out in the book and we have a copy here for the Committee and we can send copies to individual members as well.

Q471 Chairman: Dr Dornan, would you like to say anything?
Dr Dornan: No, I will not add to what John has just said.

Q472 Chairman: I am very pleased to note that in your submission you have praised both the UK Government and the Scottish Executive for their political will and investment which have led to a reduction in poverty, so what are those policies of the UK Government and the Scottish Executive which you think have helped to tackle and alleviate poverty?

Mr Dickie: Firstly, what has helped is actually the recognition that poverty exists in Scotland and across the UK and that it is unacceptable and it needs to be eradicated, and I do not think we should underestimate the significance of that as we have not always had governments that have recognised poverty in that way and not only recognised it, but set quite specific targets for measuring progress for reducing, and eradicating, child poverty. We do not think those targets are fast enough or that they go far enough, but they are ambitious targets and need to be recognised, and the fact that progress has been sustained towards those targets is important. I think the other particularly important thing is that both have contributed to driving a change in culture perhaps which means that we do have this cross-party consensus on the importance of ending child poverty. In terms of specific policies, the UK Government has recognised policies that have led to rising employment levels, the investment in the New Deals, increased support to people to enter employment, the minimum wage, and increasing in-work support through working tax credits and child tax credit has played an important role in actually seeing the reductions in child poverty that we have seen, but also support to families both in work and out of work through the child tax credit and also the initial increases in child benefit all played an important role at the UK level in driving the reductions in child poverty that we have seen. In terms of the Scottish Parliament, the Scottish Executive, we have seen a complementary focus on employment and employability, and we have seen, I think, some quite interesting and specific initiatives about reaching out to some of those furthest from the labour market through the New Futures Fund which worked through voluntary sector agencies to reach some of those who were most disadvantaged and furthest from the labour market, and it did that by building up trust with those people. It was very much about voluntary engagement, recognising just how far people actually had to travel before work was a serious option for them. More recently, we have seen initiatives around the Working for Families Programme from the Scottish Executive which again is about removing barriers particularly to parents which are stopping them getting back into work and looking at a whole range of barriers, not just childcare, but a whole range of issues that people face who have been out of work for a long time and who maybe face additional barriers to do with health or what-have-you. In fact in the Scottish Executive they do have a strategy for tackling poverty generally and they have actually welcomed outside expertise and involvement in contributing to ideas for tackling poverty. These are the things which we would praise and very much welcome and I hope we will have a chance to get on to say what more we think needs to be done because I think what we are seeing is that these policies in themselves have led to real reductions. We have seen 130,000 lifted out of poverty in Scotland and we should not look away from that, but the scale of the problem, the level of poverty that was there means that to really actually bring about an end to child poverty requires much faster progress and action much further and we are concerned that, if we just rely on current policy alone, we are likely to see progress literally grind to a halt and certainly not go nearly far enough in terms of reaching the target to halve child poverty and to eradicate child poverty.

Q473 Chairman: You will be aware that the Government has set the targets to halve child poverty by 2010 and to end it by 2020, but how realistic do you think those targets are?

Mr Dickie: I think it is important that we do see that they are ambitious, but they are realistic. There is no reason why these targets cannot be achieved with the political will and investment, but I think what we would argue is that it would require perhaps more will and perhaps more investment than we have seen to date, and in fact it will do. If we rely on current policy, then those targets will not be achieved and we do need to see a ratcheting up of investment and a focus on tackling poverty, but it is important to hold on to the fact that these are achievable targets. Other countries have child poverty rates that are, if not zero, approaching zero or they certainly have child poverty rates well below half of what we have in this country, so there is no reason that the successful, modern economy or country cannot have child poverty rates that are close to zero and that they cannot do that by 2020.

Q474 Mr Walker: Which countries have close to zero?

Mr Dickie: We are looking mostly at the north European countries, Scandinavian countries, Sweden, Finland and Denmark which have child poverty rates certainly well below 10% and some approaching 5%.

Dr Dornan: Yes, in that sort of order. I think one of the criticisms that is often made, and I think there was a bit of to-ing and fro-ing in the previous evidence sessions of this Committee, is around how realistic comparisons with the northern Europeans, the Scandinavian countries are. I think we see those as very important aspirational targets to look at, but, even if you were to look at some of the larger countries that we more frequently look at, I still think that other countries do things significantly better than we do, even if you are talking about the Germanys, the Frances, those sorts of larger countries. I think the other point I would add is that we often talk about comparisons in the sense of other countries as things are at the moment, but there is also the historical comparison within the UK. If I recall my figures correctly, at the UK level the after-housing cost and child poverty rate in 1979 was somewhere in the region of 14% and it sky-rocketed to 33% by about 1998. We have done much better in the past and I do not see any argument which logically stands up which says we cannot do it much better than we do at the moment.

Q475 Mr Walker: Can we look at our comparators, and I know we are talking about Scotland, but Scotland is still part of the United Kingdom, for the moment anyway! I am an English MP, I do not

know what goes on up north of the border most of the time under the covers! We are the fourth or fifth largest economy in the world, so let us look at our comparators because we are not Sweden, we are not Finland and we are probably never going to be Sweden or Finland, but we are the fourth or fifth largest economy in the world, depending on which figures you look at, so how do we compare with Germany, Japan, France and the USA?

Mr Dickie: If we look at Germany and France, they do substantially better than the UK in terms of child poverty rates. I do not have the exact figures off the top of my head of what the child poverty rates are in Germany and France, but they are substantially ahead. In terms of the USA, the child poverty rate is worse. They are the one country, or not the one, but they consistently come out worse than the UK.

Q476 Mr Walker: They are worse than us at the moment?

Mr Dickie: Yes, so what this roughly, I suppose, is telling us is where we should look for ideas, what kind of policies will work, what kind of government interventions, policies and employment market we want to promote. The direction we would say to look at is at those countries where the child poverty rates are a lot lower, and that is not to say that you can take the model of the country and implant it completely because obviously the history and the nature of different countries will be different, but in terms of where we look to for lessons and approaches, then I think it makes sense to look to the Scandinavian countries.

Dr Dornan: One of the issues which dominated the press headlines at least a couple of weeks ago was the UNICEF report on the well-being of children which profiled a series of countries and looked at conditions of various, including measures like income poverty, but various other measures as well. I think John is absolutely right to highlight the difference between where you look for examples because we consistently look often to English-speaking, Anglo-Saxon countries, Australia and America, and those countries were scoring consistently badly, as we were, across a range of different indicators. The northern Europeans, not just the Scandinavian countries incidentally, but I think, if I remember rightly, Holland seemed to do quite well, I am not quite sure why, but it did seem to do quite well, and I think those are the sorts of examples that we would feel are very important to look at. Indeed, if what we do is we narrow our own ambition by saying, "Well, this will always be bad and we must look to countries which also face very significant problems and poor child well-being", then we narrow our own opportunities actually to look at what else does work in those other countries. I accept the point entirely that they are not pure comparators, but I do not think that some of the other ones which fly around in the debate, Japan and France, I do not think they are pure comparators either, and I would not want to narrow our ambition by saying we only have to look at certain examples.

Q477 Mr Walker: A lot of it is tied up in the social-political model and the UK has a completely different social-political model, it seems, than Sweden, Finland and Norway have. I do not see any political party on the horizon that would change that significantly, the model we have. As you know, the main political parties are coalescing around the centre ground and the debate over taxation is really at the margins, and perhaps to go down the Swedish/Finnish route, we would have to have a sea change in society's view on how it felt about wealth redistribution and so on to support that. I am not saying that will not happen, but it does seem unlikely, given where we are in the political cycle at the moment, for that to happen.

Mr Dickie: I suppose part of our job is about changing attitudes, changing minds, and not just addressing politicians, but addressing wider society and saying, "What kind of country do you want to live in? Do you want to live in one where we continue to tolerate and accept the fact that a quarter of our children are living in poverty and are being excluded from the social activities and the opportunities that the majority take for granted?" We are saying that we need to really force people to think about that and that then needs to translate into pressure on politicians of all parties to try and set the tone and set the direction of how much we are willing to invest and what kind of investments we are going to make in particularly children and families in the case of tackling child poverty.

Q478 Mr Walker: I think you have absolutely crystallised the problem because I think that the message we seem to be getting back from the British public, despite what they may say, is that the answer seems to be yes, they are willing to tolerate it because, if they were not willing to tolerate it, things would be changing more quickly, and I am just playing devil's advocate here, but you must be very frustrated.

Mr Dickie: I suppose the positive side of it is that we have the Government and politicians of all parties now who obviously see that there is value in standing on a platform which says, "Yes, poverty does exist in the UK. Yes, that is unacceptable and yes, that can be eradicated within a generation", and politicians and different parties might have different approaches as to how to do that, but to have got that consensus, I think, suggests a shift not just in terms of political thinking, but a shift in terms of wider social thinking and a sense of what wider society thinks is acceptable.

Dr Dornan: If I could just add two things to that answer, the first is the reaction to the UNICEF report. There is lots of discussion about just exactly what the UNICEF report was, but I think that a lot of the press reaction to that was reflecting a genuine sense that actually conditions in which children were growing up in the UK were not acceptable. Now, if you try to crystallise that down to particular aspects, say, 60% of median income, that is very dry, that is much harder to defend, but I think there is a genuine appetite there and I think some of the reaction to UNICEF demonstrated that. The other point of

evidence which I would draw to your attention which you may have seen is the work which was done by the Fabian Commission on life chances a little while ago. I think one of the most interesting things about that was deliberative research with members of the public about what their views were on children's chances, and what that showed is exactly the situation that you outline in the sense that there is a great deal of resistance, there is a great deal of blaming parents, saying, "Well, poverty does not exist and, if it does exist, it is for this, this and this reason", but actually, if you start unpicking some of the reasons why children found themselves in poverty, some of the drivers for that, and also when you started showing what positive things could be done and that there was actually a target and there was some political consensus behind making that work, actually you get into quite a different discussion. I think this is exactly John's point about leadership, that there is a lot that can be gained and I would not accept for one moment that we have reached a sort of stalemate where we are where we are and we cannot make more progress; I think there is much more that can be done in building that public consensus.

Q479 Mr McGovern: In answer to the question about the targets to halve child poverty by 2010 and to eradicate it by 2020, John, you said that you felt that the targets were ambitious, but achievable. Can I just ask how you think the Government is doing so far?
Mr Dickie: I think as I said, progress has been made and in Scotland the target to reduce child poverty by a quarter was reached, as it was across a lot of the regions of England as well, although across the UK as a whole the target to reduce child poverty by a quarter by 2004–05 was missed, which just makes it more important that we do actually get the policies right in the next few years to make sure that we are on track and that we do hit that 2010 target. A core to the Government's approach has very much been about work and work being the route out of poverty and I think we very much recognise that work is a key route out of poverty, but providing parents with opportunities and support to get into work and not just get into work, but, once they get into work, to sustain that work is vital. I think we do have an anxiety that an emphasis on work and work alone without looking at necessarily the wider issues and the quality of that work means that there is a danger of progress kind of being undermined in the future if we are just looking at getting people into jobs. There are three areas or issues that we are concerned about, and one is the quality of work. It is important that we look at that, not just the headline employment rate which is high in Scotland and the UK, but international comparisons demonstrate that just having a high employment rate does not actually mean you will have a low child poverty rate because we have one of the highest employment rates and we also have one of the highest child poverty rates, so tackling some of the issues around the quality of work and making sure that moving into work is not just a route out of workless poverty into in-work poverty, but it is a genuine route out of poverty. We also need to address some of the issues around ensuring that we get the balance between parents' ability to access work and also their ability to parent and to take their caring responsibilities on board.

Q480 Mr McGovern: At the risk of sounding glib, anybody would say that any child poverty is unacceptable, but whilst you say that progress has been made, do you think that progress is acceptable? Do you think it is enough?
Mr Dickie: It is not enough as yet because we still have a quarter of Scotland's children living in poverty which is clearly unacceptable and it is unacceptable that we have to wait until 2020 to eradicate that, so the progress is welcome.

Q481 Mr McGovern: Is it speedy enough?
Mr Dickie: We would say no. We need to see progress faster, but also we need to see new policies that will ensure that the targets that we do have are met. I was going to go on and broaden out this issue, that it is not just about getting people into work, it is about investing in the benefits and tax credits system to support those people who are in work on low pay but also those people who for whatever reason, caring responsibilities, sickness or disability, have a financial safety net which means they and their children are not left behind. We need to see further action on supporting people in employment, action to remove the barriers to employment that parents face and the barriers around childcare. Again, of course we have seen progress in Scotland in terms of provision of childcare. For far too many parents in far too many parts of the country childcare is still unaffordable and inaccessible, particularly in some of the most disadvantaged areas and particularly in terms of being accessible to the most disadvantaged families. The current system, despite investment in childcare tax credit, in Sure Start, in Working for Families in Scotland, is still far too patchy a system for the supply of childcare and that is going to be a critical thing that needs to be got right if parents are going to overcome that barrier to employment. Also, in terms of parents with carers and families with parents with disability or long-term health problems who are facing very real discrimination, lack of flexibility, lack of support of employers in terms of accessing work providing a genuine route out of poverty. We need to see action to tackle this. We are concerned at the moment because there is a lot of emphasis on what individuals and parents need to be doing and some of the rhetoric and language from ministers suggested that the barriers to employment are somehow to do with the benefit system, whereas, in fact, there is limited evidence that the barriers are to do with the availability of benefits or benefit rates, the real barriers are to do with, as I say, childcare, to do with employer attitudes, to do with the levels of support and encouragement and the framework for supporting employers to take on people who have been out of work for long periods of time. We need to see much more focus on that side of the equation, more focus on flexible working, again, real progress

in terms of a parent's right to request flexible working, but it is just a right to request flexible working in which to provide an entitlement or a duty to ensure that employers provide flexible working arrangements and take into account people's parenting responsibilities.

Q482 Chairman: If we make a comparison between child poverty and other forms of poverty, how successful do you think the Government has been in tackling child poverty?
Mr Dickie: This issue is really useful to look at. What the progress on child poverty proves and shows is that when government makes political decisions to tackle and introduce these policies and invest in tackling aspects of poverty that works, so we have seen real progress in tackling child poverty and pensioner poverty where there have been similar commitments and similar political decisions on policy making, but in relation to, for instance, adults without children, we have seen no improvement in the overall number of adults without children experiencing poverty. To us that is an important message both to the politicians but also to the public that if policy works then the Government can tackle poverty and can reduce poverty substantially, and has done in relation to child poverty and in relation to pensioner poverty, so in that sense the progress in child poverty has reflected the political will and investment that has gone into tackling it. What we would also add is that you cannot disassociate child poverty from the wider poverty experience in Scotland and across the UK. The policy levers that have been used to tackle child poverty in terms of child tax credit and child benefit and all the rest of it, to some extent the value of them is undermined by the fact that we have seen working age adult benefits fall quite considerably behind average earnings so that the driver of poverty for adults without children is also contributing to and undermining the additional benefits that families have received.

Q483 David Mundell: Is it not the case that child poverty in Scotland remains very high in comparison with adult poverty, particularly in comparison with some of the European comparators? Why is that specifically do you think?
Mr Dickie: That is the case for children who are particularly vulnerable to poverty and I suppose that is why we would argue at CPAG, and you would expect us to argue, that it is right to have a particular focus on child poverty because children are particularly vulnerable to poverty and are at a greater risk of poverty than working age adults or pensioners.

Q484 David Mundell: Let me ask you has it been more the case in Scotland than elsewhere?
Mr Dickie: Child poverty compared with other forms of poverty?

Q485 David Mundell: With adult poverty.
Dr Dornan: The ratio compared with places within the UK or compared with international examples?

Q486 David Mundell: Europe.
Dr Dornan: I do not know. That information is all perfectly accessible and I could put it forward to the Committee. Eurostat collect that in different ways, but I could not comment on the ratio that other countries achieve. If I could add briefly to what John said, looking at the two examples is very interesting and I think it is right to stress that child poverty is extremely high. Adult working age poverty is much lower but it has not fallen. I think the issue that we would see is that although our focus is on child poverty, there are links, poverty is poverty, and if you are looking at conditions of single working age adults, many of those become parents and, therefore, if you are dealing with a situation where those individuals have been living on, for whatever reason, unacceptably low levels of income and that has had an effect either on their ability to pick up skills and therefore progress, or if it has had an impact on their health, their housing and all those sorts of things, there is also an impact particularly on children which that may also have, so I would not want us to get into the position of picking up poverty here and poverty there. We think that the focus on children is right, but there are links with other groups as well.

Q487 David Mundell: What do you mean in your submission when you say that whilst child poverty remains high, the number of children in poverty has been decreasing? Does that mean that although there are fewer children in poverty, those who are are still as poor or poorer than they were in the past or relatively poorer?
Mr Dickie: The point is that we have unacceptably high levels of child poverty in Scotland and across the UK but recognising that there has been progress in recent years in reducing the overall numbers of children living in poverty, there are issues in terms of reaching some children and families who are further below the poverty line and we need to make sure that we are not just picking up and reducing poverty for those just below the recognised 60% median income bar poverty line. You were suggesting that some children were getting worse off and we would not have said that.

Q488 David Mundell: What is the relative position? Is the relative position that there has been some incremental improvement for everyone, but just not enough?
Dr Dornan: In terms of this key measure of relative income poverty, and it falls under various thresholds, not just the 60% but the 50%, there are particular concerns about those who face very severe levels of poverty and we share those, indeed CPAG published a book that we can send in your direction if you are interested called *At Greatest Risk* which looked at the situation of particular groups. Save the Children, in their report Britain's Poorest Children, have also done empirical analysis of those groups. I do not think we know a huge amount about what is going on at the lowest levels and one of the cautions that I would point out about picking thresholds that are below 50% is that the data that underlies that

which informs us that is not particularly good and so you get quite odd findings and you do not know how well it reflects reality, which is why the Office for National Statistics publish at 50% but do not publish below that. To the extent we are able to comment from the 50%, the 60% and the 70%, I think we have seen falls under those thresholds.

Q489 David Mundell: Where do you stand on the urban/rural issue because the Committee has had quite a lot of discussion about what it actually means to be poor in terms of, to paraphrase it, you might be living in what might be superficially quite an attractive, certainly external environment, but not have access to services compared with having absolutely no resources at all.
Mr Dickie: We have to be very aware of child poverty in rural areas and sometimes it does not show up, if we are looking at concentrations of poverty that show up and show up in very severe concentrations of poverty, but children live in poverty in families right across Scotland including rural areas. If we look at the Scottish Index on Multiple Deprivation, it does not pick up. None of the poorest small areas are in the Western Isles and yet we know it has a higher proportion of people living in poverty than the average in Scotland, but it is not picked up by looking at some of the area based statistics, so we do need to be clear about some of that hidden poverty that exists in rural areas. We need to be aware of that when we are looking at how we target resources. Yes, it is right to try and target resources at community areas that are particularly disadvantaged and have particular concentrations of poverty, but we also need policies that reach individual families and individual children wherever they are living and I think the rural dimension brings up that quite well. It is quite interesting looking at the Scottish Executive's Working for Families programme, which talks about removing barriers to employment for parents with a particular need, and it started off being particularly around childcare, but transport has come up as one of the key barriers to work, I think second, but I am not sure, but it was certainly a significant barrier to parents who are looking to get back into employment, so, again, we need to be very much aware of the rural dimension.

Q490 Mr MacNeil: As an MP for the Western Isles, I would like to press you further on what particularly you see in the Western Isles that makes you say what you have just said?
Mr Dickie: I am not an expert on poverty in the Western Isles, it is just that it is an example of where—and I hope I have got it right because it is covered in the report, *Poverty in Scotland*—by looking at small areas and poverty on a small area basis, literally on a ward and sub-ward basis, then it looks like there are no concentrations of poverty in the Western Isles, but when you look at the overall rates, and I think it is done by income deprivation, then the Western Isles has a higher than the Scottish average level of poverty under another measure, so we have to be quite careful about how we use some of the measures of identifying concentrations of poverty in terms of how we then allocate resources to tackle those, so that we do not miss areas like the Western Isles which by some measures look like they do not have significant problems of poverty and disadvantage.

Q491 Mr MacNeil: When you say the Western Isles is higher than the Scottish average, what is the Scottish average compared with the UK average or within regional averages in England, Wales and Northern Ireland with Scotland?
Mr Dickie: We need to be quite careful because we are dealing with different measures of poverty so the key measure we have been using for most of what we have been talking about has been people living in households with below average income which we do not have available at local authority level. In terms of HBAI measures of poverty, Scotland is nothing particularly different from the UK as a whole. I think it is slightly lower levels of child poverty but no major difference there.

Q492 Mr MacNeil: What are the best and the worst areas in the UK?
Dr Dornan: You are looking at the South East of England. In terms of the very specific point around relative income, if I remember rightly the best is the South East of England, but I would have to check that, but the worst by an enormous amount, it is more than 50% of children in low income households, is inner London, well, London overall certainly, but inner London particularly. John is right to point out the difference in terms of looking at those other ways and the difficulties in comparability. Clearly, the Scottish Index of Multiple Deprivation is also available but the dates vary and all the methods vary to some extent, so there is a bit of caution needed there but there are comparisons that the Committee could have a look at. I do not think we could talk with any great degree of authority without looking at them again, but certainly there is stuff that we can send in your direction if it is of interest.

Q493 Mr McGovern: In quite a few of your responses you have mentioned benefits and entitlement to benefits. How do you think the Government should go about ensuring that people who are entitled to claim benefits, but are currently missing out, do claim them and do receive them?
Mr Dickie: It is about ensuring that there is a wider knowledge of benefits and the issue of more investment in take-up campaigns and promoting take-up generally. I think it is also about investing in welfare rights services across the country to ensure that there is local knowledge and understanding of what benefits and tax credits people are entitled to and that we reach out. One of the things that we are involved in in Scotland is that we have traditionally been involved in providing training and support just to welfare rights advisers, but the vast majority of families never get access to a welfare rights adviser, they are in touch with health visitors, they are in touch with Sure Start workers and they are in touch with a range of other frontline professionals. What

we are trying to do is ensure that at least basic understanding and knowledge of benefit and tax credit entitlement is available to those frontline professionals. I think that kind of approach of making sure that where families look to for support that those kind of family workers have at least basic understanding of the financial supports that are available to those families, which quite often underpin the other issues that families are facing, or health problems, or education problems, or problems with schooling, if those frontline professionals have an understanding of how at least to direct people in the right direction for quality advice and information on their benefit and tax credit entitlements, that would be an important way forward.

Q494 Mr McGovern: The frontline health workers that you referred to, health visitors, et cetera, is it the case that they currently have no knowledge whatsoever of benefits?
Mr Dickie: It is not necessarily up to date quality knowledge and quite often it is not part of people's jobs, it is quite a hard thing, family workers have got lots of other particular professional responsibilities to see to before providing any kind of advice on financial support benefits and tax credits, but I think there is a lot more we could be doing to make a basic checklist: "is this family accessing its child tax credits, are they aware of it?"

Q495 Mr McGovern: I think you almost read my mind. I was wondering whether health visitors would be prepared to say, "I will take on this new duty as part of my responsibilities". As far as I am aware every council has a welfare rights department, would it not be simpler for the health visitor to say, "I would advise you to contact your local council".
Mr Dickie: We are not trying to bypass that, we are working with this particular model looking at working through local authority welfare rights services to cascade out basic understanding and knowledge to those frontline workers, most of that is based on knowing where to direct people for the detailed advice and information. I think there is also a wider issue in terms of promoting benefit and tax credit entitlement which is maybe some of the language that we use around people who are particularly dependent on benefits, around benefit dependency, about the idea that quite rightly we look at work as being a key way out of poverty, but we should not see anybody who is not working as somehow a failure and reinforcing the idea that somehow claiming benefits and being dependent on benefits and tax credits for your income is in some way wrong or a problem. Some of the language we hear around some of the direction of welfare reform and welfare to work tends to encourage the idea that there is a problem with claiming benefits and tax credits.
Dr Dornan: This is a very interesting area. We often talk about hard to reach families that are going through a number of different services and joining up those messages is very important, even if it is at a level of signposting which, for the reasons that John has stated, that is probably where you are at. That is valuable in itself in the sense that you have a legitimisation. You have a way of trying to get over the stigma barriers that mean people often do not seek to claim what they are entitled to. We see the results in terms of their income level and their poverty. There is interesting stuff about the use of data that we already have, trying to find and target messages in a more sophisticated way about who might be entitled to particular things. There is some mileage in there. That is particularly developed when you are talking about pensioners but perhaps less when you are talking about other groups. John has talked about welfare rights and there are a lot of models around training and take-up. There was a programme that the Local Government Association in England did a couple of years ago called Quids for Kids which was detailing some of the reasons why the children might be involved and local authorities might be involved in take-up work. I would firstly mention complexity. One of the most obvious reasons that benefits are not taken up is it is very difficult to claim benefits because they are so difficult to understand. I cannot remember the length of CPAG's handbook. We produce a handbook that is used widely by welfare rights workers and it is very many hundreds of pages long. It is not easy to find your way through as a claimant. The other thing is that you do not see the same take-up problems in universal benefits as you see in selective benefits. That is one of the reasons why CPAG as a child poverty organisation is very committed to child benefit which goes to children irrespective of income. Looking at the balance between means tested policies which often suffer these problems and universal ones which typically do not is quite important to make sure we reach families.

Q496 Chairman: If we introduce universal benefits, the money will not be targeted to those who are in most need. Rich people will take the benefit from that.
Mr Dickie: It is about getting the balance right. The problem with the purely targeted approach is that too often the target is missed so that whilst in terms of tax credit uptake it is relatively good compared to the previous tax credit arrangements. It is still only 82% of families that are receiving the tax credits that they are entitled to. Significant numbers of families who are entitled to this key financial support are not getting it because it is means tested; whereas child benefit literally reaches every child and every family. It does reach those who are most in need. I do not think we are saying everything should be universal; it is about getting the balance right to make sure that there is a basic level of financial support that reaches all families by boosting particularly investment in child benefit and ensuring that the balance of investment is significantly going into child benefit. Particularly we are looking for an equalisation of child benefit so that second, third and subsequent children receive the same rate of child benefit as the first child. That would make a significant contribution to lifting significant numbers of

children out of poverty and would also be very straightforward and simple. There is a high take-up and it reaches those children we want it to reach.

Q497 Chairman: Do you think the child benefit for the first, second, third and fourth child should be the same or do you think the government policy is about right?
Mr Dickie: We should have an equal level of child benefit for each child for several reasons. The argument that somehow second, third and fourth children cost less or should not have the same level of benefit does not stack up. Secondly, it is a good way of getting additional money and support to families in a way that reaches all the families we need to reach if we are to make progress across the board on lifting families out of poverty. It does tackle one of the key targets for government policy which is larger families, a recognition that children born into larger families are at a greater risk of poverty and therefore it makes sense to provide at least an equal level of benefit for second, third and fourth children.

Q498 Mr McGovern: If we made more and more benefits universal, would there not be an element of taxing beer to subsidise champagne? We are giving rich people benefits that they do not need. Therefore, the people who need the benefits are going to get less. There might be more of them who receive it but they would receive less.
Dr Dornan: In a numeric way, if you are looking at the benefit that reaches the most children in poverty it is child benefit. It is not means tested. If you looked at income support or child tax credit, though they are more redistributive in the way in which it is described in pure financial terms, they miss out a number of children. If you are looking at getting it, you might argue that it is more efficient in a financial sense to go down a selective route; but it is more effective in social justice terms at reaching them to have an element of universality in there. In terms of the other argument, if you going to put all this money through a universal system it is inevitably going to cost you more to spend less so the per child payment is going to be lower, there is an interesting set of issues about why benefits might be low. They might be low because they are going to poor people. You might build political consensus by showing that a lot of people benefit from a high level of child benefit. That is an argument that is often ignored, but if you look at where the public, attitudinal support lies you will find that there is a fair degree of support for child benefit because it is something that is taken for granted, that people know and recognise. It goes to all children in the UK, something like 13 million. It is universally popular to that extent. There is quite a political argument that could be built around it, aside from the economic argument that says if you have limited resources you go down the purely redistributive approach. I would lobby as well for the political argument. You need to build a consensus. John was right to highlight this point that we are arguing, that there should be an equalisation of the rate for child benefit. That has quite an anti-poverty impact. Obviously it is a balance in terms of how you are looking at these things. We are not suggesting that we would argue for the replacement of child tax credit with child benefit. We are however arguing for a rebalancing of that financial support towards child benefit.

Q499 Mr McGovern: We took evidence in Dundee from the Anti-Poverty Forum in Dundee and the spokesperson for that group was speaking about benefits and making people more aware of the benefits they are entitled to. I think I understood him correctly. He seemed to be saying that, to use his words, there would be a danger of educating people to be poor. Would you agree or disagree with that?
Mr Dickie: We shouldn't be moving away from the idea that benefits and tax credits are there to support people across society, to protect them, to ensure that when they have children they have the finances to support children, to ensure that when they are sick and facing illness or out of work there is financial support to protect them from falling into poverty. Ensuring that people have the knowledge and understanding of what benefits they are entitled to seems to me to be a measure of success, making sure that they are getting access to the financial supports that they need to protect them from poverty.

Q500 Mr McGovern: I think the point he was making was that if we concentrate too much on making people aware of the benefits rather than trying to make sure everybody has access to employment—
Mr Dickie: Hopefully in the evidence we have submitted and what we are saying it is about getting the balance right between focusing on removing the barriers to work and ensuring people are able to access jobs that provide genuine routes out of poverty; that employers take into account the needs of parents and the flexibility that is required in terms of child care and that we have the provision there to ensure that where work is not a real possibility for those people who for whatever reason—illness, disability, lack of jobs in their area, temporary unemployment—that they have access to financial support to stop them and their families falling into poverty and too often getting caught up in poverty which is harder to get out of.

Q501 Mr Walker: I suppose, following your line of argument which is not a bad line of argument, if the Chancellor decided that there was room to return some money to the taxpayer instead of doing general tax cuts, you may well argue that that money would be better spent on uprating child benefit, for example. If the Chancellor decides to return some money to taxpayers, he could decide to cut income taxes or he could decide he wants to return that money in a more targeted way, in a way that you would probably prefer, and that money would be better returned in the form of child benefit. Everybody would be eligible for it but it would be based around children, that return.
Mr Dickie: We would certainly look for further money to be invested in families and children.

Q502 Mr Walker: If he has two billion to give away, rather than just a general tax cut, it is better to spend that two billion targeted at children, in your view.
Mr Dickie: Yes, definitely.

Q503 Mr Walker: I would probably agree.
Dr Dornan: The reason we would agree with that is that typically tax relief benefits those who pay more tax. Child benefit would benefit in cash terms equally all children so in terms of that aspect benefits are bound to be more effective.

Q504 Mr Walker: As my colleague, Jim, points out, the millionaire would benefit from that. If child allowance was increased by £5 a week, the millionaire would benefit but the marginal benefit to that millionaire would be far less than the marginal benefit to someone living in poverty having an additional £5. That would really mean something to them per child whereas for the millionaire it would be neither here nor there, but that would not be a reason not to do it.
Mr Dickie: Absolutely.

Q505 Ms Clark: There has been a massive debate over many decades about what is the best way to provide money for those who need it in society. Particularly on the Left, the debate has been between means testing and targeting, as it is now called, or universal provision. Is that something that you have looked at in any detail because we have heard evidence from quite a number of witnesses around this area. You seem to be saying that a mix is acceptable. There are mixed messages coming through. You think, yes, you should have child benefit and increased levels of child benefit but targeting is also acceptable. Do you think a mix is what is needed or do you have a more hard line position on it?
Mr Dickie: A mix is what is needed and what can work and also what is pragmatically, politically possible. The balance at the moment needs to be shifted a bit towards universal and we need to see more investment in universal child benefit. We would not want to say, given where we are now, that all additional resources to tackle poverty should go into child benefit and none through child tax credits targeted at the poorest. At the moment, we are suggesting that the balance should be shifted in the direction of more money going into universal child benefit.

Q506 Ms Clark: You think that tax credits in general and pensions credit have been fairly successful?
Dr Dornan: We would not comment on pension credit because it is slightly outside our area, other than as a comparator. In terms of child tax credits, I think it is clearly the case that the amount of resource going through the tax credit system has been increased significantly. It is also the case that that has had a significant impact on child poverty. To that extent, yes they have. In terms of CPAG's position, we have criticised tax credits in the past where we have seen them to be failing particular families, particularly in areas of overpayment. We recognise that poverty measures have been put in place or are in the process of being put in place and we are keen to see how those work out in practice. We are slightly holding fire on that because we see a lot of advantages in the tax credit system. We need to see it succeed and we are looking at the evidence. A lot of that evidence is contingent on policy changes that have been made relatively recently, so it takes a while for information to filter down. There are outstanding areas of concern that we have on tax credits, particularly around aspects like appeal rights within the scheme, but that is possibly a slightly different issue to the policy one about its impact. On that, we think it has had a significant role to play in what has been happening.
Mr Dickie: In terms of take-up we need to get the administration right because anecdotally we are getting feedback from families who have just given up claiming tax credits because the problems have been so great. Overall it has delivered additional resources to families in poverty and contributed to a reduction in the overall poverty rates. For some families it has plunged them into deeper poverty because they have faced overpayments which may have been clawed back without any right to appeal. That starts building up a sense of, "I am just not going to claim tax credit any more because it creates more problems than additional resources." It is vital that we do get the current changes put in place and monitored in terms of how successful they are but also to keep a very close eye on making sure they get the administration of the tax credit system correct. We also need to make sure we invest enough money into tax credit that will help us reach the 2010 and 2020 targets and help us to eradicate child poverty.

Q507 Ms Clark: In your submission you point to what you think are the three key principles that undermine child poverty policy. What you say is that you think the policy at the moment is first of all the belief that paid work is the key way out of poverty. The second is targeting and the third is that you say there is an underlying assumption that eradicating child poverty is possible without significantly challenging underlying income inequalities. Can we go through them? Do you think it is fair to say that work should be viewed as a key route out of poverty? Do you have a problem with that as an organisation?
Mr Dickie: Not at all. We very much welcome the work as a central part for most families in ensuring that they are able to sustain lives free of poverty. We need to make sure that the quality of that work means that jobs are sustainable and that people are not in and out of work, getting caught up in the benefit/work trap which sometimes leaves some of the poorest children in families that are in and out of work regularly. It needs to be balanced by investment in benefits for those people for whom work will not be a short term or, in some cases, a long term possibility. The bottom line is the current benefit rates for people who are not able to work leave children and families way below the poverty line and that does not seem acceptable. It is not

tenable if we really are wanting to reach a situation where child poverty is eradicated, not just eradicated for children that are in working families.

Q508 Ms Clark: You have said already in your evidence that you think targeting has a role to play, particularly in the current situation but do you think it is possible to arrive at eradicating child poverty without significantly challenging underlying income inequalities?

Mr Dickie: In some ways this takes us back to some of the earlier comparisons with those countries that have very low levels of child poverty. They have much lower levels of inequality as well. As far as I am aware, there is no country that has the same level of inequality as the UK and Scotland and also has very low rates of child poverty, which would suggest we need to do something about inequalities. That is a key reason for looking at inequality. There is another issue in terms of evidence that inequality itself undermines the wellbeing of children and families not just below a certain income line, but if you are living in a society that is so unequal your access to the kinds of opportunities that society aspires to are so limited that you undermine the wellbeing and the opportunities for those children.

Dr Dornan: We see a wide range of analyses, particularly from Richard Wilkinson, around the impact that inequality has in terms of people's health and other things. One thing that I would stress is the impact that inequality may have on social distance. If you have a situation where you have some very rich people and very poor people, the consequence of that is that people lead very different lives. That makes it quite hard to build a consensus around, well, actually that is somebody else's position because if you do not see it why should you be concerned by it. Confronting that social distance does mean looking at inequality. The practical thing that I would stress also is that income inequality is a driver in some of these problems. In relation to tax credits, you have to run to stand still without looking at some of the underlying issues as to why you have to do that, why some groups are getting much richer and that does start to limit what you are able to do. There is a question about exactly how far you can get without looking at that. To be fair, we do get quite a bit of discussion about inequality, particularly in education and health and the impact those have. Understanding the links with income, particularly with wealth, given that we have issues about housing, but also issues about the way in which wealth cascades down generations and the relation between that and social mobility, in terms of looking at the long term, is absolutely critical.

Q509 Ms Clark: I do not know if you have had a chance to look at the evidence that we have been given by lots of different organisations. Quite a lot of suggestions have been made to us. Some of them are things like money advice for parents. We have had proposals for a higher minimum wage and also an equal minimum wage for young people; and also seasonal grants. In terms of the various suggestions that have been made to us, are there any of those that you would disagree with? Are there any comments you want to make in terms of some of the suggestions that have been made to us for policies that might help eradicate child poverty?

Mr Dickie: I do not think there are any we disagree with. They all represent additional investment in children and families that will play an important role in supporting families and lifting children out of poverty. They are all part of the mix in terms of the range of policies that need to be looked at and brought into place in order to make the progress and see it continue in child poverty.

Dr Dornan: I thought we might get on to talking about the national minimum wage. It is an interesting set of issues, particularly for an organisation like ours because we see the national minimum wage as a very good thing in terms of protecting a basic level of rights. We would like to see the rate of that increase in real terms. We do not see much evidence of the employment effects that was previously claimed of it. Particularly when the economy is in reasonable shape, trying to use that as a way of narrowing some of the gaps is quite important. However, in terms of the impact that has on measuring child poverty, because of the interaction with tax credit and housing benefit, it is not clear that you would see the gains in terms of a target necessarily by doing it through that route. I would stress that there are other reasons for doing it all the same, partly because it goes with the notion of what most in society want, which is that people are paid fairly for their work. That is the key aspect of what would protect families from poverty. Also, it starts to reduce some of the means testing, but we do see particular problems with overpayments that have come up and marginal deduction rates and gains from work are also relevant. There are other reasons why you would wish to make progress on the national minimum wage. The other group of reasons that I would stress are those people who are not parents now but who might become parents. That has relevance for income support scale rates, particularly for somebody who, say, might be on income support and become pregnant. That is a serious issue given the rate of that benefit. Also, because working tax credit coverage is much lower for those who do not have children, particularly those who are younger, the national minimum wage has a significant role to play there. Given that they may become parents, it is in itself a good reason to be concerned about the rates.

Q510 Mr Walker: I have to say it strikes me as madness, as it does most of my colleagues, that people earning the national minimum wage, which we all agree is not a great deal of money, start paying income tax when they have earned half of it. The national minimum wage is about £5.35 now. As soon as you are earning about £2.60 of that you start paying income tax and national insurance. To me, that just does seem crazy. It seems particularly crazy because we then launder these people's money back to them in the form of tax credits. Perhaps it would just be a lot better if people on low incomes did not pay income tax at a starting threshold of £5,000.

Perhaps we could have a threshold starting at £12,500. That would allow people to keep more of what they earn as a way of alleviating some of the consequences and causes of poverty. How we pay for that I am sure I would disagree with my colleagues about but I hope I am right that we do share the view that it seems morally wrong for people on terribly low incomes to be paying income tax and national insurance, particularly as this money is then returned to them in the form of a handout, a tax credit. They are just getting their own money back again. Do you think there is room for government of whatever colour and persuasion to act on that injustice?

Mr Dickie: It is certainly worth looking at. We have to be careful about where the benefits of that would reach. The tax credit system targets the money back at the poorest families. Many of the poorest families are not paying any income tax at all so raising the threshold would not help them. Raising income tax thresholds would also benefit earners all the way up there.

Q511 Mr Walker: It depends how you fund it. That is where the difference would be. You could raise, as some of my colleagues on the Labour bench no doubt would like, the upper threshold on rates of tax to fund it. That can be discussed between politicians. We have identified in your evidence and in your submission that people in work are still in poverty. Surely we should address that situation perhaps by looking at how much tax people pay on very low earnings.

Mr Dickie: Our approach would be to raise those earnings. There is no reason why people should be earning wages leaving them in poverty.

Q512 Chairman: What my colleague is saying is that, rather than taxing people first and then giving them handouts back, it is better if the basic threshold is raised and the money which you believe is going to be subsidised to the richer people—then you can have a higher bracket for them if they are earning more than £50,000 or £100,000.

Dr Dornan: The question you seem to be asking is should we have a negative income tax system where you are considering the tax credit payment and the tax to be paid in one bundle so that you are not paying with one hand and taking back with the other.

Q513 Mr Walker: Yes. You mentioned the stigma of handouts. It is wrong. We should not stigmatise people. We should not hand back their own money. Why should we do that to them? Let them keep more of what they earn. It is not a party political point. I just think it is so wrong that we stigmatise people in poverty and make them fill out these forms for tax credits and so on. It is just soul destroying for them. We have seen people around Scotland, really good, decent people, who through no fault of their own are forced onto the state and they get these handouts that they are meant to be grateful for. Particularly when they are working, I just think it is so wrong. That is a very emotional, unstructured, unacademic view of the whole issue.

Dr Dornan: Could I answer in a similar vein? I would answer at a level of principle rather than getting into that detail. The issue about the tradition of tax allowances as being of more value to people who are paying tax and benefits being of more value to people who are getting them is of significant importance. I take your point that there are ways of designing schemes, but that is an issue that we would be very interested in discussing in any proposals that were being discussed around there. Tax is an issue. Proportional income tax is an issue. I would also say that VAT is an issue if you are looking at where people spend their incomes. We say that we have a progressive tax system and we do not. The direct elements of this are progressive. The proportion of pay rises with your earnings but VAT does not. If you do not have very much money you have to spend most or all of it which is taxed through VAT. If you are looking at those aspects, there are some other progressive things you might be thinking about looking at other than tax. I would not say that we would not be interested in this sort of discussion. We would be. The issues around in work poverty are significant but it is how you design schemes that we would raise questions about.

Q514 Ms Clark: You will be aware of the recent collapse of One Plus and KidCare. You will be aware that they were arms' length companies providing services. Do you think it has done any damage, the fact that so many parents found themselves in a situation where suddenly their childcare just vanished and they were forced to deal with that? Do you think there is anything to be learned from what happened?

Mr Dickie: There is a long way to go before we find a way of investing in child care for those in the most disadvantaged communities who are most disadvantaged themselves in a way that is sustainable, successful and funded in a way that makes it a genuine feasibility. One of the other things that has come out from child care providers where we are looking to support parents back into work by providing child care is this balance. They are increasingly under pressure to create a more sustainable business model provision and that inevitably means charging more fees. That inevitably cuts against the anti-poverty objectives and makes that child care less successful to the very people we want to reach if we really are to encourage and support those parents back into education, training and work. There are real issues raised by the collapse of One Plus and the pressures on other child care providers to find a model of supporting and financing that. In terms of where child care is provided, for very good reasons through the voluntary sector and social economy models of provision, because they are the organisations that understand the customers they are trying to reach, that makes a lot of sense. We need to have that security. These are core services. It should be accepted that your child care is there, it is safe and it

will not collapse because one particular organisation or funding is not sustainable. We need to have child care available, accessible and reliable for families.

Q515 David Mundell: In your submission you say, "Devolved policy to tackle poverty by improving school attainment levels of the most disadvantaged, and so tackle the deficit of opportunity they face, has had little impact to date."[1] Why do you feel that?
Mr Dickie: The situation in England and Wales as well is that whilst overall attainment levels have increased, for the bottom 20% of pupils, there has not been any shift. The gap is widening. Why that is we do not have any particular expertise or knowledge. It is an area that needs additional attention. We welcome that there has been a move to make sure that schools in the most disadvantaged areas with high proportions of pupils from low income backgrounds do get additional finance and support to start tackling some of the gap in educational opportunity. I suppose where we have particular concerns is some of the problems and the additional costs associated with schools. We think of ourselves as having a free education system and free schooling. Actually, there is a whole range of additional costs that children and parents face that serve to undermine children's access to all the potential opportunities that education offers them and undermine their potential to attain at school. One particular area that we have done a lot of work on in Scotland is around school meals. We have had a real recognition in Scotland that what children eat at school and their access to healthy food in school is critical not just to their health and wellbeing but to their ability to learn and their readiness to learn, their concentration and their long term ability to attain. We are seeing particular evidence coming out from Hull interestingly, where there is an evaluation of a universal free school meal approach which has seen very real evidence of children's readiness to learn and concentration increasing when you ensure that all children have access to a healthy meal in the middle of the day. We are particularly keen for that model to be adopted in Scotland to ensure that, while we have seen a real improvement in the quality of school meals, over half of children are not getting those school meals and 30% of secondary school kids say one of the key reasons for that is the cost of school meals. Removing that cost to something that is so integral and key to children's ability to get the most out of their education we think would be an important way forward to tackle some of that gap in attainment.

Q516 David Mundell: That particular argument has been rejected twice by the Scottish Parliament, has it not?
Mr Dickie: It has. Interestingly, it has been accepted by UK ministers and politicians across the board. In Scotland and England there is a growing agreement across political parties that it is an approach that needs to be taken seriously. The point I was making is that we are winning a lot of the argument which is how important that aspect of a school day is to pupils' potential attainment. There are other aspects of education where people are either excluded or families are hit with additional costs which either mean children cannot participate, whether it is in school outings, school activities, school trips, that are part of the overall children's experience of school. If they find themselves excluded from that, the impact that has on attainment and longer term feelings about education and school can be undermined so we are doing a bit of exploratory research at the moment, looking at how some of those other costs for school uniform and other school equipment, the cost of school trips, impact on children from low income families to see if we can start overcoming some of those barriers.

Q517 David Mundell: I am sure that issue will be hotly debated over the next five or six weeks because it is an important issue.
Mr Dickie: We now have most parties contending for power during the election committed to extending free school meal entitlement, at least to those children who are in working families in poverty receiving maximum working tax credit. That is a major step forward, recognising that that aspect of the school day is important and that all children should have access to a healthy school meal during the day. There is some significant progress. If we hold parties to account during and after the election, we may see a situation where school meal entitlement in Scotland is different from the rest of the UK which may be an interesting example for what progress could be made elsewhere in the UK as well.

Q518 Chairman: What do you think are the two most important things that the government should do to tackle poverty?
Dr Dornan: Financial investment and political investment. The financial investment point goes back to earlier questioning around can we make these targets work. The answer is yes, we can. We have evidence and mechanisms that we know have yielded results. CPAG is arguing in favour of child benefit amongst that. There is a suite of policies that the Joseph Rowntree Foundation have modelled and costed. I think previous evidence has been brought forward to you from the Rowntree Foundation about that. The estimated cost was 0.3% of GDP. We know that we can meet the 2010 target. That is key. Secondly but not secondly in priority order is the political investment. We are in a very good place. We have many parties and wide commitment that child poverty is an issue. CPAG is very pleased with that. We think that is an extremely important juncture. That also suggests that, given that there is that level of consensus, there is much more that can be done in terms of winning that argument about just exactly what that means; but also what the benefits and gains are that could be made from that. The positive message is saying: look, we have a lot of consensus around the problems that are facing a lot of children within the UK and we have some policies which have been

[1] See Ev 163

shown to work. We have a strategy and I think there is a degree of consensus around in terms of what further can be done. The negative part of that is some of the political rhetoric that goes the other way, particularly reflecting on where some of the debate has been around welfare reform. It is quite important there that that public messaging from politicians—CPAG as a campaigning organisation has an interest in building public consensus—but what we find very difficult to deal with in terms of building that is when you get messages from politicians that risk fuelling a lot of the stereotypes we know are in the media, messages which overemphasise the extent of fraud when we know that it has been coming down, messages which overemphasise the number of people who may be on benefits but arguably, for whatever reason, should not be. Those simplistic messages undermine that public support. For my two points I have had about six.

Mr Dickie: I would reinforce the points Paul made. Investment in child tax credit and child benefit at the level required to meet the 2010 target is the immediate priority. In terms of long term eradication of child poverty, we need to keep up the political faith, the commitment and the belief that this is possible. We need to meet that 2010 target. We have costed models about how that can be done by investing in child tax credits and child benefit. Within that, we would say push money into child benefit to ensure that the balance is right and that money is put into child benefit to equalise the rate of child benefit for all children. It has been estimated at between four and five billion a year. That is the priority. We need to get that investment.

Q519 Mr Walker: Four or five billion in what? Family child allowance?

Mr Dickie: Child tax credit and child benefit, a mix, investing in both.

Q520 Mr Walker: Can you give some examples of what it would cost to increase the child allowance per child by a fiver? Do you have any idea?

Mr Dickie: Equalising child benefit for all children would be 1.7 billion.

Q521 Mr Walker: Bearing in mind that the tax take is increasing £36 billion this year, it is not an impossible sum to find within an uplift of 36 billion in the tax take which is going from 517 to 553. To equalise child benefit for every child would be 1.6 billion?

Mr Dickie: 1.7 billion.

Q522 Mr Walker: Across the country, not just Scotland?

Mr Dickie: Across the country, yes. Add to that we need to see additional investment in child tax credit as well. That is when you start getting to four or five billion and that is an important part of it as well. It is not just the child benefit; it is the overall package of investment. It has been estimated at 0.3% of GDP. It is a perfectly achievable level of investment but it does require political will. I suppose that would be our one key message. That is needed now if we are going to reach the 2010 target.

Q523 Chairman: Can I thank the witnesses for their evidence this afternoon? Before I declare the meeting closed, would you like to say anything in conclusion, perhaps on areas which we have not covered during our questioning?

Mr Dickie: I think we have managed to get our piece in across the board. Thanks very much for inviting us.

Chairman: On behalf of the Committee, your evidence was very informative and will be very helpful for us when we compile the report. Thank you very much for your attendance.

Tuesday 15 May 2007

Members present:

Mr Mohammad Sarwar, in the Chair

Danny Alexander
Mr Ian Davidson
David Mundell

Memorandum submitted by energywatch Scotland

ENERGYWATCH

energywatch is the independent watchdog for gas and electricity consumers in Great Britain. We provide free, impartial advice on a range of energy issues. We also take up complaints on behalf of consumers who are experiencing difficulty in resolving problems directly with their energy companies. In the last financial year, we dealt with 62,000 complaints and 226,000 complex enquiries on behalf of energy consumers across Britain.

In 2005–06 energywatch Scotland dealt with around 20,000 complaints about suppliers and enquiries from domestic and business consumers across Scotland. Consumer advisers negotiated over £1 million in compensation on behalf of consumers.

This submission focuses on largely on fuel poverty. We recognise that those living in fuel poverty are generally those on low incomes who are also faced with a number of the difficulties faced by all who live in poverty, but note also that research carried out by energywatch in 2005 found that low income households are willing to prioritise energy bills over other expenditure. A warm home is an essential right, not a luxury.

WHAT IS POVERTY?

Section 95 of the Housing (Scotland) Act 2001 defines fuel poverty as being a household living in a home which cannot be kept warm "at reasonable cost". The Scottish Fuel Poverty Statement, published by the Scottish Executive as a requirement under the Act, adopted the following definition of fuel poverty, which follows the UK Fuel Poverty Strategy definition: "A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use."

Research carried out by Energy Action Scotland and Strathclyde University, and based on the Scottish Executive's 2003 Scottish Index of Multiple Deprivation establishes a clear link between fuel poverty, multiple deprivation and excess winter deaths. According to this research there is a greater risk of winter mortality in Glasgow (1 in 36 aged over 65) than in any other local authority area in Scotland.

THE EXTENT OF POVERTY

Optimism as a result of the fall in the numbers living in fuel poverty between 1996 and 2001has largely been replaced with concern as a result of a series of price rises since 2003. Prices have increased by an average of 55% for electricity and 91% for gas in Scotland. Communities Scotland estimates that for every 5% increase in energy prices 30,000 more households are pushed into fuel poverty. As a result the number of households living in fuel poverty has increased from 286,000 in 2002 to an estimated 600,000 today. This is creeping closer to the 738,000 households living in fuel poverty in 1996. In relation to GB averages Scottish consumers are more likely to be in debt:

- In Scotland 1 in 10 electricity consumers were in debt compared to the GB average of 1 in 19.
- 1 in 5 Scottish consumers using prepayment meters for electricity were in debt compared to the GB average of 1 in 8.
- 1 in 14 gas consumers was in debt compared to the GB average of 1 in 20.
- 1 in 4 consumers using prepayment meters for gas were in debt compared to 1 in 5 in GB.
- 1 in 10 Scottish consumers cannot switch suppliers due to being in debt.

CONTRIBUTING FACTORS

Fuel poverty is a combination of three factors: the price of domestic fuel, household income and the energy efficiency of a dwelling. The Scottish House Condition Survey 2002 indicated that approximately 50% of the reduction in fuel poor households in Scotland between 1996 and 2002 was attributable to higher incomes, 35% to lower energy prices and 15% to energy efficiency measures.

The price that domestic consumers pay for their gas and electricity has impact on the number of households living in fuel poverty. In 2006 the major suppliers have announced 14 price rises between them. These rises have the greatest impact on the poorest in society. In Scotland consumers pay around 5% more for their electricity than the in England. In September 2005 the total level of debt for electricity in Scotland was 34,216,700 pounds and 17,907,880 pounds for gas.

Prepayment usage is more common in Scotland than GB wide, with around 20% of the 2.5 million electricity consumers using prepayment meters, compared to 14% GB wide. As prepayment meters are often installed as an alternative to disconnection for debt, many more of these consumers will be living with debt than among those using standard credit, direct debit or cash payment. However, the higher prices charged for prepayment metering means that the supplier's "solution" to the debt may actually exacerbate the problem, and mean that debts take longer to clear. A consumer on a direct debit in Scotland will pay an average of £382 for their electricity whilst a prepayment user will pay £415. ln GB as a whole these figures are £388 and £399 respectively. Energywatch is urging suppliers to equalise their prepayment meter tariffs—for both gas and electricity—with their quarterly tariffs to ensure that consumers are not penalised for trying to budget, or trapped in debt for longer than they need be.

Potential Solutions

Faster recalibration of Token Prepayment Meters

Around 250,000 households in Scotland use token prepayment meters. These meters need to be recalibrated by hand following a price rise—unlike other meters such as key meters which can be recalibrated remotely. The problem with token meters is that supplier recalibration processes have not been keeping pace with price rises. The result of this is that consumers using these meters will not be paying the correct price for electricity. This is potentially pushing large numbers of consumers into debt, a debt which 4 of the GB major suppliers'—Scottish Power, Scottish Gas, Npower and Powergen—claw back once the meter has been recalibrated. energywatch is calling for all suppliers to follow industry best practice and only apply price rises once meters have been recalibrated.

Fairer tariffs

While the suppliers all offer a range of packages of help for low income consumers, including rebates in winter, energy efficiency and insulation grants, and community schemes, these can often fail to provide the help that is needed most to those most in need. energywatch are calling on suppliers to work harder to get behind account numbers to identify vulnerable households, and provide tariffs that do not penalise the poorest consumers. As well as the equalisation of prepayment meter tariffs and an end to back charging token meter users we believe that discounted energy tariffs should be more widely available to consumers on low incomes.

Smarter metering

The system of metering in place at the moment makes it very difficult for consumers to have up to date information on the gas and/or electricity they are using and subsequently how much they are spending. energywatch believes that smarter metering—that provides consumer and suppliers with up to the minute information on energy use is an effective means of assisting consumers to understand their energy consumption and put an end to estimated billing. The debate on this issue has moved higher up the political agenda and DEFRA are currently transposing the Energy Services Directive. Article 13 could be interpreted to mandate smarter meters at point of replacement or as new connection. Energywatch would urge the Committee to see the wider introduction of this type of metering as an important mechanism for helping fuel poor households budget. Smarter metering would also end problems over the recalibration of prepayment meters, and allow for more flexible debt recovery plans.

Impact of Government Policy

Energy policy is largely reserved to Westminster although energy efficiency and the eradication of fuel poverty is a matter for the Scottish Parliament and Scottish Executive. The Scottish Executive produced the Scottish Fuel Poverty Statement in August 2002, published under section 88 of the Housing (Scotland) Act 2001. This sets out Scotland's overall objective for fuel poverty comprising a commitment to ensuring "so far as is reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016". It also sets the Scottish Executive an interim target of achieving a 30% reduction in fuel poverty by 2006.

Income maximisation

Income maximisation plays an extremely important role in the reduction of fuel poverty in Scotland. Not only does it increase household income, it also gives people the passport to qualify for certain schemes established for those at risk of fuel poverty, such as the Warm Deal programme and cold weather payments. Figures published by the Department for Work and Pensions on the take up of income related benefits shows that in 2003–04 between 4.2–7.3 billion of benefit went unclaimed, and the DTI estimates that the average benefits entitlement check identifies £1,200 unclaimed annual benefits per household.

The Winter Fuel Payment is a non means tested annual payment to help pensioners pay their winter heating bills and is currently set at £200 for people aged over 60 and £300 for those over 80 years old.

Many other vulnerable groups across Scotland are not able to benefit from such schemes set up to help those living in or at risk of fuel poverty. The Trade and Industry Select Committee recently warned that certain vulnerable groups not in receipt of the Winter Fuel Payment or other government-funded schemes aimed at alleviating fuel poverty are in dire need of assistance.

Cold Weather Payments are paid to those receiving Income support or Income-based Jobseekers allowance and with a long term sickness or disability. Individuals also qualify if they are aged over 60 or have a chid under 5 years age or are responsible for a disabled child. Payments are made automatically for each qualifying week if the average temperature for the area has or is expected to be 0°C or below over a seven day period. Energywatch believes that there is merit in considering extending the qualifying criteria for the Winter Fuel Payment to those non older groups eligible for the Cold Weather Payment.

Fuel poverty programmes

The Scottish Executive delivers two programmes aimed at tackling fuel poverty; Warm Deal and the Central Heating Programme. Warm Deal is aimed at eligible households in receipt of benefit and offers a £500 energy efficiency grant with £125 for pensioner households not on benefits. Warm Deal has recently been extended to families with a disabled child in receipt of Disability Living Allowance and from January 2007 the Central Heating Programme will include pensioners over 80 in receipt of the guarantee element of Pension Credit with partial or inefficient heating systems. There has been significant investment in this work by the Scottish Executive although much can still be done. Children's charities, for instance have called on the Executive to extend the Central Heating Programme to families on low incomes with dependent children. Figures suggest that there are around 5,000 families with children living in houses with no central heating. Around 25% of households—largely in rural areas—are off the gas network and unable to benefit from the programme.

Conclusion

Rising gas and electricity prices have contributed to increasing numbers of households living in fuel poverty in Scotland. The links between fuel poverty and wider issues of multiple deprivation are apparent and as winter approaches there is a real concern that households may face the choice between eating, or adequately heating their home. We continue to have a situation where people on low incomes often pay more for their energy, a situation made worse by the added issue that Scottish consumers pay around 5% more than other consumers in England. There are solutions. Equalising prepayment meter tariffs with quarterly paid prices, ending the back charging of token meter users and the wider provision of discounted tariffs for those on the lowest incomes would be a step forward. Providing smart meters which allow consumers to monitor how much energy they use—and how much they. Alongside the price of energy and energy efficiency measures, income maximisation can have a major impact on reducing the numbers living in fuel poverty. Consideration should be given to extending the Winter Fuel Payment to those groups who qualify for Cold Weather Payments.

Eddie Follan
energywatch

October 2006

Memorandum submitted by Energy Action Scotland

1. Background

1.1 Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS has worked with both the Scottish Executive and the UK Government on energy efficiency programme design and implementation and is a member of the Scottish Executive's Fuel Poverty Forum.

1.2 Poverty is a very complex, multifaceted issue of which fuel poverty is only one aspect but this is the aspect that EAS deals with in this submission.

2. Executive Summary

The following recommendations are aimed at addressing fuel poverty in Scotland:

2.1 EAS believes that in defining fuel poverty disposable income should be calculated after housing costs have been deducted, since the householder has little opportunity to influence the cost of housing and including this in the equation falsely inflates the level of income available to the household to purchase fuel and other essentials.

2.2 Government should review the administration of tax credits and benefits and should provide more funding for income maximisation initiatives to encourage people to claim benefits they may be entitled to.

2.3 Winter Fuel Payments should be extended to include disabled people who receive middle or higher rate Disability Living Allowance care component or the higher rate of the mobility component and a regional weighting should be introduced to address the fact that the Scottish heating season is much longer than in the rest of the UK.

2.4 Government revenue has benefited by the increased revenue from VAT receipts because of higher energy prices and EAS recommends that this money should be redirected into initiatives to assist the fuel poor.

2.5 Prepayment meter tariffs should be brought into line with standard energy tariffs.

2.6 Fuel Direct should be more generally available.

2.7 The new social tariffs should be evaluated to ensure they are affective in tackling fuel poverty before developing them further or prescribing a national social tariff. The rates for social tariffs should be lower than any other energy tariffs available from suppliers on the open market.

2.8 Energy companies should adopt a more proactive approach to the fuel poor by using the data they hold on fuel debt to target energy efficiency and welfare benefits advice to those who need it.

3. Background

3.1 The three main causes of fuel poverty are low disposable household income, high domestic fuel prices and poor energy efficiency of the dwelling. Of these, the first two are matters reserved to the UK Government and the third is devolved to the Scottish Parliament.

3.2 The best predictors of fuel poverty are income band, tenure and extent of central heating. "All households with an average weekly income of less than £100 have a high probability of being fuel poor regardless of other factors. For those with incomes of £100—1999, those in private tenures are more likely to be fuel poor than those in public sector housing".[1]

3.3 Households in receipt of Jobseekers Allowance, Sate Retirement Pension and Widows Pension are significantly more likely to be fuel poor than households which are not. Approximately 63% of fuel poor households in receipt of benefits receive State retirement Pension; 25% of households receiving the benefit are fuel poor.

3.4 The Scottish Executive is required by the Housing (Scotland) Act 2001 to end fuel poverty by 2016 but there is real concern that this target will not be met.

3.5 The cost of maintaining reasonable heating levels in Scottish housing is significantly higher than in other parts of the UK partly because of the longer heating season but also because of historically poorer building standards. There is no allowance for this in the calculation of welfare benefits.

3.6 Many vulnerable households have benefited from increased incomes since 1997 and the Scottish House Condition Survey (SHCS) 2002 attributes half the reduction in fuel poverty to increases in household income. However, the recent rise in fuel prices has wiped out much of the progress that has been made towards meeting fuel poverty targets in Scotland. Overall to fuel poverty proof all homes in Scotland, it has been estimated by EAS that £1.7 billion is required.

[1] Scottish House Condition Survey 2002—Fuel Poverty in Scotland.

3.7 The number of households in fuel poverty in Scotland has fallen from 738,000 (35%) in 1996 to 286,000 (13%) in 2002, with some 452,000 households being taken out of fuel poverty according to the Scottish House Condition Survey 2002.[2] In that period 15% of households were removed from fuel poverty by means of energy efficiency measures, while 35% of households were removed by the reduction in fuel prices and 50% were removed by increases in household incomes.

3.8 Communities Scotland also reported that, all else being equal, for every 5% increase in fuel prices a further 30,000 Scottish households are pushed into fuel poverty. This means there could now be in excess of 600,000 fuel poor households in Scotland.

4. Defining Fuel Poverty

4.1 In 2002, the Scottish Executive adopted the following definition of fuel poverty[3] in line with the definition used in the UK Fuel Poverty Strategy: "A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (*including* Housing Benefit or Income Support for Mortgage Interest) on all household fuel use."

4.2 Due to differing opinions on whether to include Housing Benefit and Income Support for Mortgage Interest, the Scottish Executive also agreed to monitor progress on the following definition of fuel poverty: "A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (*excluding* Housing Benefit or Income Support for Mortgage Interest) on all household fuel use."

4.3 The SHCS 2002 data shows that the number of households in fuel poverty in Scotland fell from 738,000 (35%) in 1996 to 286,000 (13%) in 2002. It attributes half the reduction to increases in household income, 35% to reduced fuel prices and 15% to improvements in energy efficiency. If Housing Benefit and Income Support for Mortgage Interest are excluded from the definition of income used to derive fuel poverty estimates, the total fuel poor estimate increases to 363,000 (17%). If all housing costs are excluded from income, this rises further to 445,000 (20%).

5. Scottish Statistics on Fuel Poverty

Scotland faces particular problems unique from the rest of the UK.

5.1 There is a strong association between income and fuel poverty and there are almost no fuel poor households in the top three income bands. In 2003 average earnings in Scotland were almost 12% lower than in England.[4]

5.2 Due to the difference in climate, Scotland has a much longer heating season and a home in the north of Scotland can spend 68% more on fuel use than in the south of England.[5]

5.3 Some 33% of homes in Scotland are off the mains gas network. Research into the effectiveness of the Scottish Executive's Central Heating Programme found that the installation of central heating and energy efficiency measures removed 87% of households from fuel poverty.[6] However many fuel poor properties are in rural and remote areas, where the cost of providing a gas supply would be uneconomic. These areas are then forced to use more expensive fuels to heat and provide power to their homes. This contributes to the overall differential cost of heating a home in Scotland.

5.4 The tenure mix of Scottish housing stock has changed dramatically over the last 15 years with 70% of all housing stock now considered to be owner occupied or privately rented. Many of those who bought their council properties are now seen as asset rich but cash poor, often being unable to maintain their homes in a satisfactory manner.

5.5 Scottish housing differs significantly from that found in England. While both countries have a similar proportion of properties with cavity walls (70% in England, 67% in Scotland), Scotland has 23% traditional sandstone or granite houses, with 10% of dwellings classified as "non-traditional", split between concrete, timber and metal-framed housing.[7] Around 25% of all homes in Scotland do not have a loft, due to the large number of flatted and tenemental properties that are prevalent in many of our cities and towns. All these types of property are 'hard-to-treat' in energy efficiency terms.

---

[2] Scottish House Condition Survey (SHCS) 2002 and Fuel Poverty in Scotland: Further Analysis of the SHCS 2002, both published by Communities Scotland.

[3] Scottish Fuel Poverty Statement (August 2002).

[4] Percentage calculated from figures in "Patterns of pay: results of the 2003 new earnings survey", Office for National Statistics.

[5] "Fuel Expenditure on Heating—Climactic Variation", Digest of United Kingdom Energy Statistics, DTI 1995.

[6] Impact of Central Heating Programme on Tackling Fuel Poverty: Survey of Scottish Households included in 2001–02.

[7] "Energy Efficiency in Scotland', Energy Efficiency Partnership for Homes, 12 January 2005 http://www.est.org.uk/partnership/energy/index.cfm?mode=view&news—id=295

6. Poverty in Scotland

6.1 The Scottish Executive introduced an updated measure of multiple deprivation during 2004: the Scottish Index of Multiple Deprivation 2004 (SIMD 2004). It measured six key deprivation domains: current income deprivation, employment deprivation, health deprivation, education, skills and training deprivation, geographic access and telecommunications deprivation, and housing deprivation. Research carried out by EAS and Strathclyde University, and based on the earlier SIMD 2003, establishes a clear link between fuel poverty, multiple deprivation (or poverty) and excess winter deaths.

6.2 According to this research, there is a greater chance of becoming an excess winter death statistic in Glasgow (one in 36 aged over 65) than in any other local authority area in Scotland, emphasizing that poverty is a significant factor. More than 2,760 people in Scotland died of winter-related illnesses throughout the winter of 2004–05.[8]

6.3 The link between poor housing and poor health has now been established and awareness of fuel poverty should be included in training for health professionals.

6.4 Much of the progress that has been made towards eradicating fuel poverty is likely to be wiped out by recent energy price rises and the future is very uncertain given the current geopolitical climate and the fact that the UK will soon be relying more on imported gas. According to research carried out by energywatch gas prices have increased by 87% and electricity prices have increased by 55.8% between 2003 and 2006.

6.5 Government policy has not addressed the issue of higher energy prices and consequently vulnerable households will have to absorb these increases into their budgets. Revenue raised from increased VAT receipts on energy should be hypothecated into fuel poverty initiatives.

7. The Benefits System

7.1 Initiatives aimed at increasing household income have played an extremely important role in the reduction of fuel poverty in Scotland. These initiatives have helped to increase household income, but have also enabled more people to qualify for certain schemes set up for those at risk from fuel poverty, such as the Warm Deal and Cold Weather Payments.

7.2 Figures[9] published by the Department for Work and Pensions on the take up of income related benefits, shows that in 2003–04 between £4.2 and £7.3 billion of benefits went unclaimed. Many are simply unaware that they can receive help with their rent, Council Tax or care costs. For others, the benefits system is far too complex, with some people unable to fill in the appropriate applications. Moreover, some people are put off claiming means-tested benefits as they do not want to provide personal information or face intrusive questioning.

7.3 Research by the Citizens Advice Bureaux (CAB) found that home visits, with face to face contact with clients, are essential to successful benefit take up.[10] People need a high level of support to fill in complex forms and to identify which benefits they may be entitled to. More funding is needed to provide face to face advice for clients.

7.4 EAS believes that benefits entitlement checks should always be provided as part of energy efficiency schemes and where there is a fuel debt.

8. Payment Methods

8.1 Direct debit is one of the cheapest ways of paying for fuel, with online payments attracting additional discounts but many consumers, particularly those on low incomes, are unable to take advantage of these opportunities as they do not have a bank account. Price comparison lists produced by energywatch show that consumers could save between £72 and £92 annually if they switch to direct debit.

8.2 Prepayment remains the most expensive way of paying for gas and electricity, with the most vulnerable households and those with a fuel debt often using this payment method. Therefore, not only are prepayment customers paying more for their gas and electricity, they are largely prevented from taking advantage of cheaper tariffs as fuel debt prevents them from transferring to a cheaper supplier. Suppliers should be required to reduce pre-payment tariffs to bring them into line with standard tariffs.

8.3 Fuel Direct was initially designed as a payment method of last resort for people in receipt of certain benefits. As the Department for Work and Pensions (DWP) does not view Fuel Direct as a debt prevention scheme, customers in receipt of the qualifying benefits only qualify for this payment method if they have a large debt with their fuel supplier. One of the main benefits of Fuel Direct is that total payments for debt are set at a maximum of £2.80 (2004 levels) per debt, per week. Customers in fuel poverty and with a substantial level of debt may be better off paying by Fuel Direct than the more expensive prepayment meter. EAS believes that Fuel Direct should be more generally available as an acceptable method of payment.

[8] "Excess Winter Deaths in Scotland, 2004–05", General Register Office for Scotland.
[9] "Income Related Benefits—Estimates of Take-Up in 2003–04", Department for Work and Pensions.
[10] "Serious Benefits—The success of CAB benefit take up campaigns", 2003.

9. Social Tariffs

9.1 Speaking at the June 2005 launch of Ofgem's Social Action Plan, Sir John Mogg, Chairman of Ofgem, called for a joined-up approach to tackling fuel poverty, with an increase in corporate social responsibility initiatives aimed at alleviating fuel poverty and the introduction of social tariffs.

9.2 Minister for Communities, Malcolm Chisholm MSP suggested during his speech at Energy Action Scotland's annual conference in November 2004 that fuel suppliers should offer special tariffs to people in receipt of Pension Credit to combat the effects of rising fuel bills. Since this announcement, several large energy suppliers have launched social tariffs and trust funds aimed specifically at helping vulnerable people at risk from fuel poverty.

9.3 These initiatives have included discounted tariffs and grants for households in severe fuel poverty and the provision of grants for agencies working to assist vulnerable households. Research by the Centre for Sustainable Energy[11] concluded that social tariffs are ad hoc, inconsistent and poorly focussed on fuel poverty and that this should be reviewed by Government, regulator and energy suppliers before any decisions are taken to develop social tariffs more widely as a tool for tackling fuel poverty

10. Winter Fuel Payments

10.1 The Winter Fuel Payment is a non means-tested annual payment to help pensioners pay their winter heating bills and is currently set at £200 for people aged over 60 and £300 for those over 80 years old.

10.2 The Trade and Industry Committee at Westminster recently acknowledged that certain vulnerable groups not in receipt of the Winter Fuel Payment or eligible for other government funded schemes aimed at alleviating fuel poverty are in dire need of assistance.

10.3 Children's charities and disability campaigners also claim that the Winter Fuel Payment fails to assist non-elderly groups at risk from fuel poverty. A warm environment and the need for constant hot water are important requirements in the therapy of many disabilities and this has an effect on the weekly fuel bill. Those with restricted mobility face higher fuel bills due to longer periods spent indoors and should also be entitled to Winter Fuel Payments.

10.4 The effectiveness of the Winter Fuel Payment in alleviating fuel poverty has also been brought into question. With age being the only qualifying criterion, affluent households with a person over 60 years old are fully able to claim the Winter Fuel Payment whilst low-income households under the age of 60 cannot claim this payment, despite their personal circumstances for example, young children or those with a disability, requiring them to spend more on their fuel bills.

10.5 In addition to this the Scottish climate is significantly colder than the rest of the UK with a much longer heating system but this issue is not addressed by the Winter Fuel Payments system. This could be addressed by having a regional scale of payments for Winter Fuel Payments with the additional top-up paid as a fuel credit to be redeemed against fuel bills.

10.6 Cold Weather Payments are paid to those receiving Income Support or Jobseekers Allowance due to long-term sickness or disability, being aged over 60, having a child under five years old, or being responsible for a disabled child. The payment is also made to those receiving Pension Credit. The payments are made automatically for each qualifying week if the average temperature for the area has been or is expected to be 0°C or below for seven consecutive days. It has been argued that the same qualifying criteria should apply to the Winter Fuel Payments and EAS agrees with this recommendation.

11. Conclusion

EAS believes any study of poverty in Scotland must look at fuel poverty, as this is a distinctive and significant factor. Two of the main causes of fuel poverty (income and energy price) are matters reserved to the UK Government, with the third (energy efficiency) being devolved to the Scottish Parliament.

Liz Futcher on behalf of:
Energy Action Scotland

October 2006

[11] CSE Report "Social tariffs: a solution to fuel poverty" April 2006.

Witnesses: **Mr Eddie Follan**, Public Affairs Manager, **Mr Adam Scorer**, Director of Campaigns, energywatch, and **Ms Elizabeth Gore**, Deputy Director, Energy Action Scotland, gave evidence.

Q524 Chairman: Good afternoon and welcome to our first set of witnesses for today on our inquiry into *Poverty in Scotland*. Before we start asking you detailed questions, do you have any opening remarks you would like to make?

Ms Gore: Thank you for inviting Energy Action Scotland to give evidence to the Committee and thank you for acknowledging that fuel poverty is a subset of poverty as a whole. It has been well documented that the fuel poor are poor. Fuel poverty is often said to be devolved to the Scottish Parliament but looking at the three main causes of fuel poverty, two of those—low disposable household income and the high price of domestic fuel—are reserved to Westminster. It is only the third—poor energy efficiency of dwellings—which is devolved, but of course all three factors do need to be addressed in order to eradicate fuel poverty. There is a great deal of interest just now in energy generation, climate change, carbon footprints and while solutions to fuel poverty do need to be energy efficient, it is important to understand that for many fuel-poor people they may need to use more energy and not less. They already ration their energy use often to the detriment of their health and well-being. It is a very important time to keep the focus on fuel poverty because of the recent high energy prices, especially if we are going to meet the target to end fuel poverty by 2016. As the Scottish fuel poverty charity, Energy Action Scotland welcomes any steps towards meeting that goal.

Mr Scorer: I echo many of the things Elizabeth has said. What I can add to that from energywatch's point of view is that we particularly welcome this Committee taking a look at fuel poverty as it considers other manifestations of poverty in Scotland. It is important to look at whether there is a live and adequate strategy for fuel poverty, not just in Britain but in Scotland in particular. I do not think there is and I think it is deficient for two particular reasons: firstly, because there has not really been sufficient focus certainly on the remedies and the actions that could be taken to address the reason why the success in eradicating fuel poverty has spun into reverse and that is because prices have shot through the roof, and there has been no strategic response from government or from the market to alleviate those prices issues. The second area which I think has been neglected, although there has been a significant amount of work through benefit entitlement and other income maximisation efforts from a range of agencies in Scotland through the Executive, through organisations like Energy Action Scotland, is we have seen another example where GB policy has inhibited the ability for the Scottish Executive to meet its own fuel poverty targets because it has not addressed the fundamental issue that rising incomes are why fuel poverty was in retreat before and we have not done enough to look at those mechanisms which will support the incomes of those groups who are physiologically vulnerable to the cold—the elderly, families with young children, those with disabilities or long term illnesses—so I welcome this Committee looking at fuel poverty and hope that we are going to be able to help you to further understand some of those issues.

Q525 Chairman: How is fuel poverty defined at the moment? Does the definition really capture all those in fuel poverty or does the definition need to be changed in your view?

Ms Gore: The current definition is widely taken to be that if a household is required to spend more than 10% of its income on fuel in order to maintain a satisfactory heating regime, then it is deemed to be in fuel poverty. The definition that is set out in the Scottish Fuel Poverty Statement includes housing benefit or income support for mortgage interest. In terms of whether that is still a good working definition, Energy Action Scotland's view is that certainly for the time being it is and it would possibly be a distraction to try and spend time reworking that just now rather than get on and actually solve the problem.

Mr Scorer: I think that because fuel poverty is something that affects a range of demographic groups and a range of communities and a range of individuals with different life circumstances, you need something that enables you to model the size and the exposure of certain groups to fuel poverty. I agree that there is not a huge amount of benefit to be gained from looking at the actual definition of fuel poverty, except to recognise that for some people it is not about 10%, it is about 20%, 30% and 40% of their income on fuel poverty and those people are in real severe difficulties and they are making decisions which are not just about budgeting, which are not just about shifting money from one set of household necessities to another; it is about coping with the cold, coping with health issues, making sure they can keep themselves in a healthy state. That is the only addition I would like to make. It is not just about fuel poverty; it is severe fuel poverty and what that means to people.

Ms Gore: I said that the Scottish definition includes housing benefit or income support for mortgage interest. Energy Action Scotland and others believe that those costs should not be included in the definition because we feel that falsely inflates the level of disposable household income because you cannot use those for anything other than the purpose they were intended. You cannot use them for paying for fuel, for example. We feel that the definition should be excluding housing costs.

Q526 Chairman: When you say housing costs, does heating a house come into the housing costs or not? What is included in housing costs?

Ms Gore: It is specifically the housing benefit and income support for mortgage interest that we are interested in because they can only be used for those purposes. There are other benefits—for example, milk tokens, funeral payment allowances—that can only be used for that particular purpose, whereas what is reported when we are looking at fuel poverty is the disposable income of the household. Some figures taken from The Scottish House Condition Survey show that, in 2002, 13% of households were in fuel poverty. If you exclude housing benefit or income support for mortgage interest, the figure

goes up to 17% and if you exclude all housing costs it goes up to 20%, so you can see the effect of those items.

Q527 Chairman: According to Energy Action Scotland, three main causes of fuel poverty are low disposable household income, high domestic fuel prices and poor energy efficiency of the dwelling. Obviously two aspects of this are reserved matters and the third one is a devolved issue. Do you think that both parliaments and both governments are working in coordination to resolve fuel poverty, or do you think there is more to be done?

Mr Scorer: We have seen explicitly from both the Scottish Executive and from the UK Government a focus on energy efficiency measures and a coordinated attempt to put capital investment into the housing stock as the long term solution to fuel poverty. I think there has been a degree of collaboration and learning from each other on that. On the two other areas, in terms of income maximisation, notwithstanding the point where I do not think there has been anything from GB which has assisted the picture on fuel poverty in actually directly putting more money into the household budgets of certain vulnerable groups. Around the idea of benefit entitlements there has been a number of successes and a number of less successful ventures which have seen Defra and the DTI, the Scottish Executive and the Welsh Assembly Government working together well. The area where I think there has been practically no coordination between governments—this is a UK Government issue—is on how to address the issue of fuel prices which essentially is putting pressure either on companies to adopt more socially responsible ways of charging low income vulnerable consumers for their energy use, or to develop a coherent understanding of what the drivers for high prices are and what regulatory or legislative requirements there are to drive that down. In the energy efficiency, I would say yes; benefit entitlements, I would say partially; in terms of fuel prices, I would say no.

Mr Follan: Successive communities' ministers in the Scottish Executive have looked at the issue and in fact Malcolm Chisholm supported social tariffs at an Energy Action Scotland conference three years ago. I know that the Scottish Executive have met with the suppliers but I think the issue is one of coordination between the Scottish Executive and the Westminster government on the issue of price because there really is only so much that the Scottish Executive can do. There is a joint ministerial group who meet on fuel poverty and I would imagine that it has been brought up at that, but in terms of being able to actually do anything on price, I would certainly go along with what Adam is saying and say it has been very limited.

Q528 Chairman: Which groups within society are most affected by fuel poverty? How are those in fuel poverty identified and how well is data on fuel poverty shared within government and between government, industry and the various agencies engaged in tackling fuel poverty?

Ms Gore: The fuel poor in terms of groups of people is clearly identified in The Scottish House Condition Survey. That shows the groups that are most likely to be in fuel poverty are single pensioner households, couple pensioner households and single adult households. In terms of identifying areas of the country where fuel poverty lies, there is the Scottish Fuel Poverty Indicator which was developed for Scotland by Energy Action Scotland and Alembic Research through the Scottish Executive with funding from the Energy Saving Trust. That can identify to ward level where houses in fuel poverty are within that area and that is available to all the local authorities in Scotland. It can be adapted down to sub-ward level and that has been done for East Renfrewshire and Orkney Councils and they are successfully using those tools.

Mr Scorer: There is also listed the geographical disaggregation of where the fuel poor are. Are there pockets of it? Are there areas that we need to focus on? In particular, that is true of course for high urban areas of multiple deprivation, the important issue of rurality and the impact on communities off the gas network which is an exacerbating factor. The other element are those individuals who are particularly susceptible to the consequences of the cold and older people are clearly the group that is the most susceptible, the most likely to be in fuel poverty and the ones where we have tried to do the most to meet their needs. What I would say—this is something picked up by the Trade and Industry Select Committee earlier on—there is a great danger that, in rightly focusing on the needs of the consumers, you miss other really important groups of people who are not getting the same level of support, the same focus from organisations bringing grants and advice, and the same focus from government and they are families with young children, the disabled and the chronically sick. Those who are susceptible to the cold spend a lot of time at home, maybe with high laundering costs, washing machines on a lot, a need to space heat and they are going to spend a lot of money on heat. I do not think we have seen the same commitment to addressing the needs of those groups as we have, quite rightly, for older consumers.

Q529 Danny Alexander: I would like you to go into a little more detail on the rural dimension that you mentioned. When we were in Inverness both the Highland Council and other people giving evidence to us made particular reference to fuel poverty in a Highland context, partly because in rural areas the prevalence of fuel heating oil, which is much more expensive than gas, therefore pushing substantial numbers into fuel poverty, but also substantial numbers into fuel poverty that you described earlier. Has any work been done to see how prevalent fuel poverty is, particularly in those more remote rural communities as well as the other areas you have talked about?

Mr Scorer: There certainly has and I am sure you have the details of it. It is worth saying this is one of the aspects where there is a particular constellation of impacts which make the Scottish fuel poverty

situation different from England, although pretty similar to parts of Wales at times, but very different and that is a third of homes are off the gas network. The preponderance of solid wall sandstone and granite houses makes it difficult to put in energy efficiency measures, much more expensive fuels, oil and electricity, to heat the homes. The average is about 4,500 kW per year for a domestic household in a city which rises to about 7,000 kW in rural areas. It is a vital issue and one that is particular in Scotland.

Ms Gore: Picking up on what Adam is saying, there is often a climatic variation. It costs about 68% more to heat your home in the north of Scotland than it would in the south of England. There is quite a wide variation there mainly dependent on the climatic differences. In terms of rural and urban fuel poverty, most fuel-poor households are in urban areas. The percentages of the population that live in those areas mean that you are most at risk of fuel poverty if you live in a rural area. The figures for rural fuel poor is 75,000 households, which is 21%, and in urban areas the fuel poor is 211,000 households which is 12% of the population in that area. Households are twice as likely to be in extreme fuel poverty in rural areas than those in urban areas. To pick up on what Adam was saying about houses off the gas grid and hard to heat houses, another aspect to take into account is that gas and electricity are the only fuels which are regulated. Oil, for example, is not regulated and so you do not get the same checks on price increases, whether price falls are being implemented swiftly enough and of course there is no equivalent to the Energy Efficiency Commitment on supplies of other fuels other than gas and electricity.

Mr Scorer: On the non-regulated point, oil heating was the subject of a Competition Commission inquiry to see whether there was any meaningful competition driving down price there. The other element is that not only are you off the gas network, not only are you having to pay for more expensive fuels for space heating and lighting, you are also less likely to get picked up by the work of a number of key agencies either in advice or support if you are having problems struggling to pay your bill and that is having a meaningful impact on your quality of life. It is more difficult to get picked up by community organisations and it is much easier to deliver in urban areas, so they add up and they start coalescing a whole range of deficiencies in the way in which we address fuel poverty. This starts to become much more of a wicked problem if you are residing in a rural area and you cannot afford to heat your house.

Q530 Chairman: Is there any evidence available to prove that the extent of fuel poverty in Scotland is greater than it is in the United Kingdom as a whole?

Mr Scorer: We can see from the Scottish Executive's figures and I think everybody from England and Wales all had the beneficial impact of price reductions up until about 2002 reducing the numbers of households in fuel poverty. It came down from about 35% of households in Scotland to about 13% and we now think it is climbing up to about 30%. That is 650,000 households in fuel poverty. The incidence of fuel poverty is higher in Scotland than it is in England, similar to the situation in Wales, for many of the reasons that Elizabeth has identified: climatic, it is colder; it is darker; your space heating requirements are greater; your lighting is on for longer; your electricity is about five% more expensive in Scotland than it is in England; there are a higher proportion of people on prepayment meters to recover a debt. It is a whole range of issues which makes the experience of being an energy consumer in Scotland more likely to have you in fuel poverty than in England.

Q531 Chairman: There was a 30% decrease in the number of households on fuel poverty and then there was an increase again. What is the main reason for this?

Mr Follan: We would point to price. In 2002 the figures were something around 286,000 people living in fuel poverty. From 2003 to 2006 we had a 90% increase in gas prices and a 60% increase in electricity prices. That drove the numbers upwards so we had a gap where we were not really doing anything at all about price. I should point out here that the Scottish Executive figures for this are something around 328,000, but those figures are based on 2003 before the price rises, so they are lagging behind. Certainly both ourselves and Energy Action Scotland have done their sums and we would say round about 650,000, simply because of the rise in prices. If you look at the impact of energy efficiency, you are looking at something like 40,000 households who would benefit from the energy efficiency measures that the Executive has taken. There has been an eight to 11% increase in incomes which has lifted some out of fuel poverty. Overall though progress towards the 2010 and 2016 targets has been outpaced by price rises.

Ms Gore: We mentioned there was a big fall in poverty at one point which was between 1996 and 2002. Half of that was attributed to increases in income and about a third of that to lower fuel prices and only 15% to energy efficiency measures, but at that point the Central Heating programme had only just started so the impact of the energy efficiency improvements was not going to be showing up in the figures yet, but the figures that Energy Action Scotland and energywatch are now quoting for fuel poverty is based on Community Scotland's which is the Housing Regeneration Agency of the Scottish Executive which produces The Scottish House Condition Survey. They published a report in which it said for every five% increase in fuel price, all else being equal another 30,000 households would go into fuel poverty in Scotland. That is what our figures are based on.

Mr Scorer: The price issue is absolutely critical. We are now seeing a downturn in prices. All the energy companies have now announced a reduction. Personally I have a worry that we do not start getting complacent and saying that the market will now deliver for vulnerable consumers at risk of fuel poverty because prices are coming down for everyone. What we are seeing is even a market that is contestable, that is competitive primarily if you are a

direct debit customer, you have a current account or you are on an online tariff. It is not such a competitive market if you are on a prepaid meter, if you have a debt and the company can block you transferring away, or you are not really a lucrative consumer. I think this inquiry is timely because you are at a moment when it would be all too easy—I do not think anyone is actually doing this, thankfully—to say that the market will deliver a competitive solution. The market will deliver competitive solutions for consumers the market wants. It will not deliver, or has shown no sign of delivering, a competitive solution for consumers who are not regarded as lucrative. One of the key elements that we would like to see in the Energy White Paper, which is hopefully due next week, is a commitment from the UK Government to provide legislation that will require all of the major energy suppliers to have what we call a social tariff, which is their lowest tariff in the marketplace that is available for consumers who the Government has an eligibility test for who are the most deserving, the most vulnerable, on the lowest incomes, in receipt of certain benefits. It is up to the Government to decide the mechanism because the industry will not do this by itself and without such a mechanism we will continue to see the numbers in fuel poverty stay at a stubborn and unacceptable level.

Q532 Mr Davidson: Are you effectively saying that there should be means testing for this social tariff?
Mr Scorer: What we are saying is that the Government already has a number of mechanisms whereby it identifies consumers. One might be the cold weather payments system, so you recognise that a number of people are physiologically vulnerable to the cold and need some assistance.

Q533 Mr Davidson: I understand that. I am just saying is that a yes or a no? It is basically a means test, is it?
Mr Scorer: There needs to be a set of eligibility criteria and one of the most effective ways of doing that would be identification for a passport benefit.

Q534 Danny Alexander: You have made it clear that you think if the current policy carries on as it is at the moment that the target for 2016 is likely to be missed, and substantially missed by the sound of it. Are you saying that the matters you are describing there about pricing are the most likely reasons why the targets are missed? I think what you were saying there was that the current system is effectively price discrimination against low income families because of direct debits and the costs of prepayment meters and all those sorts of things. Is that the main reason why you think it is going to be missed or are all the issues that you are talking about part of the reason?
Mr Scorer: That has to be the main reason why the numbers of households in fuel poverty have gone through the roof and are likely to stay there. I do not think any of the solutions are golden bullets. Neither energy efficiency of the housing stock issues, nor the income maximisation, nor price actions by themselves will deliver solutions to fuel poverty and I think we have to be clear on that, but without a component that says the market is discriminatory towards low income and vulnerable consumers who are not lucrative to the companies they are going to continue to pay proportionally more significant amounts of their money on energy than others and that is likely to keep them in fuel poverty. It is an absolutely critical component, but more than that I suppose it is the most neglected component. It is the route we have not travelled. It is the solution we have not tested and therefore the benefits are still there to be gained if we can come up with a system which means that this is a socially responsible market that delivers the cheapest energy to the people who most need it.
Mr Follan: I do not want to be accused of being a statistician but, to back that up, if you look at the 90% rise in gas and 60% rise in electricity, prices have really only come down in the last year by 12% for gas and five% for electricity. That is not going to be of any benefit whatsoever really to the people at the bottom of the pile and the people on the lowest income. Picking up on Adam's point and just to reinforce it about direct debits and prepayment meters and the inequality that exists in prepayment meters, people are paying £200 a year more for paying upfront for their energy for a start and actually trying to budget. There are issues there about recalibration of meters and hopefully we can touch on that, but just to reinforce that inequality. At the moment, you could conclude that the people who are on direct debits are being subsidised by the poorest who pay by a prepayment meter. I am sure that having looked at some of your evidence in the past you have dealt with some issues around financial exclusion. In Scotland, 12% of people do not have a bank account so they do not even have access to the direct debit tariff which is generally the lowest tariff. In some areas—I think the Dundee Partnership have estimated—that somewhere around 35% have never had a bank account, so you can see how people have effectively been locked out of the cheapest tariffs in the market and that is something we are looking at in terms of social tariffs to see whether we can find a way to get people access to the lowest possible tariff.

Q535 Mr Davidson: Can I clarify what you think ought to be the role of the regulator in all of that? If the companies are able to essentially overexploit the poorest consumers should the regulator not be doing something about that and why have they not already done so?
Mr Scorer: The regulator would regard the market and given that we have not only a competitive market but the most competitive market in the world, it is trusted to the industry to provide a range of solutions—it could be corporate or social responsibility solutions, there could be rebates or time-limited benefits—as possible partial solutions. I think we need to recognise—whether it is from the regulator, whether it is from government through legislation—that the package of measures that have

been more than welcomed from the energy companies is just insufficient, inadequate and incoherent.

Q536 Mr Davidson: I understand all that. What I am asking you is whether or not you think it is the role of the regulator to deal with some of these things? It strikes me that this is a weakness of the regulator to allow such anomalies of provision to exist and it ought not necessarily be for the Government directly to move in to legislate because it ought to be controlled by the regulatory process that we have established.
Mr Scorer: I agree with you that it is the responsibility and primary duty of the regulator to protect the interests of consumers.

Q537 Mr Davidson: Why do you think the regulator has not behaved in the way that we seem to agree he ought to have?
Mr Scorer: I think Ofgem has a confidence or a faith that the market mechanism is the surest way of delivering.

Q538 Mr Davidson: It is evident that that is clearly misplaced, is it not?
Mr Scorer: I believe it is misplaced.

Q539 Mr Davidson: The evidence indicates that that faith is misplaced, yet Ofgem seem not to have recognised that. Why is that?
Mr Scorer: I believe that Ofgem has faith in the market delivering. There is no evidence to support that.

Q540 Mr Davidson: Are you saying you think that Ofgem is pretty much a waste of space when it comes to dealing with the poorest consumers?
Mr Scorer: I think that Ofgem has not been able to drive, either by incentive or by requirement, energy companies to deliver fair pricing for low income consumers. I think it has not done that. I do not think it has the mechanism in its mind to do it which is partly why I think we need the White Paper to recognise that government has to step in if others are not delivering.

Q541 Mr Davidson: The mechanism in its mind is a wonderful euphemism. I understand that they do not have the will which is really what you are saying.
Mr Scorer: Yes.

Q542 Mr Davidson: Do they, in your view, have the powers to do that? They could deal with this if they wanted to, but they do not want to.
Mr Scorer: They gave up the fundamental power they had which was the price control power they had in 2002. They regarded the market was sufficiently mature for all consumers to enjoy it. That has gone. That would be the usual way. It is a price-setting mechanism. What they really have at the moment is a range of incentivisations. There has been a little bit of naming and shaming of Scottish Power amongst others lately. That is the armoury they are using. I think it is insufficient. I would agree with you that I do not think Ofgem has covered itself in glory on this particular issue. What we are particularly concerned about is an effective quick remedy for vulnerable consumers and the quickest and surest way that we can see for that happening is for government to require—

Q543 Mr Davidson: The only reason you are saying that government has to step in here is because Ofgem is not doing its job properly.
Mr Scorer: It is because Ofgem has not found a way to deliver.

Q544 Mr Davidson: We are seeing Ofgem later on.
Mr Follan: Following up on that, to give you an example of what Adam is talking about—I will try not to be too technical—basically people have got meters in their house (250,000 of them in Scotland) that cannot be reset and I am sure you have a lot in your constituency. This has been running since 2005 and we are still in the situation where three suppliers continue to back charge people pushing them into debt.

Q545 Mr Davidson: I understand the issue. I understand that Ofgem disapproves of that but are you saying to me that Ofgem has the powers to deal with that but choose not to use them?
Mr Follan: Going back to what Adam was saying, Ofgem have dealt with the issue through a process of naming and shaming, but what they have not done is brought forward the licence condition which says "Stop it". As far as I understand it, Ofgem can do that.
Mr Scorer: Ofgem are going through a process of reviewing the rules of the game that every supplier has to follow and there is obviously the capacity there for them to say you will not back charge, you will not levy a debt and the concern—

Q546 Mr Davidson: I want to be quite clear about this. There is a difference between seeing when they review the rules they will put a new rule in that says that. I am saying that they have got the powers to deal with this now. Are you saying to me that they do not actually have the powers to deal with back charging at the moment and all they have therefore got to do is beg and grovel and name and shame?
Mr Scorer: The powers that they have in this instance are probably around the licence. What does the licence allow them to enforce? Has there been a breach of a licence condition? Is there an issue where Ofgem can say: Look, these are the rules. It is pretty clear you cannot do it. There is no rule that says you cannot back charge so it would have to use this licensing procedure to introduce it to itself and it has not done so.
Ms Gore: If we had smarter meters which could be recalibrated remotely then this problem would not arise. Smarter meter technology is there and has been developed over time. What we would like the regulator to do is to speed up the process of which suppliers are installing smarter meters.

Q547 Mr Davidson: Presumably you have put this to the regulator?
Mr Scorer: Yes.

Q548 Mr Davidson: What have they said?
Mr Scorer: We put this quite forcefully to the regulator and to the industry. The regulator's position would be that if there is a business case, if the industry can come up with a way in which it can deliver smarter metering through a competitive structure, then it will do everything it can to allow it to emerge. What we need though is something which is a little more dynamic.

Q549 Mr Davidson: "Allow it to emerge" is a euphemism as well, is it not? If they feel like doing it, the regulator would be quite happy if they did it. The regulator is not going to oblige them to do it.
Mr Scorer: The regulator will not oblige them to do it and it will not oblige them to use any specific technology to bring it about.

Q550 Danny Alexander: In the Energy Action Scotland submission you actually said that Ofgem had called for the use of social tariffs and that they had then had some research from the Centre for Sustainable Energy who then said these social tariffs are not all they are cracked up to be and therefore Ofgem has sort of sat on its hands since that evidence. What is the position in relation to Ofgem and the social tariffs?
Ms Gore: I think when the CSE report came out which found that some of the social tariffs were actually not as good a deal as some of the other tariffs that they were offering, I think there was quite a bit of embarrassment among the companies who had been identified.

Q551 Danny Alexander: They were not social tariffs at all. They were dressing something pretty shoddy up as a social tariff.
Ms Gore: They have either been adapted or they have been recategorised.
Mr Scorer: First of all, I think what Ofgem said more than a couple of years ago now was that there is nothing preventing you from delivering a social tariff under competition law, so you are not going to fall foul of competition law and they will not jump on you, so it is more an allowance rather than a bringing about. The currency of social tariff has been debased by a number of the products that have been brought about by companies. Some are more expensive than their direct debit tariffs, they are poorly targeted and they are time-limited. They are really, I think, window-dressing. That is not all by any means. Look at some of the activities latterly of Scottish Gas, of EDF Energy, of Scottish and Southern Energy—there were serious attempts to develop one but across the marketplace you have incoherence, you have confusion for consumers and for people who advise consumers about where to go and you have not seen anything that you could say is based on a set of sound principles that mean these tariffs deliver what they ought to deliver which is the cheapest tariff from that company for the most vulnerable consumers.

Q552 Danny Alexander: As I understand it, there are certain aspects in the legislation which mean, for example, that energy companies—correct me if I am wrong—are required to charge standing charges, for example, whereas I gather that in some continental European countries the social tariffs involve the first certain number of units being free effectively and you only start paying for your usage beyond that, which would be a rising price as opposed to the regime we have in the UK where you start high and it falls away.
Mr Scorer: The rising tariff is one example which is often regarded as being a solution, both for the fuel poor and for some energy efficiency sustainable directives. I think there is plenty of room in the marketplace.

Q553 Danny Alexander: Are there legal barriers to prevent that in this country or is that something that the regulator again could, if he wished, impose?
Mr Scorer: I do not think there are any legal barriers. I will come back to you with a note on that and have a look at it, but I do not think there are legal barriers.

Q554 Danny Alexander: I have a couple of other questions in relation to Energy Action Scotland's submission. You said in that submission that it would need £1.7bn to fuel poverty proof all homes in Scotland. Was that simply in relation to energy efficiency improvements and improvements to the houses themselves, or does that cover the pricing points that we are discussing at the moment as well?
Ms Gore: What we meant by fuel poverty proofing houses, and it comes back to the question you asked earlier about meeting the 2016 target, I would not be quite as gloomy about it. It is possible to meet the target by improving the energy efficiency of homes and bringing in measures to maximise people's incomes and to do the things that Adam has talked about in terms of energy pricing. I would therefore say it is possible to meet the target but it will take a lot of money to do that and it will take the political will. But if fuel prices were going to go up at all, and it is bad for the people who are in fuel poverty obviously, this may be a wake-up call to us that we are not too complacent about the successes that were achieved in the first few years of the Scottish Parliament's plans to tackle fuel poverty because what it has shown is that we have a long way still to go. But we do have the solutions and the Central Heating programme results have been very positive with very high numbers—76% of people have been taken out of fuel poverty by getting income maximisation, energy advice, insulation and an efficient heating system. Coming back to your question, which I have now forgotten . . .

Q555 Danny Alexander: I think you have answered it but I do have a follow up.

Ms Gore: It was about the £1.7bn.

Q556 Danny Alexander: Where did that come from?
Ms Gore: That is actually to fuel poverty proof all homes in Scotland and, getting technical for a moment, to raise all houses to an NHER standard of seven. NHER is a means of rating the energy efficiency of dwellings from zero to 10 where zero is the least energy efficient. We believe that if you take houses to at least a seven then you are much less likely to be affected by the variations in price rises and by variations in incomes as things happen to your personal circumstances or economic circumstances change throughout your lifetime.

Q557 Danny Alexander: Perhaps one of you can confirm this. My understanding is that one of the mechanisms that exists in order to achieve this objective—the energy efficiency commitment—in the way that it currently operates actually discriminates against Scotland because you both made the point earlier about the nature of the housing stock in Scotland that particularly in rural areas there are a lot of old, stone houses and it is very costly to insulate them and to raise the energy efficiency standards of them, but the way the energy efficient commitment works is that the energy companies are expected to improve the energy efficiency of the maximum number of houses, so if you are, to pick an example at random, an energy supplier who is supplying energy to both the Highlands and Islands of Scotland and to the south of England, then it is to your advantage to meet the targets that are set for you by the regulator to spend your money in the south of England because you get more for you buck. You can improve the energy efficiency of many more houses in the south of England than you can in the north of Scotland and that the way therefore that target is framed within the energy efficiency commitment effectively—and I would be grateful to know if this is the regulator's responsibility or the minister's—effectively means that it is not in the energy companies' interests to insulate houses in Scotland when they have got houses that are much cheaper to improve in the south of England on their customer base.
Ms Gore: In principle, wherever you are running the energy efficiency commitments scheme that would apply because obviously you have economies of scale if you are working in a high residential area and you can do whole streets at a time, for example, but what I am unable to tell you is what the expenditure on EEC[2] is in Scotland. We have been particularly interested to know that for the priority group of customers[3] because that links into the Government's plans to eradicate fuel poverty. That information is not available. Perhaps Ofgem might be able to supply that to you. In terms of hard to treat homes, we would like to see additional measures being added to both the Energy Efficiency Commitment and to the Central Heating and Warm Deal programmes run by the Scottish Executive because although both programmes have been fine until now—you do need the draught-proofing, the insulation, the pipe-lagging and measures like that which are generally seen to be the easy hits, the "low-hanging fruit" is the term that is often used. We obviously knew that there would be easier savings in the earlier years and that as time goes on it is going to get harder to make those energy efficiency improvements. The Scottish Executive is currently running a two-year pilot looking at adding micro-renewables to the Central Heating Programme. That is not to test the technologies—we know those work—but what we want to know is the impact on fuel poverty of using those in particularly hard to treat or in places off the gas grid, but also how the people living in the homes react to having those and whether that has any effect on the effectiveness of the technologies.

Q558 Mr Davidson: One of the issues that has been mentioned for why there is fuel poverty is that there are lots of poor people basically. You are critical of the winter fuel payment because it does not reach all of those who it needs to and also there is some that get it that do not need it. Short of just simply giving more money to poor people, is there a particular way in which fuel poverty ought to be tackled without involving an enormous bureaucratic structure which requires measuring the temperature of the area, involves assessing the type of your house and all the rest of it? Is it best simply to give a flat rate increase on benefits and hope that that then deals with fuel poverty?
Mr Scorer: There are lots of ways of doing it. The one group of people—I have mentioned it before—which is those eligible for cold weather payments is a group of people who have been identified as being physiologically vulnerable to the cold. It is pretty clear that they are going to have serious health consequences. It is an issue that a number of us have been pursuing for some time, a whole range of charity and voluntary organisations saying you need to do more for this vulnerable group. I think it is extraordinary that we have not yet seen the DWP or government say: Let's just see what we can do for this group who we have identified as being susceptible to the cold and to damp homes. I think it is remarkable that we have not found more effective ways of providing financial support to that group of people. Whether that is them being eligible for the £200 of winter fuel payment or something else, there are exchequer constraints, but I just come back to the point that unless you do that, I do not think you have a proper strategy for addressing fuel poverty.

Q559 Mr Davidson: It is building on the cold weather payments is the road forward that you would think is appropriate rather than increasing winter fuel payments.
Ms Gore: On the subject of winter fuel allowances, it is fine as it is because, as I said earlier, a great number of older people are in fuel poverty or at risk of fuel poverty, but what we would also like to see is this winter fuel allowance extended to people who are

[2] Energy Efficiency Commitment
[3] *Note by Witness*: The Priority Group is a defined group in the Energy Efficiency Commitment

severely disabled and, as Adam outlined earlier, very often they have restricted mobility if they are in their homes.

Q560 Mr Davidson: Is that not really effectively the cold weather payments eligibility criteria?
Ms Gore: Yes, if winter fuel allowance could be extended to people in cold weather payments.

Q561 Mr Davidson: The emphasis has got to be on those who are eligible for cold weather payments rather than just indiscriminately across the board to the elderly.
Mr Scorer: Just to make it more difficult, I think you have had witnesses certainly more expert in social policy than I, and I suppose you could have the two approaches: universal provision, everybody over a certain age gets the winter fuel payments and it means that you cover the waterfront. It means that you are sure you are getting everybody there and that is really important. If you want something that is narrowly focused but deep, you really are trying to focus active support on the people who you think need more, then you have got to go for a more targeted approach. I am insufficiently expert to say which ones should win out in terms of exchequer priorities. They both have validity. Energywatch's concern is that a group of people who get cold, some of them die in the winter because they do not heat their homes properly and it is shameful that we are not providing them with more support.
Ms Gore: On the winter fuel allowance we talked earlier about the fact that Scotland has a colder climate and it takes more energy to heat your home to recognised standards. What we could do with the winter fuel allowance is that on top of the standard rate, which there currently is, introduce a banding system whereby from a central point in the UK you could introduce bands north of that whereby each band as it goes progressively north has a regional weighting on the winter fuel allowance.

Q562 Mr Davidson: And then we take it off people in the south.
Ms Gore: I would not like to comment on that. That extra part could be in the form of a credit to the fuel supplier.
Mr Scorer: I am sure every witness you have has just complicated the picture every single time and to me, although I think it is shameful that we have not done something for that group, I think it would be madness to do it unless we address the fact that the market is disadvantaging vulnerable consumers by charging them more for their energy.

Q563 Mr Davidson: I understand that point as well. I am interested in the combination of the points that you make in relation to the cold weather payments which are triggered and also the geographical banding. Indeed, if we could get it done across the EU as a whole then presumably we would take money from the Mediterranean countries and transfer it to ourselves. The other issue that I want to pursue is this question of information on benefit entitlements, energy efficiency, fuel debt being all brought together. I cannot understand why that is not being done already. You indicated that in some circumstances it is and that is best practice, but it is not in others. Can you clarify why it is not being done for everyone?
Mr Scorer: It is a part of the Central Heating Programme and the Warm Deal that people applying for them or receiving them get a benefits entitlement cheque now from the DWP. Many schemes do offer advice but I think our point is more about being proactive at different opportunities.

Q564 Mr Davidson: Who is not being proactive?
Ms Gore: Fuel suppliers.

Q565 Mr Davidson: They would think that that was not their responsibility really to pay benefits checks.
Ms Gore: But they already do offer them in quite a number of the packages that they offer, but they should also offer information about the tariffs that are available and payment methods that are available. There has been a lot of publicity about some of them where successful.

Q566 Mr Davidson: Should Ofgem not police all this? Life is too short for government to be involving itself in everything. If there is a regulator there then surely the regulator ought to be assessing all of these things?
Ms Gore: It is in a supplier's interest to have customers who can pay their bills. If a company sees that a customer is having difficulty—

Q567 Mr Davidson: I understand that, but I am trying to clarify whose responsibility it ought to be to ensure that this is done?
Ms Gore: It is happening but I think there needs to be more creativity by fuel suppliers when, for example, someone switches supplier. If somebody switches supplier or moves house or when they go to a house to recalibrate the PPM—that is an example of when information at that point can be given on the choices available.

Q568 Mr Davidson: If they do not do it, whose role is it then to press them into doing it? That is Ofgem again, is it?
Mr Scorer: I think you have to look at the plethora of programmes and initiatives that exist out there because I think anybody who is doing anything is going to say this is the important part of what we are doing. Some of those will be under Ofgem's ambit, some will be Defra, some will be the Warm Deal, Warm Front, Warm Zones, a whole range of other things and it is because you have that plethora you do have isolated bits of best practice but you do not have coherent delivery.

Q569 Danny Alexander: But no-one is taking responsibility for making this happen, is that right?
Mr Scorer: I do not think anyone has the responsibility to make sure that every programme that goes out to reach vulnerable consumers to make sure their incomes are maximised through benefit take-up, that they have the right information about

the grants that are available, that they are taking appropriate energy efficiency measures and that they are with the right supplier on the right deal.

Q570 Danny Alexander: Different levels of government and different energy suppliers are saying we are all doing our wee bit. It does not add up to very much, but it is nobody's fault.
Mr Scorer: I think that is probably right. There is another element as well that you can add to that to make it even more difficult which is just that I think it is established by bodies like Citizens Advice Scotland that face to face advice is vital for vulnerable consumers. These programmes are not necessarily the best delivery mechanism for that; you need the community organisations involved as well just to make it even more difficult.
Ms Gore: A particular example is Fuel Direct. The numbers using Fuel Direct have plummeted in the past 10 years and yet there are a lot of people in debt. What our members are telling us who deal with the public direct is that very often when a customer gets into difficulties paying their bills they are on means-tested benefits and so they should qualify for having fuel direct. When they make an approach to DWP the advice that they are often given is to ask their supplier for a prepayment meter. The cynics amongst us will possibly say that that is because it is a cheaper payment method, but the benefit of fuel direct is that the customer is kept on supply and they are paying off their debt.

Q571 Mr Davidson: On that particular point could you drop us a note about that because that is something that we may be able to take up with the DWP about these practices rather than getting into the detail here.
Ms Gore: Yes[4].

Q572 David Mundell: Can I ask you generally about the prepayment meters. Subject to the discussion we have had about the different tariff, what evidence is there to show that prepayment meters are an effective way of dealing with both debt and poverty *per se*?
Ms Gore: We did a survey, again with the help of some of our members, a couple of years ago. We had been told by quite a number of fuel suppliers who have now published reports to this effect that the majority of the customers on prepayment meters were happy with them, but there was a small significant percentage who were not happy with them, so we wanted to look at the reasons behind this. What we found was that to say people were happy with them was perhaps not telling the whole story. People had a great fear of debt. They liked the budgeting aspects of prepayment meters because they feared falling into debt. What we also found was that a great number of people had inherited a prepayment meter. It was there when they moved into the house and they had not realised that it could be changed. They had not realised that it was perhaps a more expensive way of paying for their fuel. There is also confusion because some people said that, yes, they were given information about the high cost of having a prepayment meter, but when they were later asked if they would like to reduce their bills in the long term they said yes but did not know how to go about that. That is another example of how the supplier could be more proactive in giving advice about payment methods.
Mr Scorer: It is worth saying that PPM's are a great device for suppliers to recover debt from consumers. We have had a huge number imposed for debt in Scotland over the past year and it is growing, just as the number of letters threatening disconnection are growing so are the numbers of PPM's being put into consumers home imposed for debt, not because the consumer likes the benefit of budgeting—consumers do not like to budget if the cost is £200 more over the year—so you have PPM's being imposed because the supplier knows that it can recover debt otherwise the consumer goes cold with more expensive charges and unfortunately no incentive to get more efficient, better levels of service in their back office to make sure those consumers get a decent level of support.
Ms Gore: We have found in the survey that I referred to earlier that people living on emergency credit was a way of life, especially in winter.

Q573 David Mundell: You are effectively saying that they are exasperating the situation rather than anything else.
Mr Scorer: Exactly.
Mr Follan: I do not know the numbers for Scotland specifically but around 320,000 prepayment meters across GB have been installed for debt, a 21% increase in 2005 from Ofgem's latest figures, but the prepayment meter use in Scotland is more prevalent; something like 20% of people up there use prepayment meters compared to 14% across GB.

Q574 David Mundell: For my own and the Committee's clarification, what is smarter metering?
Mr Scorer: At the moment we have archaic metering systems; they are Victorian. A smarter meter can do a number of things: first of all, it can transmit to the energy company exactly how much energy the consumer is using, so it means that you get better bills. It means also that the company could see if someone had not been using energy for an amount of time and if that person was on a priority register that would be great. It is a better set of technology. It communicates directly with the companies and makes sure that everyone gets accurate bills. It enables consumers to have a better idea about how much energy they are actually using, both in terms of energy efficiency measures but also in terms of budgeting. These are new meters which are in existence in Ireland, Italy, Canada and in a whole range of places that would resolve many of the customer service issues, would enable the consumer to go from one tariff to another quite easily and then go back from a credit tariff to a prepayment tariff. It enables consumers to see how much they are using

[4] *Note by Witness*: Members also tell us that the DWP blames the fuel companies for the down-turn in Fuel Direct. They have experience that both parties have caused the drop in the use of Fuel Direct. This is further explained in a separate note, See Ev 189

and it would also drive out the huge inefficiencies in the industry caused by the fact that a third of our bills are estimated with customer service people at the back of the office trying to sort it out.

Mr Follan: One of the benefits of smarter metering is that it cuts out the risk of self-disconnection and that is something that we never mention in relation to prepayment meters because people on prepayment meters are at risk of self-disconnection. They can see that it is hoovering up their tokens and they are then at risk of cutting themselves off supply. Some of the figures on disconnection show that disconnections have gone up. There was a campaign previously and the number of disconnections reduced dramatically but they have gone back up again. In the first nine months of this year there has been a four-fold increase in Scotland in disconnection. That is small. There were 250 disconnections but we are looking here at an increase and a trend of increasing disconnection which relates to the level of debt. Secondly, we also know that from most recent information we have from suppliers that over five million letters have gone out where the threat of disconnection is first mentioned. That is five million GB, but you can extrapolate that I would imagine quite easily for Scotland. Disconnection on its own is becoming an increasing issue. Smarter metering would cut that out. You can get texts from the company who can monitor if you are using more electricity or if you are using less, or if you have cut down on your supply it can alert somebody somewhere.

Q575 David Mundell: You think smarter metering would make a significant difference.

Mr Follan: We certainly do. We certainly hope to see smarter metering.

Mr Scorer: It would make a huge difference, not only to the level of service in terms of accurate bills, better consumer information in terms of climate change, sustainability actions and also having an industry which is able to provide real support to vulnerable consumers at risk of self-disconnecting. The consumer benefit argument is unanswerable. It is absolutely clear. The difficulty is that the mechanism of getting over the obstacle which is an industry where some want it, some do not want it; a regulator does not want to drive it. I think the consumer benefits are absolutely clear.

Q576 David Mundell: So Ofgem are not there—

Mr Scorer: Ofgem are seeing through a process which should end with smarter metering being more possible than not. We would like to see them driving the process more, rather than just allowing the process to emerge—for understandable reasons; if they want to impose something on the industry, I can understand why. However, I think consumers probably want to see a faster reaction.

Q577 David Mundell: There is inevitably a cost issue. Where is that borne in the process?

Mr Scorer: I think consumers are paying the cost already. You have huge numbers of inaccurate bills. We had an example a few weeks ago where we revealed the mess that Scottish Gas, British Gas, had got themselves into in their customer service. Hundreds of thousands of people and hundreds of call centres dealing with millions of complaints costs money. Not having clean data coming into your company costs money. The benefits of getting smart metering are not just for consumers getting better information; they are about making the industry more efficient, more competitive, and able to recover its costs and drive down its costs to serve and drive down money, and not too long-term either.

Q578 Chairman: My question is to Eddie. What do you consider the two most significant things the Government can do to alleviate fuel poverty?

Mr Follan: It is always difficult to pin down but there are three drivers. I would say the most significant thing to eradicate fuel poverty and for the Government to meet its own targets is to go back to what I said earlier about social tariffs. If we had a mandated social tariff that was applicable cross the industry—and we have suppliers that are supportive of that idea—we could deal with the people who are the poorest in society who are paying more for their energy than others. I am going to ask you, Adam, for the second one!

Mr Scorer: The second one has to be action on incomes, and that is because energy efficiency is the long-term solution. Housing stock is the long-term solution. That is a long way off and we have the need now for consumers who are cold and making invidious choices between their heating and a whole range of household necessities. It is not just an important issue, it is an urgent issue: support for the incomes of those consumers who are most vulnerable and susceptible to the cold.

Ms Gore: I would say make all houses in Scotland as energy efficient as possible and for properties where that is not possible for technical reasons to give people on benefits the income support that matches the difference in extra heating that they have to pay because of the difference in the energy efficiency rating of their house.

Q579 Chairman: I would like to thank our first witnesses this afternoon.

Mr Follan: We have produced a report on social tariffs and social responsibility, and we will send that to you because it will give you the whole thing in a nutshell.[4]

Chairman: Thank you very much for your attendance. I am sure your evidence will be very useful to the Committee.

[4] Energywatch report—*A Social Responsibility* by Richard Bates, May 2007

Supplementary memorandum submitted by Energy Action Scotland

It has been brought to the attention of Energy Action Scotland by a number of its members who deliver advice to the public that there are problems in the use of Fuel Direct which have caused the number of people using this payment method to drop dramatically. In 1996 the numbers using Fuel Direct were 188,000; in 2005 they were 48,500. The result is that customers are put on to prepayment meters, which may be a more expensive form of energy supply and may well lead to repeated instances of self-disconnection.

It has been reported to Energy Action Scotland that the Department for Work and Pensions (DWP) blames the fuel companies for this situation, while the fuel companies blame the DWP. Our members say that both parties are to blame, with one saying that "there's only a bus ticket of difference" between the two in terms of causing the difficulty with Fuel Direct.

When the industry was privatised, the government put in place instruments to minimise the number of customers who were taken the whole way to disconnection from supply. However, this has not inhibited companies making statements on their correspondence and literature that result in the customer believing disconnection is likely and making a near-panic decision on how to avoid or deal with a debt.

One of the difficulties now found when trying to arrange the Fuel Direct payment option for clients, is that there is an inconsistency within the DWP and the fuel companies themselves on Fuel Direct. For example, one member reported that the majority of customers come to Fuel Direct via a Social Works or Advice Works service and from the fuel companies themselves, but that at least one company repeatedly refers customers to the Benefits Agency, only to reject the Fuel Direct application from the same customer and try to direct them to accept prepayment meters.

Another member described what a number of advisors reported, that is, how their office now finds itself having to re-address the advice given to clients when it comes to the choice of Fuel Direct over prepayment meters. "This has come about due to fuel suppliers purposely inflating the customer's consumption figures so that they receive more than the payment limit of £3 per week for direct deductions. This then eliminates this softer payment option (Fuel Direct) from clients" choices, and in most cases the only other alternative is a prepayment meter and the associated "self disconnection" risks".

A further example is that the Benefits Agency's Third Party Accounts staff have no way of telling what the breakdown of the "take" really is eg a fuel company request for say £18 should on paper be £3 maximum for single fuel arrears and £15 for fuel. Customers in due course will find that they use £12 per week meaning that the fuel company is really recovering at £6 per week. One organisation said "It seems certain that many customers feel 'duped' and re- present themselves to the fuel company and accept the Quantum gas and Key electric solutions offered".

Advisors report that this practice of debt recovery has been on the increase over the last year or so and feel that this should be tackled at the highest level. At present, most of their clients now take the prepayment option, as this is now often the cheaper route despite the associated risks to clients on limited household incomes. Staff report feeling "that we are stuck between a rock and a hard place when it comes to this issue".

The current restrictions on who can apply for Fuel Direct, and also the overall "negative attitude" this option is met with within some supplier organisations "sometimes has to be seen to be believed". It was thought that clients were not being accommodated in terms of Fuel Direct, and it was considered that the subsequent outcome was a serious impact on clients" overall quality of life and a that this was a contributing factor to fuel poverty.

To explain the significance of the £3 limit, Energy Action Scotland sought some background information. Fuel Direct was put in place as a payment method of last resort for people on particular benefits (Income Support, Job Seekers Allowance and Pension Credit), and it was considered as a better option for suppliers' customers where appropriate, as it was cheaper in terms of set up costs in comparison to prepayment meters. Additional benefits were the maintenance of a supply for the client while paying off an agreed and regular amount of debt.

Fuel Direct payment limits are currently set at £3 per week per fuel. In effect if a customer has fuel debt for both gas and electricity, the maximum they should be paying is £6 per week for arrears plus on-going consumption. This is where the vast majority of client problems arise due to the following issues:

1. Fuel suppliers have an obligation accurately to bill the accounts in question prior to quoting for Fuel Direct consumption purposes. This does not always happen and can lead to inflated consumption levels for customers. This in turn either stops customers from joining the scheme or has them paying more than the maximum level for arrears.

2. The prepayment meter payment method is often implemented without taking into account customers' circumstances regarding income and lifestyle. This then limits the options for customers who are already likely to be in fuel poverty and to be socially excluded.

3. In these instances the hands of the DWP were thought to be tied. They can either implement the quote as provided by the supplier and set up this payment option or shelve it and a prepayment meter is installed.

4. The DWP faces high running costs for this scheme.

Members have also reported a reticence on the part of the DWP to use Fuel Direct. Citizens Advice Scotland has stated that it has case evidence of this reluctance by DWP in addition to suppliers' reluctance to use Fuel Direct and that it will be happy to supply this to the Committee when it gives evidence to the Inquiry on Poverty in Scotland.

To illustrate a recent case:

> A young single mother with mental health issues was receiving assistance from a support worker. When it became apparent that the client was in serious arrears for both gas and electricity, an advice agency (a member of Energy Action Scotland) became involved. Fuel Direct in this instance was the only viable option due to the health concerns surrounding the case and the quotes from the fuel suppliers in question were as follows. It should be noted that these quotes were based on usage for a 2-bedroomed upper villa with minimal occupancy.
>
> Supplier A quoted £28 per week for electricity consumption + £3 per week for the arrears.
>
> Supplier B quoted £9 per week for gas consumption + £3 per week for the arrears.
>
> Overall total per month = £172.

The quote for the electricity supply was seriously inflated and, in this instance, was due to the supplier using estimated meter readings. The advisors' involvement in up-dating the account billing resulted in the client receiving a £200 refund. However this particular account is still in dispute with attempts being made to resolve it, but at present the client is still paying the above amount. A further refund is therefore likely to be due.

Elizabeth Gore
Energy Action Scotland

May 2007

Supplemental information from Citizens Advice Scotland

Problems with Fuel Direct

Fuel direct is the common name for third party deductions from benefits for fuel debt. In 1996, there were 141,000 gas customers and 47,000 electricity customers on fuel direct. In 2006 this had fallen to 27,200 gas customers and 21,589 electricity customers.[1]

Fuel direct can be a very useful budgeting tool for some clients—contributing to arrears and ongoing fuel usage at a sustainable level.

An East of Scotland CAB reports of a female client on income support who sought help with arrears of electricity. She has made regular payments of £50 per month and has arrears of £397. The bureau contacted the power company but they refused to negotiate a payment plan and insisted on £150pm. Adviser then spoke to the Third Party Deduction Team to arrange fuel direct payments. It was agreed client will pay £12.50 per week towards arrears until they are repaid. The client is satisfied with this arrangement.

There remain problems with the scheme however, not least the dramatic fall in usage. Bureau also report difficulties in getting clients onto fuel direct. Sometimes, as in the above case, this is due to reluctance on the part of the power company. The DWP, however, also appears reluctant to let clients make use of fuel direct.

An East of Scotland CAB reports of a female client on income support who is in arrears for electricity of around £400. The supplier is only prepared to fit a prepayment meter if they can set it to collect £9 per week for arrears plus current usage. On contacting the DWP to ask for payments by fuel direct, the CAB were told verbally that they will only consider this after client has tried payment by quantum meter.

A West of Scotland CAB reports of a female client on Income support who was very distressed to find she had electricity arrears of £628 due to estimated readings. The bureau contacted the DWP to arrange fuel direct payments and were informed that this was not automatic if the client wasn't in result of severe disability premium or had no children. They said they should have a pre-payment meter installed to repay arrears. The client doesn't want this as this meter means extra cost to the client.

Another problem is that fuel direct is not available for clients in incapacity benefit. This can cause difficulties, particularly for clients who move from income support to Incapacity benefit.

A West of Scotland CAB reports of a female client on incapacity benefit, who was in financial difficulties and received a letter from her electricity supplier threatening disconnection. She had previously been on income support and her electricity was paid by fuel direct. She was unaware this was no longer the case and had built up arrears of £298.77. The supplier stated that as she was not eligible for fuel direct the minimum repayment they would accept was £15 per week, which the client was struggling to pay.

[1]Figures from Ofgem http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Documents1/COP%20Monitoring%20Annual%202006.pdf 1996 figures quoted in http://www.nea.org.uk/downloads/publications/Energising—Fuel—Direct.pdf

A West of Scotland CAB reports of a male client in receipt of the mobility component of disability living allowance. He had also been in receipt of income support since 1997, when he had to stop work after a severe accident left him with multiple injuries. He has now received a letter from DWP stating that he has been entitled to Incapacity benefit since 1997 of over £29,000. However, as he had been paid Income support of over £28,000 he was sent the difference of about £450 (his incapacity benefit is currently £4.35 a week more than his income support).

This has caused a number of problems for him. His housing benefit and council tax benefit are now stopped. He has to make a fresh claim for these benefits and may be asked to repay any overpayment going back to 1997. He had been making direct payments from his income support for council tax arrears and was also on fuel direct. This is no longer available because he is on incapacity benefit. He has also lost his right to automatic free prescriptions.

Other problems reported by bureau include the DWP stopping fuel direct without notifying the client and also refusing to continue fuel direct after switching supplier.

A West of Scotland CAB reports of a male on jobseekers allowance who has paid his electricity by fuel direct for many years. The DWP stopped making payments when he finished a training scheme in May, although the client remained on benefit. He was not informed of this and as a result has incurred arrears of £172.48. The supplier has obtained a warrant for disconnection unless the client has a prepayment meter installed. The CAB contacted both DWP and the supplier to request a return to fuel direct. The DWP say they are willing, but cannot go ahead without the supplier's approval. The supplier is refusing, saying they will only accept a prepayment meter or disconnection. The first £5 card each week will deduct £4.10 for arrears and costs, which the bureau feels is likely to cause the client further hardship.

A West of Scotland CAB reports of a female client on Income support who pays their gas and electricity by fuel direct. She recently changed her gas supplier to the same company that supply her electricity. She had received account for £14.75 for her gas supply and wondered if it could be included in her fuel direct. The bureau phoned the DWP who stated she could only go onto fuel direct for her gas if she was in arrears of more than £53.

Fuel direct remains a useful budgeting tool for people on the lowest incomes. Its usefulness is limited, however, by the difficulties in getting people onto the scheme. This difficulty is compounded by the complexity of the rules surrounding different benefits as well as variations in the way these are interpreted. This results in unnecessary additional hardship for an already vulnerable group of people.

David McNeish
Citizens Advice Scotland

3 July 2007

Memorandum submitted by the Office of Gas and Electricity Markets (Ofgem)

1. Ofgem is the Office of Gas and Electricity Markets. Our principal objective is to protect the interests of gas and electricity consumers, both present and future, by promoting competition. We also have a range of important secondary duties, including promoting security of supply, having regard to the environment and sustainable development and paying particular attention to the needs of vulnerable energy consumers. We are also required, through statutory guidance issued by the Secretary of State, to help the Government to meet its targets for eradicating fuel poverty across Great Britain. Ofgem welcomes the opportunity to contribute to the Committee's inquiry.

Background

2. *The Scottish Executive Fuel Poverty Statement*, published in August 2002, adopted the following definition of fuel poverty in Scotland: "A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including housing benefit or Income Support for Mortgage Interest) on all household fuel use". Household income was defined as "income before housing costs".[2] Fuel poverty is a significant part of a wider problem of poverty and social exclusion. It is caused by high energy prices, low incomes and poor housing conditions.

3. We are committed to working with government to tackle fuel poverty. Competition and regulation have and will continue to play a key role, keeping the pressure on energy costs to help make prices as low as possible. Ofgem's work, through implementing its Social Action Strategy[3], has an important role to play.

[2] "The Scottish Fuel Poverty Statement", Scottish Executive, August 2002, paragraph 3.4.
[3] http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/16721—sapstrategbro06.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/socialactionplan

We promote best practice by suppliers in helping more vulnerable customers; regulate where necessary, for example on key issues such as debt and disconnection and get involved in the wider debates that will shape future policy on key issues.

4. However, in an era of higher energy prices and given the scale and wider causes of fuel poverty, they will not be sufficient. Further government intervention will be required.

Fuel Poverty Targets

5. The Scottish Executive has a target to ensure, so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016.[4]

6. The Executive's interim targets are to reduce the number of households living in fuel poverty by 30% by 2006 over 2002 figures and to have achieved a further reduction in the total numbers between 2006 and 2010.[5]

The Extent of Fuel Poverty

7. The Scottish House Condition Survey 1996, which collected data on housing and incomes, estimated that 738,000 or 35% of Scottish households were in fuel poverty and that 178,000 of these households were in severe fuel poverty, in that they would be required to spend over 20% of their income on fuel use in order to adequately heat their homes.

8. *Fuel Poverty in Scotland: Further Analysis of The Scottish House Condition Survey 2002*, published in April 2004, estimated that 286,000 or 13% of households in Scotland were in fuel poverty and of these 69,000 households were in severe fuel poverty.

9. The report estimated that improvements in household incomes was responsible for about half of the reduction in the level of fuel poverty in Scotland from 1996 to 2002. Approximately 35% of the reduction was attributed to changes in fuel prices whilst energy efficiency installations accounted for the remaining 15%.

10. The report also undertook a theoretical exercise to model the impact of changes in energy prices on the number of households in fuel poverty. This analysis suggested that each 5% increase in energy prices would increase by a further 30,000 the number of households in fuel poverty.

11. *The Scottish House Condition Survey: Key Findings for 2003–04* updated the findings of the 2002 Survey and estimated that the number of households in fuel poverty had risen from 286,000 to 328,000 or from 13% to 14.5% of all households.

12. Due to the small sample size of only 1,500 households, the estimate of the level of fuel poverty published in the *Key Findings for 2003–04* was subject to a range of uncertainty with the actual percentage of households in fuel poverty in the range 12% to 18.5%.

13. During the past two years we have seen considerable rises in energy costs for customers as increasing wholesale prices are fed through to customers. This impacts on all energy customers but the effects are most sharply felt by those on lower incomes who may already be struggling to afford their energy requirements.

14. Using the findings of the Scottish House Condition Survey 2002 (see paragraph 11 above), Energy Action Scotland has estimated that in excess of 600,000 households in Scotland are now in fuel poverty. Our own analysis, based on the projections set out in the Government's Energy Review Report in July 2006, suggests that the number of households living in fuel poverty by the end of 2006 is likely to have doubled from 2004 numbers. This also suggests a figure of around 600,000 households in Scotland.

15. Rising prices are threatening the good progress that has been made in tackling fuel poverty. Whilst new infrastructure and gas supplies will ease the pressure on wholesale prices, these are unlikely to return to the levels seen at the beginning of the decade, reflecting increased environmental costs, higher oil prices and stronger global energy demand.

The Role of Ofgem

16. Ofgem will continue, through implementing its Social Action Strategy, to work on a number of fronts to help tackle fuel poverty—keeping pressure on prices and promoting energy efficiency.

17. Through regular market surveillance and by promoting greater transparency, we help to make sure that markets are working as effectively and efficiently as possible.

18. By breaking down barriers, for example, to the development of smarter metering, consumers could benefit from better information to manage household energy costs. This could spawn more innovative meters to replace expensive pre-payment meters with cheaper alternatives. We are also looking at the barriers to the further expansion of the gas network and to the development of microgeneration.

---

[4] *Ibid*, paragraph 7.1

[5] "Indicators of Sustainable Development for Scotland: Progress Report 2005" Scottish Executive, August 2005, Indicator 20.

19. Through our role to facilitate best practice we will continue to use research to encourage the development of social initiatives and good quality advice to consumers. We will also work with other agencies, for example to help break down barriers to the use of bank accounts and direct debits among low income consumers which can provide access to cheaper tariffs. In partnership with consumer organisations, we will also work to get the message across about the choices available to reduce household energy costs.

20. Energy suppliers have, under Ofgem's encouragement, also acted to help vulnerable customers and have introduced a range of social initiatives (eg social tariffs, trust funds, benefits health checks). We estimate that across GB suppliers spent around £110 million in 2004–05 and that spending in subsequent years has increased beyond those levels.

Areas for Further Action

21. Around 50% of the reduction in the number of households living in fuel poverty in Scotland during the period 1996 to 2002 has been attributed to rising incomes. If we are to continue to make progress in tackling fuel poverty then increasing household incomes must remain the primary focus, both in terms of raising income levels and improving the take-up of benefits by those who are entitled to them.

22. The other key are of focus must be in improving the quality of the housing stock in Scotland. Insulation measures, central heating systems and other energy saving measures can help households to keep warm and bring significant reductions in energy bills; delivering a sustainable solution for households.

23. Some houses may be more difficult to treat than others. In Scotland there are high numbers of solid wall homes which are more difficult to insulate. There is also a large rural population which has limited access to mains gas and relies heavily on more expensive heating methods such as solid fuel or electric systems.

24. Significant strides have been made through measures such as the Scottish Executive's Central Heating programme, the Warm Deal and by suppliers through the Energy Efficiency Commitment (EEC), which Ofgem administers, to install cost effective heating systems in homes and to improve energy efficiency. Measures such as these provide enduring and sustainable solutions to fuel poverty. Other measures, such as new microgeneration technology may also have a role to play, in particular in helping to tackle rural fuel poverty.

25. In terms of the need for direct action to lower energy prices we firmly believe that the solution for most households lies in improved incomes and better housing rather than direct intervention in the prices which, on the scale required, could undermine competitive markets.

26. Furthermore, we consider that any additional funding required to meet fuel poverty targets should come from general taxation and not from consumers via fuel bills. The increased fuel prices required are likely to be significant and could impact hard on those who, while not in fuel poverty, may be struggling to pay their bills.

27. Given the cost of environmental measures has been a driver of higher energy costs, there may be case for recycling some of the funds raised through these measures to help tackle fuel poverty. For example, if government were to auction allowances under the European Union Emissions Trading Scheme (EU-ETS) some of the revenue generated from this could be used to fund further measures to help tackle fuel poverty.

28. However the challenge we face is not simply financial, it is also one of identifying those in fuel poverty and persuading them to take up the help that is available to them.

29. Ofgem believes that new impetus needs to be given to identifying individuals who need help and ensuring that comprehensive solutions are offered to those households once they have been found—a "find and fix" approach. There is a clear role for the Department of Work and Pensions, and perhaps local authorities, in helping to identify and target the fuel poor.

30. At the government's invitation Ofgem has been leading a piece of work to develop and deliver a package of help to older customers this winter. Suppliers, government, consumer groups and agencies have been working together over the summer to develop a package of help which brings together energy efficiency advice and measures, income maximisation and available help from suppliers. This offer of help will be made using Pension Service delivery channels, a significant step which helps to overcome some of the identification problems we have referred to above. A trial is planned for later this month with a view to a more substantive roll-out if the trial proves successful and it is hoped that this approach will prove to be a useful model for a more joined up approach to targeting measures to fuel poor households across the whole of Great Britain.

Stuart Hudzon
Ofgem

October 2006

Witnesses: **Mr Alistair Buchanan**, Chief Executive, **Ms Sarah Harrison**, Managing Director, Corporate Affairs, and **Mr Charles Gallacher**, Director, Corporate Communications and Scotland, Ofgem, gave evidence.

Q580 Chairman: Welcome this afternoon. I am pleased to say that we have with us Charles Gallacher, who was not supposed to be here so thank you very much for your attendance. It would have made our job easy if you had been listening to the first evidence because I am sure Committee members would like to raise a lot of questions. Can I ask you to introduce yourselves for the record?
Mr Buchanan: If I can introduce the Ofgem team, my name is Alistair Buchanan, Chief Executive at Ofgem; and I am joined today by Sarah Harrison, who is Managing Director of Corporate Affairs under which social policy sits, and Charles Gallacher, who is our newly-appointed director for Scotland and corporate affairs. Corporate Affairs covers both England, Wales and Scotland.

Q581 Chairman: Despite all the initiatives to tackle fuel poverty, why is it getting worse? How many of the 600,000 households estimated to be in fuel poverty at the end of 2006 were in severe fuel poverty?
Mr Buchanan: It is a great concern and in a way we are looking at a "U" curve in terms of numbers in fuel poverty. There were about 800,000 in 1996/1997, and you now have the figures from the Scottish housing data down to the bottom at 286,000; and I agree with you that, very sadly, we are up at around 600,000 at the moment. Clearly, our aim is to minimise the effect of the prices. As you will be aware from the data that you have received, when you look at the impact of fuel poverty it appears to be 50% income, 35% fuel prices and 15% energy efficiency. Quite clearly, Ofgem's focus is on the 35% prices and 15% energy efficiency, and the extent to which, through our actions, we can alleviate those who are in fuel poverty. Clearly, there are primary responsibilities here upon the Government and also very onerous responsibilities upon the companies. I am very happy to go into all of those areas, if you wish.

Q582 Chairman: How many people are in severe fuel poverty?
Mr Buchanan: From the data that I have seen, of that 286,000 who were in fuel poverty it would suggest it is around 70,000.

Q583 Chairman: But that was in 2002.
Mr Buchanan: Yes. We have obviously spoken about that increase. It is a little bit concerning that we have no firm data at the moment, and obviously EAS is very helpful in giving us guidance on the data but I would assume that those in severe fuel poverty are broadly in the same ratio.

Q584 Chairman: Will higher oil prices and growing global demand for energy, which are like to push up prices, constrain our ability to meet the 2016 targets? Can the targets be met by action on incomes and on energy efficiency alone?
Mr Buchanan: I think a lot is going to have to be done here with the effectiveness of institutional focus, and I would have particular regard to ensuring that the benefits that are available—again you will have seen from the EAS submission that they have a figure of £7.3 billion that is not being claimed—upon those that clearly need them. We seek to get information to those who are not aware of the benefits, for example, that a competitive market provides, which is that of switching. At the moment that provides over £125 differential, if you look in Glasgow at the moment, between the Scottish and Southern offering and the Scottish Power offering. Quite clearly, one of the responsibilities on us—and I believe you have had Energywatch in this afternoon as well—is to ensure that we seek to get that information to consumers so that they can take advantage of that. In addition to that, I am sure we are going to come on to talk about pre-payment meters, and I would be just amazed if we did not—but the advantage if you change your payment methodology is that you could potentially save if you were both switching and moving to a direct debit approach. I am sure we will also get on to bank accounts and whether people have bank accounts, but the potential saving there is £200. On the average bill at the moment from Scottish and Southern in Glasgow, which is around £825, you are looking at quite a substantial saving. We take this target very seriously. That is one of the reasons why Ofgem has continued to run the Energy Smart Campaign. We believe, certainly from the evidence we had, that there is active switching in the market place. Switching is not for those in a non-vulnerable category either. You may have seen the reports that we have published. The vulnerable categories are split up into sub-categories and there are some categories, for example disabled people, which appear to switch more than the average across Gt. Britain. Sadly, those on low incomes are switching at about 44%, whereas the average in the UK is 50%. We have to target both those on low incomes and another category that is falling below that 50%, which is the over 65s. We have to target them to make sure that they understand the benefits that they could get from changing their supplier.

Q585 Chairman: Obviously this is a universal problem in the country; that people are able to take benefits from the Government or the companies but some do not know the benefits available to them and some cannot be bothered filling out the applications and going from department to department. How do you think we can have an awareness campaign so that people know what benefits are available to them?
Mr Buchanan: We currently carry that out. We work with Energywatch and we will effectively blitz through a media campaign. Two of the three Scottish companies have also launched focused campaigns, using charity groups to help them target the fuel poor. For example, the Essentials tariff campaign launched by Scottish Gas and British Gas

relatively recently offers effectively a price cut of £285 off the Scottish Gas/British Gas bill. They are working with Help the Aged and various charities to ensure that they get the benefits of that package, which is not available to everybody else. Everybody else is being offered £170 off, so they get the benefits of that package targeted to them. Companies are carrying out part of the process; we are carrying out part of the process; but the final element to this is that there has got to be a degree of joined-up government here, and this was one of the recommendations from the EAS, which we would endorse and brought out in our energy review. One of the roles we find ourselves in is as a facilitator amongst government. We find that we are having to pull DWP, Defra, DTI and a number of the interested parties together to try and find a way through. Sarah, do you want to talk about last winter, when we did just this?

Ms Harrison: One of the biggest challenges in respect of fuel poverty is that of identifying those households most in need of help, and effectively targeting a package of measures, which is not just about helping with tariffs. As we know, fuel poverty is a symptom of a wider problem of poverty where the household will probably have experience of debt problems generally or getting access to financial services. It is a whole household approach that is needed. Building on that, in our energy review response we basically made the case for a renewed programme of what we called "find-and-fix"—a better drive to identify customers who are most in need, and then get a package of measures targeted at those customers. The Government responded to that by basically calling for a winter initiative, which took place over the last winter, and which Ofgem's Chairman, Sir John Mogg led. That was an exercise to bring together the Department for Work and Pensions, the companies, agencies such as EAGA, in order to get together an initiative to target help into pensioners who are in receipt of pension credit. It was a pilot project and a relatively unambitious one for a number of reasons, and it targeted 100,000 customers, but nonetheless the response to it, in terms of the initial response from householders who received the package of help, was very positive. That sets the kind of model for the future in pooling together initiatives and suppliers, help from DWP, in particular the pension service, with access to benefits, and ultimately other financial help to get much better targeting to households that are most in need.

Q586 Danny Alexander: What I would like to get a handle on are the powers of Ofgem in relation to the issue of fuel poverty that you are describing. It is clear from the evidence we have heard that there is a significant problem with rapidly rising fuel poverty. The points you made earlier have generally been on either an enabling role or encouraging people to get the best deals that are currently available within the market. However, I think that anyone looking at the market currently as it is for these customers at this end would have to conclude that there is a degree of market failure here. For example, you opened the door to social tariffs, and when the research was done to look at social tariffs that companies were bringing forward, it was clear that those tariffs were less good than some of the open-market tariffs they were offering. What powers do you have, as the regulator, to force companies to address the situation more directly, and suppliers, and how are you using those powers at the moment?

Mr Buchanan: It is a very good question. Perhaps I can take a step back by way of answering it. Formally, our primary power sits in the Utilities Act, and there we are empowered to promote and protect consumers' interests through markets and competition, but with some very important provisos. One of those is to be minded towards vulnerable customers. If you roll on three years from when the Utilities Act was struck, which was 2000, we were then given social guidance by the Secretaries of State of DTI and Defra. There, what was said to the board at Ofgem, was they should be minded to social issues, but if there is a significant financial impact from a decision, they have to send it back to the Secretary of State to sort out.

Q587 Danny Alexander: Can I interrupt for a second? That is a very clear explanation. Are you required to follow that guidance or does the law empower you to take your own path?

Mr Buchanan: We are required there, but in addition the following year we were given the Sustainable Energy Act, and quite clearly social is very much part of that sustainability duty. So within the template of Ofgem the requirements on us have changed quite substantially. In terms of dealing with what are policing roles and what are punching roles, and what are encouraging roles, I would highlight the policing role as being two sets. We have a formal enforcement route. We can effectively go down a route of saying to the companies, "You will do something or we will put a condition on you and you will get into trouble if you do not do that." For example, last year we announced that back billing was going to be a thing of the past, that the industry had to sort out an ombudsman and that they had a year to do it. They did it. In a couple of weeks we are going to put some very attractive licence conditions to protect consumers over standards within the current price review that we are doing on the gas network. That is effectively where we can enforce. We will come on to talk about pre-payment meters in a minute. That is an area where the industry will see that we are going to put terms in place in the supply licence review this summer which effectively prohibit the extremely uncomfortable practices that three of the companies have decided to pursue on recalibration. That is the formal route.

Q588 Danny Alexander: On the formal front then licence conditions are clearly a major part of the way in which you interact with energy suppliers. What steps have you taken within licence conditions—and it sounds as though that is something that is under review at the moment—to place greater obligations on any suppliers to tackle fuel poverty, for example introducing social tariffs or any other methods that

are out there? It sounds like you have the power to use licensing to drive through quite radical change in this area but you are slightly hanging back because you think that you want to try the less formal route first.

Mr Buchanan: Yes. As a generalisation, I suspect as you would want to encourage we are trying to simplify what we do, and the Better Regulation Commission has beaten us, like it does everybody else, to try and make the terms and conditions within the supply market more simple. We will be announcing this summer a substantial reduction of the terms, the rules and regulations in the market, except for the vulnerable customer. When you look at the social tariffs, to a certain extent our reaction to that is to say: "Is the market profoundly failing to deliver here?" If we look into Scotland, two of the three players have substantial propositions on the table. One is the Essentials offering from Scottish Gas/British Gas, which was announced a few weeks ago and is a substantial reduction—£285 off the bill for 750,000 fuel poor. Clearly, they want to target them and that is why they are working with Help the Aged in particular. It is £170 off for everybody else. It is a quite substantial offering. The Energy Plus scheme from Scottish and Southern, which is aimed at, from memory, 30,000 customers, gives them a 20% cut. To a certain extent therefore two out of the three companies in Scotland are already doing that. Scottish Power has gone down a slightly different route, and in terms of their social offering they have gone down a trust-based route, particularly with regard to children, which is quite interesting. Equally, they have taken a strategic decision in their boardroom to play the pre-payment meter card, so currently Scottish Power uniquely has a pre-payment charge lower than the standard credit charge. We are looking at the industry, and saying: "Do we need to act here?"

Q589 Danny Alexander: You think there is not a market failure in relation to the fuel poor.

Mr Buchanan: I think the companies are very alive to the danger of the fact that if they do not take, sadly, this large proportion of the population seriously, action will be taken against them, almost certainly coming from Government. I am very interested to see what the White Paper carries on fuel poverty next week. That is extremely bad news for the companies and their shareholders if that happens.

Q590 Chairman: You are telling us that companies are very generous and meeting their obligations. My constituents come to me, elderly people, who were paying £30 a month on direct debit, and have received letters from the companies saying "from next month you have to pay £55" which is almost a 100% increase.

Mr Buchanan: To answer your question, and I do mean this quite seriously—I have been in the industry since 1987 and a lot of the people who work in these companies really do care about social tariffs. One of the reasons they chose to work in a utility rather than another kind of company is because they do care. It is worth saying that. Then you can stand back and say, "Yes, but ultimately they are answerable to their shareholders." However much they might care, they have to deliver a dividend and a profit figure to keep their shareholders off their back. One of the naked self-interest aspects of fuel poverty to them is that should they fail in that, then the shareholder is fully alive to the fact that almost certainly the Government will take action against the companies, and that ultimately will be far worse for the shareholder than if the company had taken the initiative.

Q591 Chairman: There were 286,000 living with fuel poverty in Scotland, and that figure has increased to 600,000. One of the main reasons that we have found has been the increase in oil and gas prices. The Scottish Executive has more initiatives and the Government has more initiatives to help eliminate fuel poverty, but just one single issue, the increase in oil and gas prices, has increased the number of people in fuel poverty to 600,000.

Mr Buchanan: Yes, indeed. We have been through a very tumultuous period. You can see from the submission we gave you that wholesale prices from the middle of 2003 to the middle of 2006 rose by 190% and retail prices rose by just short of 50%. It has been a very uncomfortable period. For the ten years before that UK prices were amongst the lowest in Europe. In fact, even through the last three years the UK domestic gas price has been amongst the lowest of the EU countries. Frankly, that is fat all good to somebody who is in fuel poverty. They do not care what the UK relative position is with another EU country, but it is worth putting an element of background on to the canvas there. We have this problem. How do we try and help the lot of the fuel poor? We will go down the route of promoting the opportunity to get a substantial amount off their bill, which effectively the market has provided. We will go down the route of providing moneys for research—and Sarah will talk more about the research we have carried out with the University of Bristol on targeting. There are two elements we have not discussed yet, which we are very responsible for. One is low usage, and that brings into play where we might go on smart metering; and the other is on barriers that Ofgem might help to knock down. This is with particular regard to the rural communities. Some of the rules and regulations with regard to local microgen were, frankly, absurd. Maybe we came to that too late, but last year we started to sort that out. I think there are a number of things that Ofgem can do, but I was very taken by the EAS submission to yourselves and their recent report because the first four issues that EAS focused on were all things that the Government could do. I am not advocating that Ofgem should not continue to do what it is doing, and also to give consumers confidence that we will use both our formal policing powers and our informal name-and-shame powers, which we have done in the last couple of years; but it should pick the right moment to use those powers. We will do our very best to try and alleviate it.

Q592 Chairman: Do you think the gas and oil companies have to do more to tackle fuel poverty, and that, as a regulator, Ofgem has to do more to deal with fuel poverty?
Mr Buchanan: Yes. I think any relaxation in the effort that we place on the programmes that I have outlined to you—we would be failing the consumer profoundly.

Q593 Danny Alexander: It sounded like, from your comment on the Energy Action Scotland submission that you were implying that there is more that the Government could do to strengthen your hand in making more progress on this issue. Are there specific things that you would have in mind that Government could do to enable you to press the energy companies to deliver more?
Mr Buchanan: That is very interesting. I will let Sarah answer that, but can I clarify something in case there is a misunderstanding? From my memory of the EAS submission to yourselves, the top four recommendations were about ensuring that the winter allowance was properly slanted. Has the Government looked at VAT from the increase in prices and tried to utilise that? It was all very much focused on fiscal measures or how you handle the benefits rather than, "if you do this it will help Ofgem's lot".
Ms Harrison: Can I make one comment on the fuel poverty target and the way we are measuring fuel poverty, and then I would like to come back on social tariffs in answer to your question? Do not misunderstand my remarks. Ofgem does not want any attention taken away from the need to get action to help customers who are finding it difficult to keep themselves warm and comfortable in the winter; but the present measurement of fuel poverty is based around the relationship to the energy bill. What it does not allow, for example, is income from the winter fuel allowance to be taken into account in considering the householder's position. One of the points we made in our energy review response was that for the longer term it might be worth taking a wider look at whether this is the right way to measure this issue, or whether a measurement that ought to get more an assessment of incomes, an assessment of housing condition, as well as energy efficiency, might be a better way to get a stronger view on how we are going about the business of helping households where it is most needed. My second point on the social tariffs, which is your point that Ofgem had taken a step to give clarity to suppliers on how they could develop social tariffs in a competitive market; and that saw an upsurge in the number of initiatives and measures that suppliers produced, and we very much welcomed that. Your point was whether those are real, or whether is some question over the quality of some of those measures. That is very much the area where Ofgem does have a role, to keep the companies in check and call them to account and make sure that the measures that are operating under the banner of social tariffs are indeed such. In 2005 we did substantial research on all the different measures that the companies employed and evaluated those, and will do so again. We will look at all the measures and develop a reporting framework so that customers have more visibility of the value of some of these measures, and whether they really are going to help, or whether customers might be better to switch to a different provider or to switch to a different tariff. The other benefit of shining a bright light on what the suppliers are producing and the value of that is that it engenders stronger competition between them, which is more advantageous to customers, and it helps consumer advisors, those on the front line. Even within your own constituency office you might be trying to give advice to customers on what might be best for them, but it gives more visibility and more transparency on these matters and whether they are going to be of benefit to customers. That is the way we very much see a role for ourselves, keeping the companies in check and shining a bright light on what is happening, in order to promote further improvements for households.

Q594 Danny Alexander: I share your agenda of shining a bright light to try and understand the reasons behind some of these things. The comparison was made with continental consumers. As I understand it, in some continental countries social tariffs are available that allow, for example, a rising tariff where the first proportion of units would be entirely free and the tariffs would rise thereafter. In other places standing charges are not payable and the entire thing is done through the tariff. Are you saying that companies in this country would be entirely free to develop products of that nature?
Mr Buchanan: They are, and it is not quite the product that you mentioned because there have been fixed deals on offer; indeed 4 million odd, 16% of all consumers, have missed the last three years' price horrors because they were locked into those deals, so companies have offered them. Coming back to development of, frankly, more sophisticated tariffs, I am aware of one of the three Scottish companies—and it would be improper for me to say which one—is very close to launching quite an exciting tariff in this area.

Q595 Danny Alexander: I think I know the one you mean, but I will not mention it either. Looking specifically at the Scottish context, the evidence we have seen suggests that consumers in Scotland pay more for their energy than consumers in the rest of the UK. Why do you think that is?
Mr Buchanan: At the moment the information I will give you obviously is that that is not the case. The very latest figures I was given on my way here is that the wholesale price comparison is 855 plays 858, so it is extremely close on dual fuel between an English and a Scottish customer. However, back in 2003/2004, the Scottish consumer was paying £40 more, so there does appear to have been an equalisation.

Q596 Danny Alexander: We have heard evidence about smarter metering and initiatives like micro generation, which might have an impact in rural areas where you are off the mains gas network, and you have electricity and might be relying on heating

oil, which is even more expensive than gas and a major cause of fuel poverty, where houses are old-fashioned stone houses which are much harder to put the energy efficiency measures into. On those two things, what needs to happen to encourage those to take off so that customers in rural areas can benefit from some of the measures that urban customers have?

Mr Gallacher: These are two initiatives that we are extremely keen to explore. We have been working with others in Scotland, in particular the Scottish Executive, on micro generation. Clearly, if micro generation devices can be fitted to the off-gas network in rural areas, there is a strong possibility that it could alleviate fuel poverty. At the moment there is a trial on the go sponsored by the Scottish Executive through their central heating programme with the Energy Savings Trust in Edinburgh, where they are looking at 170 rural fuel poor households and trialling different devices over last and next winter to see if they can make a difference. That is something we are extremely interested in, and the Ofgem role there would be, as Alistair said before, to make sure there are not any barriers to allowing that to happen. That is where smart metering comes into play. Clearly, if you are in the fortunate position of being able to sell power back to the network, it is important that you are able to measure that power to make sure you are getting a reasonable deal, and that would be one aspect of smart metering. Probably a more important aspect would be the provision of information and one that is understandable to normal householders to enable them to adjust their consumption perhaps for different time of day tariffs, or perhaps to save overall on their consumption by being able to understand the data from the meter.

Mr Buchanan: It is very much linked to Ofgem, but not in our regulatory role, in our auditing role. One of the real benefits that came out of the Lazarowitz Bill, which came out last year, was the aggregation for individuals of the renewable obligation certificate. This is not a fun figure: 80,000 people in the country have local microgen or CHP units in the home: only 185—because the administration had been so nightmarish to get through—have been seeking to get the benefits of that. There will be aggregation, and this means that this subsidy will be made available to those who have these local individual units, which is very good news indeed.

Q597 Danny Alexander: In relation to the energy efficiency commitment, which is another way of getting measures in to help people improve their homes through the energy companies, I am concerned that the way the energy efficiency commitment operates at the moment mitigates against improvements being made to homes in rural areas, because crudely speaking if you are an energy company with a customer base in, for example, the north of Scotland and the south of England, then in terms of the number of houses that you can improve for the money, you are much better advised to invest in the low-hanging fruit of relatively easy-to-improve homes in the south of England than, for example, the rather more difficult and expensive homes to improve in the north of Scotland—old-fashioned stone-built houses being one example. Are you looking again at the way the energy efficiency commitment operates to try and ensure the benefits are spread more to the houses that might need them most where the benefit would be greatest in terms of fuel poverty?

Mr Buchanan: We have been active supporters when the EEC goes to its next phase in 2008 of keeping the priority group at 50%. As you know, there have been some pressures to try and bring that down. One of the things we did in the last couple of years was to effectively carry out a review of how many people knew they were in the priority group. This comes back to information we were talking about on switching. Seventy-five per cent did not know they were in the group so you have got this opportunity, and again this falls back on Government and falls on us to seek to have involvement in getting much better information across. There are concerns, looking at the next phase of EEC. It looks as though microgen will be in the next phase, and one of the concerns we have, for example, is to what extent it could gobble up all the EEC and therefore leave nothing for anything else. These are issues that we are presenting. We are not the decision-maker here—Defra is. We are just one of many voices into Defra's decision.

Ms Harrison: I do not have much to add to that apart from the fact that we welcome very much the scale, which is substantially greater than its predecessors. We want to ensure there is fair treatment between measures and effects on priority and non-priority groups. We also welcome broadening the EEC, especially in respect of micro generation and smart metering. We also welcome the potential for more flexibility to allow suppliers, provided they have met certain obligations in respect the priority group, to flex some of their obligation out into a non-priority group if that is the most efficient way to meet those targets—but a limited degree of flexibility to ensure focus still remains on those who are most in need.

Mr Buchanan: Coming back to rural communities, I cannot say too much because we are waiting for the White Paper, but my board has not seen our recommendations for the price review for the local gas network, but they will do in two weeks' time and then they will be publishing that shortly thereafter, but they will be very pleased to write to you, Chair, or to any of your members individually about what we are proposing. It is a step forward in terms of the rural network and where you might be able to take that.

Q598 Mr Davidson: I apologising for arriving late for your evidence. Can I pick up the point about dialogue between yourselves and other bodies? I particularly want to clarify the level of discussion and dialogue between yourselves and Government here, the Scottish Executive and other voluntary and charitable groups in the area. One of the things that struck us on a number of occasions was that there seemed to be a large number of players in this field

and a substantial degree of duplication and confusion about who exactly is doing what. I am not quite sure whether or not you see yourselves as playing a role in coordinating all that, or whether you are trying to keep yourselves as distant from it as possible.

Mr Buchanan: I think you do put a finger on a very uncomfortable aspect of this issue. We raised it in response to the energy review. EAS raises it again in its submission to you. Getting a focus on to this issue would be extremely good news. We are actively involved, both here—and we are also a member of the Scottish Executive's Fuel Poverty Forum. Charles and his team are actively involved in Scotland. I spoke at the EAS conference. I know you are regularly working on this. We are as involved as we can be, but in terms of particularly benefits, we try to say, "here is the issue". If you look at Fuel Direct, in the mid-nineties it had 230,000 people, very much helping them. That withered to about 43,000 in 2004 and it is now down to about 24,000. I went up to see Scottish Gas on one of my walks around the companies, which I like to do fairly regularly, and wanted to know about this. One of the answers they gave—but it might not be *the* answer—was that only a little time back DWP seconded somebody into the utility companies. There was a DWP secondee in Scottish Gas, and they went with the Scottish Gas employees to those who are fuel poor and therefore they could work it through in a fairly holistic way. What now happens is that the company has to say to the individual, "You have to approach DWP; we cannot, you have to do it". You can immediately see a barrier that is created to ensure that that kind of route can be created. To me this is just a classic example of the kind of thing we have to try and break.

Q599 Mr Davidson: I can see how that possibly is the fault of both the DWP and the individual companies.

Mr Buchanan: I am not trying to lay fault.

Q600 Mr Davidson: No, that is my job, but if we then say you have a role in that, as a regulator, you surely ought to be saying, "this is something that the companies ought to be doing in conjunction with DWP; why is it not being done?"

Mr Buchanan: Sarah, in her defence, has done just that.

Ms Harrison: I could not agree with you more. We very much see our role as holding the ring sometimes and debating these areas, and we have something we call our Social Action Strategy Review Group, which is a group of people and ourselves, where we bring together the energy companies and bring in DTI; we involved the Scottish Executive in the winter initiative that we were talking about earlier—all those key players—and the Treasury from time to time when we were talking about financial services and access to financial services—to try and bring together all the agencies that have a very important part to play here. But on Fuel Direct specifically—and this was before my time and I take no credit—my colleagues on that social strategy review group and its predecessor, very much led the initiative with the industry to try and put more pressure on the DWP. Our Chairman, John Mogg, made a number of visits to DWP ministers to try and urge a reinvigoration of the Fuel Direct mechanism. I am afraid it came to naught, but that was exactly an example of where we had a strong leadership role to play and where we—

Q601 Mr Davidson: Right, I can see that you do not have—possibly quite correctly—responsibility for directing the DWP, but you do have a role, presumably, in directing rather than just persuading the energy companies in this sort of work. While you might not be able to operate a Fuel Direct system without the cooperation of DWP, it is quite possible, is it not, for you to lay instructions on the energy companies to do far more in this area? The constant impression we get is that you are not really interested in this area as much as we would want. That, maybe, you could say is an unfair impression but it obviously has not come out of the blue, and people have fed back to us that that is their impression of these things. We just get the impression that you are pretty weak when it comes to putting pressure on the energy companies to look after the poorest consumers. Does that seem unreasonable to you?

Mr Buchanan: I think it is unreasonable because, as we outlined earlier in brief, we have a remit within which we operate. We have social guidance given to us by the Secretaries of State. We have a vulnerable customer duty. Our primary duty under the Utilities Act is to promote and protect consumers through market and competition, but we have these other responsibilities, which we do take extremely seriously. What we discussed a little while back was that when we look at our policing powers, effectively our tough powers, what can we do? We have two sets of powers. One is enforcement power. We threatened enforcement very successfully to get rid of back billing and very successfully to bring an ombudsman into place, and quite successfully—and we have not really spoken about pre-payment metering and recalibration but I am happy to do that—quite successfully there. We then have informal powers—

Q602 Mr Davidson: I am sorry, but before I lose this point, this question of enforcement powers: how can it be, if you have enforcement powers that you are less than totally successful? If you have enforcement powers, you force them to do it. How is it then that in that area some companies are not doing as you would wish?

Mr Buchanan: I did not make myself clear then. In terms of the pre-payment meter, we are going to put in a licence condition with the supply licence review—

Q603 Mr Davidson: You do not have those powers just now?

Mr Buchanan: We do not, and so we are going to put those powers in place. Where we do not have those powers, effectively we do have the informal power as a regulator to name and shame, which we do. If I can

come back to our original duties, in looking at the market in Scotland, two of the three companies I think are really being quite progressive in what they are offering by way of social tariff. The Essentials package offered by Scottish Gas announced in February gave a price cut to the fuel poor of £285 and a price cut to everybody else of £170. The Energy Plus product, aimed at 30,000 customers, in the Scottish and Southern hydro-electrics area gives them a 20% reduction on whatever the bill is at the time. So two of the three companies in Scotland have decided to go down what I would regard as a social tariff route. It is for Scottish Power to answer for themselves in this regard, but it has gone down a slightly different route, a trust route, which appears to be aimed at households with children—a fairly staggering figure: 46,000 households with children in Scotland that are fuel poor, which is estimated to be 25% of children in Scotland. That is a very uncomfortable figure. Scottish Power has gone down that route to target their benefits there. They have also gone down a different route in so far as they have currently a pre-payment charge lower than the standard credit charge. They have taken a marketing decision to go down that route.

Q604 Mr Davidson: Without blinding me with science in the sense of the different rates, which sometimes are as complex as mobile phone company rates, if you have a remit to deal with the fuel poor, the social remit and so on and so forth, do you lack the powers to set best practice and insist that all companies in the area live by that; or is it simply by persuasion? I am not clear about the balance between what you can actually make people do and what you just have to ask nicely for, and whether or not there is a deficiency in the powers you have been given—or whether it is something you would not want to be involved in anyway because you just want to make the market more competitive.
Mr Buchanan: I think it is a very good question and to a certain extent the follow-up question is: are we asking Government, given that there is legislation going through? This is where the PPM recalibration is a very interesting example of where we are going to insert licence permission powers in place, because none of us think that three of the companies have behaved well here. Three of the companies clearly did behave well and saw the issue and dealt with it. In December we used our informal powers to name and shame three of the companies; two reacted very quickly on replacing the meters and on sorting out the level of debt with which they would effectively not pursue individuals. Scottish Power started very quickly after our name-and-shame in December and then, for reasons best known to themselves, stopped. I have been asked to put on our website something that arrived yesterday. Iberdrola has taken over Scottish Power, and Jose Luis del Valle, the new Spanish boss of Scottish Power is basically outlining how they are going to sort out this problem. This is possibly the most positive response I have had from Scottish Power for some time.

Q605 Mr Davidson: It strikes me that you are cast in the role of supplicant to power companies. You are pleading and cajoling and threatening to name and shame, but you are not really prepared to do anything about anything really.
Mr Buchanan: Unless they breach a licence condition.

Q606 Mr Davidson: The licence conditions then presumably are drawn in such a way as to now allow you to set best-practice guidelines and insist they adhere to them.
Ms Harrison: First, on licence conditions, there are licence obligations on suppliers for them to do the right thing by some of their most vulnerable customers. We have just reviewed the supply licence and will be publishing it next month. Some of the obligations, just to give you a flavour—there are duties on suppliers to do certain things to make sure customers who have difficulty paying their energy bills get certain help. There is an obligation on suppliers to make sure they do not disconnect customers over the winter period, and that will be extended to electricity—

Q607 Mr Davidson: I do not need the detail. When we are in a public committee we have a limited amount of time and want to cut straight to the chase. What I do not understand, and I seek clarification on, is why you seem incapable of dealing with this pre-payment recalibration adequately. Is that simply because of lack of powers that you possess?
Mr Buchanan: The answer has to be that because we are putting the powers in place in June, the enforcement power was not there and therefore—

Q608 Mr Davidson: Fine, I just wanted to find out. When you get the powers you will do it in arrears, will you, especially for constituents of mine?
Mr Buchanan: It is quite an interesting issue.
Ms Harrison: Can I come back on that?

Q609 Mr Davidson: I know it is interesting, but what is the answer? That is agreed then?
Mr Buchanan: Nothing is agreed.

Q610 Mr Davidson: Sorry, I thought you were agreeing with that.
Mr Buchanan: Other than—and Sarah will shoot me down on this, or a lawyer certainly will—I believe one of the issues in terms of penalising underenforcement, which certainly has been one of the features of enforcement cases we have brought in the past, is that the penalty goes to the Treasury.
Danny Alexander: Not to the customer?

Q611 Mr Davidson: Not to the customer. Oh, well, it comes off the company anyway, so that will teach them.
Mr Buchanan: It does. It is a very important aspect, it goes to the Treasury.

Q612 Mr Davidson: The point, though, about those who have not contacted the company --
Mr Buchanan: Whatever the calculation of the penalty is and that sits within the authority.

Q613 Mr Davidson: Leaving aside the question of the penalty, it is a question of if they pay back a refund to those who have approached them, that is one thing, but are they going to refund it to everyone who would have been eligible for a refund had they approached the company?
Mr Buchanan: Can I come back to you?
Mr Davidson: Yes, please. I think it would be very helpful to have a note on that as well.

Q614 Chairman: My question is to Charles Gallacher. What is the magic solution to tackle fuel poverty? What are the two most significant things the Government can do to alleviate fuel poverty?
Mr Gallacher: I think, first, it is to make sure that the information is out there and that the information is understandable partly by the groups which have been identified here today. I have explained before that we have done a lot of work in Scotland both with the Scottish Executive and charitable organisations on energy smart campaigns and other campaigns to make sure we target people appropriately. I would say absolutely the offerings are there in the market, it is true that some of them are complicated; cut through all of that, make it straightforward and get it targeted. Secondly, I would say—we touched on smart meters before—smart meters are important. There is unlimited research out there which shows that they do work when applied properly, get that show on the road.

Q615 Mr Davidson: Can I follow up on this. Do you have powers to instruct people to make their tariff system comprehensible? Pilkington Glass used to have a grading of frosted glass called an "obfuscation index" and it depended on how difficult it was to see through. Do you have the powers to make them comprehensible?
Mr Gallacher: The companies would argue that they are comprehensible at the moment and, to be fair, many of them are. We do not get involved in how companies advertise, or otherwise, their offerings.

Q616 Mr Davidson: You have no powers to make sure their offerings are comprehensible to people of average intelligence?
Mr Gallacher: If examples were drawn to our attention where they were clearly not comprehensible, we would take them up with the company.

Q617 Chairman: Could I thank the witnesses for their attendance. Any information which you were unable to provide during this session, please send us, that would be very helpful to us. Thank you very much.
Mr Buchanan: Thank you, Chairman.

Supplementary memorandum submitted by the Office of Gas and Electricity Markets (Ofgem)

1. On 15 May 2007 Ofgem gave evidence to the Scottish Affairs Committee. During the course of the evidence session we offered to provide the Committee with more information on the use of our enforcement powers; the recalibration of token pre-payment meters; our review of the supply licence; and extensions to the gas network.

Ofgem's Enforcement Powers

2. Ofgem's principal objective is to protect the interests of consumers, wherever appropriate by promoting effective competition.[1] In order to do this, we have the power to investigate and, in certain circumstances, to impose financial penalties on companies that we believe are in breach of their obligations.

3. Under the Gas Act 1986 and the Electricity Act 1989, where Ofgem is satisfied that a licence holder is in breach of a licence condition, we can issue an order as is necessary for the purpose of securing compliance.[2] We can also fine the licence holder up to 10% of its turnover.[3] Under the Competition Act 1998, we have the power to investigate anti-competitive agreements between companies, or action by a single company which amounts to an abuse of a dominant position. Where an infringement has taken place, Ofgem has the power to issue directions[4] to bring an infringement to an end and to impose financial penalties[5] of up to 10% of an undertaking's worldwide turnover. Under the Enterprise Act 2002, we can refer the market to

[1] Ofgem supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Britain. In this memorandum, the functions and powers of the Authority under all relevant legislation are, for simplicity, described as those of Ofgem.
[2] Section 28(1) of the Gas Act 1986 and section 25(1) of the Electricity Act 1989.
[3] Section 30(A) of the Gas Act 1986, section 27(A) of the Electricity Act 1989 and the Electricity and Gas (Determination of Penalties) Order 2002.
[4] Section 32 and 33, Competition Act 1998.
[5] Section 36, Competition Act 1998.

the Competition Commission if we do not believe that competition is working.[6] Ofgem is also a designated enforcer under the Enterprise Act and in certain circumstances has the power to seek a court enforcement order, similar to an injunction, to prevent breaches of specific consumer protection legislation.[7]

4. Since 2002, Ofgem has imposed six penalties against licence holders, ranging from £200,000 to £2million. We have recently conducted a review into our enforcement powers. We also held a forum with other regulators in March 2007 to discuss best practice in enforcement and this included the aspect of whether our powers are sufficient. Ofgem is broadly satisfied that it has sufficient powers to investigate potential breaches and impose penalties.

5. In addition to Ofgem's formal enforcement powers, there are a range of strong incentives for energy suppliers to improve their customer service. The Energy Supply Ombudsman, which was set up in July 2006, has the power to resolve customer issues relating to household bills and switching supplier. The Ombudsman's decision is binding on the supplier; she also charges suppliers £300 for every complaint she investigates; and her findings are published in anonymised form on the Ombudsman website. The number of investigations initiated by the Ombudsman has slowly increased since it was established, resulting in 103 investigations initiated by the end of January 2007. In July this year Ofgem will review the Ombudsman scheme to help us understand the criteria against which we should be approving redress schemes and to assess how far the Energy Supply Ombudsman already meets these criteria.

6. Furthermore, in Britain's competitive domestic energy market, there is clear evidence of suppliers competing for business and a high level of consumers exercising choice about their supplier. Customers can punish suppliers with a poor level of customer service by switching. The pressure to attract and retain customers is a powerful incentive for business to act responsibly and to take complaint handling seriously. For example, Scottish and Southern Energy (SSE) markets itself on being the cheapest supplier with excellent customer service and has introduced its own customer charter that goes beyond the requirements of the Energy Supply Ombudsman. This strategy appears to work well as SSE has seen its customer numbers grow from 2 million to 7 million.

Recalibration of Token Pre-payment Meters (PPMs)

7. The delayed recalibration of token PPMs is an issue on which there appears to have been no breach of a licence condition, and therefore no grounds for enforcement action, but it is still of concern to many customers. We share their concern. At present, suppliers must visit the home of a token PPM customer to recalibrate their meter manually. Where there is a delay between an increase in price and this visit, the customer could start to build up debt. This is a particular problem because many customers choose PPMs as a way of avoiding debt, and a proportion of PPM customers are on low incomes, so debt accrual can cause real difficulties.

8. We will be introducing a new licence condition on token PPM recalibration as part of our Supply Licence Review which will be completed this summer. However, we were not prepared to wait until then so we took action. Ofgem set out publicly the steps that suppliers must take to ensure that their customers are treated fairly. Our December 2006 best practice statement, against which we are tracking suppliers" performance, focused on:

- speedy recalibration—this is important so that customers can benefit from new cheaper tariffs as price cuts are implemented;
- speeding up the replacement of token PPMs with "smarter" ones which do not suffer this problem;
- clearer communication so customers are aware of the risk of debt build up and can call their supplier to arrange an appointment for recalibration;
- handling debt issues sensitively, including writing off debts in cases of hardship—which will help vulnerable customers;
- writing off old debts; and
- not preventing customers who have built up a debt on their meter due to such delays from switching supplier if they are disappointed with the service they get.

9. The three suppliers who are affected by this issue (Scottish Power, npower and Powergen) all gave important commitments to improve performance and we have demanded and published regular progress reports on their activity. We have urged suppliers to do all they can to accelerate further their replacement programmes. The number of token PPMs still accruing debt is now less than 149,000. This is down from 409,000 when Ofgem first took action in December 2006, and down from 256,000 when we last reported in March 2007.

10. We have also proposed a new licence condition such that suppliers must take all reasonable steps to ensure that a token PPM is reset within a reasonable period of time after a price change. It will apply to price changes that happened before the new condition comes into force. We do not intend to force suppliers to

[6] See OFT guidance on Market Investigation References, http://www.oft.gov.uk/shared—oft/business—leaflets/enterprise—act/oft511.pdf.

[7] Part 8, Enterprise Act 2002.

refund customers who have been backcharged in the past, but we have obtained commitments from suppliers that they will handle debt issues sensitively, in particular writing off debt in cases of genuine hardship. We know from our monitoring that suppliers have met this call.

11. The best solution is for suppliers to remove token PPMs and replace them with "smarter" PPMs now on the market which allow for remote recalibration to adjust the customer's charges as prices rise and fall. Ofgem has encouraged electricity suppliers to take this action, so that there can be no risk of PPM customers building up a debt through a failure to recalibrate the meter. All six of the main suppliers have replacement programmes in place and we have urged them to do all they can to accelerate their plans. We continue to monitor suppliers" progress against our best practice statement and to publish monthly reports on their performance.

Supply Licence Review

12. Ofgem has published a document setting out our final proposals to modify the standard conditions of the gas and electricity supply licences. Our proposals reduce the current licence by about half and simplify the obligations that remain. We believe that simplifying the regulatory framework will further sharpen competition between existing suppliers; lower the barriers to entry to new suppliers; and ensure protection for consumers, in particular vulnerable customers. We will also increase regulatory transparency by publishing guidance documents on the purpose of each licence condition.

13. We have taken great care during the review to maintain appropriate licence obligations for the protection of vulnerable customers. We ran a working group and special consultations with consumer groups to look solely at these issues.

14. Consumer protection has been strengthened by, for example, placing an obligation on electricity suppliers not to disconnect pensioner households during the winter months. This brings electricity into line with the existing obligation on gas suppliers. There will also be a requirement on suppliers to provide information to all customers on the dangers of carbon monoxide poisoning and the benefits in fitting carbon monoxide alarms. This is in addition to the existing requirement to provide free gas safety checks for pensioners.

15. The removal of regulations can also help consumers by making it easier for new suppliers to enter the market. For example, our review will remove the "28-day rule" which many see as preventing suppliers from offering long-term energy services such as the installation of household-scale generation or measures to improve energy efficiency. We will also amend the rules to make it easier for suppliers to install so-called smart meters that have the potential to help to cut emissions and improve the accuracy of customer bills.

Extensions to the Gas Network

16. As part of Ofgem's gas distribution price control review, we have been consulting on several options to encourage gas distribution network operators (GDNs) to undertake extensions to the gas network. On 29th May we published our initial proposals.which include measures to help reduce up front connection charges. In addition, we are proposing a new incentive scheme that will encourage GDNs to find ways to increase affordability to these communities by coordinating various sources of government funding.

17. These measures will be specifically aimed at fuel poor non-gas communities. Our initial estimates are that about 10,000 non-gas households may benefit from this proposal.

18. I hope that the Committee finds this information useful. We would be happy to provide any further details that the Committee may require.

Alistair Buchanan
Chief Executive

4 June 2007

Tuesday 12 June 2007

Members present

Mr Mohammad Sarwar, in the Chair

Mr Ian Davidson
Mr Jim McGovern
Mr Angus MacNeil
Mr Charles Walker

Memorandum submitted by the Baptist Union of Scotland Public Issues Advisory Group

1. Summary

We welcome the opportunity to share our concerns about poverty in Scotland and state that issues of injustice and poverty are always a concern for the Christian Church.

We support in general the longer submission from the Scottish Parliamentary Office (SCPO) Social Inclusion Network, noting this body's longstanding involvement in addressing the issue of poverty in Scotland; we also note a number of particular issues where we have concerns which we wish the inquiry to consider.

2. The beliefs of the Baptist Union of Scotland are based on the teachings of the Bible, which repeatedly calls for justice for the poor and oppressed. We acknowledge that this is part of the modern church's remit. We therefore welcome the opportunity to make a submission to the inquiry on poverty in Scotland.

3. The Baptist Union of Scotland is part of the SCPO Social Inclusion Network and we commend the issues raised in that submission. We especially note some of the relevant work that has been done in poverty hearings and audits and the recently published "Get Heard" document.

4. We accept the general definitions of poverty offered in the SCPO paper and also state that the restriction of choice or access to basic necessities of life is often regarded as part of the definition of poverty.

5. A number of particular issues have been drawn to our attention.

6. We are concerned about some Housing issues. We support the Scottish Churches Housing Action view on targets to meet the Scottish Executive aim for affordable housing for all by 2012 and refer you to their documents for more details on this.

We have concerns about the lengthy delays we are aware of in processing Housing Benefit applications in Glasgow; these delays can be a number of weeks and make it difficult for poor people to obtain or sustain tenancies, particularly in the private sector. We ask that the inquiry request that the relevant authorities set or review their performance targets. Relatedly we question the common practice of private sector landlords requiring both a deposit and a month's rent in advance thus excluding poor people from private tenancies and thus restricting choice; we ask the inquiry to examine whether the Housing Benefit system could be amended to deal with this issues by guaranteeing promptly to private sector landlords that a fair rent will be paid; there is no additional cost in this as a level of rent will be paid eventually. In fact this would offer the landlord more security of payment than is sometimes the case in the private sector.

Further support for a national network of rent deposit and guarantee schemes is also recommended. This would facilitate stable housing which, in turn, increases the chances of completing training or obtaining employment, both routes out of poverty.

7. We are concerned about access to employment for ethnic minority members of our society. Much anecdotal evidence suggests a level of discrimination exists within both the employment services and among some employers. We realise thus is a difficult issue to address but we ask that the inquiry seek to examine the performance of the employment services in supporting applicants from ethnic minorities.

8. We are concerned about poverty amongst asylum seekers. We note firstly that the level of support offered to adult asylum seekers is 70% of Income Support levels thus immediately placing them in poverty. This is of particular concerns where there are children in asylum seeker household.

Secondly there continues to be a level of destitution in the asylum seeker community. You may be made aware by the Scottish Refugee Council or by the Refugee Survival Trust of the thorough research carried out in February 2006 which identified over 100 destitute asylum seekers seeking assistance from agencies that month. It is surely the case that there were others who were not counted in this survey as they did not seek help. We are aware that some of these asylum seekers are people who have had their case for asylum refused but have not left the country, stating that they fear for their lives of they return to their countries of origin. Similarly, in a meeting held in October 2006 with the Immigration and Nationality Directorate

for Scotland church leaders were informed that in the last few month 50 families or individuals due for deportation had vanished from their accommodation (thus no longer receiving financial support from the Home Office). Clearly these families are living in poverty.

Whilst we appreciate that changing the asylum system might be outwith the remit of the Scottish Affairs Committee we feel it important that the Committee take note of this significant strand of poverty in Scotland which is related to Government policy on asylum.

9. We are concerned about delays in processing Child Benefit applications after the birth of a new baby. We are aware that this may take up to six weeks. As this is a benefit which is used to guarantee others, such as increased Income Support, this delay places families in temporary poverty at a very crucial time in the life of a new baby. We ask that the system of processing Child Benefit be examined with a view to it being speeded up. We suggest there is little cost in this as the same process needs to be done but more promptly.

10. We commend the range of measures that have been introduced to tackle poverty, including the recent increase in the Minimum Wage and the Scottish Executive's targets in "Closing the Opportunity Gap".

Eileen Baxendale
Chairperson

October 2006

Memorandum submitted by the Scottish Churches Social Inclusion Network

1. ***Who We Are***

1.1 *The Scottish Churches Social Inclusion Network brings together a wide range of representatives of the work of the churches and church agencies tackling poverty and social exclusion across Scotland. The work represented ranges from the national services provided by Crossreach (the Church of Scotland's Social Care Council) to community work in all kinds of parishes; it also includes such activities as the Poverty Hearings pioneered by Church Action on Poverty, and the Justice and Peace work of Catholic parishes.*

1.2 *Participating Bodies include: Action of Churches Together in Scotland, Baptist Union of Scotland, Christian Community Work Alliance, Church Action on Poverty, Church of Scotland (Church & Society Council, Mission and Discipleship Council, Social Care Council, Board of Social Responsibility, Priority Areas Forum), Evangelical Alliance, Faith in Community Scotland, Iona Community, Methodist Church, NCH, Roman Catholic Church (Social Care Commission, Justice & Peace Commission), Salvation Army, Scottish Churches Community Trust, Scottish Churches Parliamentary Office, Scottish Episcopal Church, Society of Friends (Quakers), United Free Church, Unity Enterprise.*

1.3 *The Network welcomes the renewed commitment of the Scottish Affairs Committee to an Inquiry into Poverty in Scotland, and is glad to have the opportunity to contribute to that inquiry. We hope to have further opportunity to contribute to this important work in future oral sessions.*

2. Introduction

2.1 On the last occasion when the Scottish Affairs Committee addressed this issue (in 1999), the then Scottish Secretary, Dr John Reid MP, remarked that "poverty is the biggest scar of a civilised society". We agree.

2.2 The issues affecting people living in poverty, both globally and in Scotland, have been an ongoing concern of the churches, at a practical level of engagement in community building work across Scotland's poorest communities—a significant role in regeneration recognised by the partnership of "Faith in Community Scotland" and Communities Scotland in the recent conference "what's faith got to do with it?". These issues have also been at the heart of much of our engagement with public issues at both Holyrood and Westminster.

2.3 Increasingly, we recognise that hearing the voices of people whose lives are affected by poverty, and valuing their expertise, are crucial to tackling poverty; we have learned the immense importance of listening to those with a direct experience of poverty. This may seem obvious but it is staggering how often this expertise and commitment is ignored. According to Joseph Wresinski, founder of the ATD-Fourth World Movement: "As long as people living in poverty are not listened to, as long as the planners of communities do not learn from those who experience poverty and the world they live in, the measures taken to alleviate their situation will be erratic, superficial and opportunistic". The problems of poverty (and wealth) cannot be adequately addressed without this perspective.

3. Poverty Audit, "Get Heard" and "Prosperity with a Purpose"

3.1 That is why we have joined with a wide range of voluntary sector partners in a "Poverty Audit". Funded by the Joseph Rowntree Foundation, this project aims to assess progress in tackling poverty in Scotland since devolution by ensuring that the voices of people living in poverty are expressed. The impact of policies on their lives, and on their communities, may not be fully captured in statistical analysis of progress towards government or Executive targets. A series of focus groups of people with direct experience of poverty has already taken place, and there will be further discussion with those involved as key themes emerge. A report will be published in early 2007. While one of our aims in the project is to get serious discussion of poverty, and policies to tackle it, on to the Scottish Parliamentary election agenda (for the election in May 2007), it is clear that devolved and reserved policy areas are interwoven here, and we are confident that the report will have important things to say which we hope will be available in time to impact on the Committee's inquiry.

3.2 The Poverty Audit will also draw on the valuable results of the *Get Heard* process, which, in Scotland and elsewhere, has drawn from grass roots experiences of poverty and social exclusion towards the development of the NAP Inclusion 2006. We welcome the publication (funded by the Church of Scotland's Priority areas Strategy Group) of the final report of that process in Scotland *Dignity Shouldn't Have to Be Earned*, and commend it to the Committee.

3.3 Our experience is that it is often in *face-to-face* encounter people and attitudes are transformed, the stereotypes and myths which surround poverty can be most effectively broken down and the real impact of policies be assessed. Attempts to involve people experiencing poverty in defining, measuring and putting forward proposals to overcome it also have their difficulties—conclusions are often difficult to reach, definitions hard to agree and the issues raised limited by the experiences of those whose stories are shared. These may be among the reasons why some welcome attempts in Scotland by Executive and Parliament to engage with people (eg in the Social Inclusion Network) have broken down. The problems, however, serve to underline the complexity of the issues that we are facing and of the need to treat people as human beings rather than simply reduce us to statistics. To marginalise, in developing and assessing anti-poverty strategies, those whom such policies seek to help will ensure that they remain excluded.

3.4 Although this inquiry is about poverty, we are convinced that the problem of poverty has to be understood in relationship to the problem of wealth. What, for the wealthy, is often perceived as a problem of poverty, is for many living in poverty a problem of wealth. For the creation of wealth to add value to society it requires to be more adequately distributed. For many within the Church, as well as within wider society, there is a temptation to treat these as separate issues, which they are not. We have been involved in work carried out by Churches Together in Britain and Ireland (*Prosperity with a Purpose*—published by CTBI) on poverty and prosperity, and would commend the report on that study to the Committee.

4. Defining Poverty

4.1 Definitions of poverty have been the subject of considerable debate, including that between absolute and relative levels of poverty. In effect, virtually all definitions of poverty are, in practical terms, relative—dependent upon the context and conditions of others. While some might wish to point out that, by comparison to parts of sub-Saharan Africa, there is no poverty in Scotland today others would point to the fact that a person living in Drumchapel will, on average, die ten years younger than someone living in neighbouring Bearsden (a contrast which shows little sign of diminishing).

4.2 Health inequalities remain, literally, a matter of life and death. Differences in life expectancy between neighbouring areas remain a dramatic reflection of poverty; 40% of people aged between 35 and 59 living in social housing report a limiting long-standing illness, compared to 12% of owner occupiers; premature deaths in Scotland are 30% higher than in England and Wales (and worst of the EU figures). The Church of Scotland's General Assembly in 1998 echoed wider concerns in welcoming the inclusion of tackling health inequalities in UK Government strategic plans; the Assembly added that "the inequalities in health cannot be adequately addressed without the wealth of the nation being more equitably distributed". It is disturbing—though perhaps confirming of the point about redistribution—that the figures show little, if any, improvement since the recognition by Government of the problem.

4.3 How we define and measure poverty is, to a large extent, determined by what we intend to do about it. For some time, the term *social exclusion* has frequently superseded poverty as a term used by government to describe those who are unable to participate fully within society. In Scotland the focus has been more on *social inclusion* as opposed to *exclusion*, a welcome shift of emphasis. This language also reflects well the importance of access to services (employment, transport, housing, etc), particularly with reference to rural poverty.

4.4 However, although both terms highlight the multi-dimensional nature of poverty and exclusion, in their populist form, they offer no critique of who is responsible for the including (and excluding). It is overwhelmingly those who have power (and wealth) who determine who is excluded and, under what conditions, people are included. We have also expressed concern that the use of the language of inclusion and exclusion may become a way of avoiding some of the issues of material poverty.

4.5 Although there is no agreed definition of poverty in the UK, the definition most frequently used is based upon a calculation of the number of people living at or below 60% of the national median income after housing costs, with some slight adjustments based on the number of people within a household. Any variation on this percentage has a major impact on the numbers of people who are defined as living in poverty. For most purposes, we are content with this as a statistical measure. However, it does not capture the hidden or less visible aspects of rural poverty; the Scottish Index of Multiple Deprivation fails to measure the true scale of rural poverty, as this is less concentrated by areas.

5. Impact of Government and Executive Policy

5.1 From the outset of devolution, an explicit policy objective of the Scottish Executive has been the reduction and eradication of poverty in Scotland. We welcomed the commitments in a set of Social Justice targets and milestones (along with annual progress reports on progress towards these), and the more recent, and more focussed, cross-cutting policy objectives in the Executive's "Closing the Opportunity Gap", with its overarching themes of:

— preventing individuals or families from falling into poverty;

— providing routes out of poverty for individuals and families; and

— sustaining individuals or families in a lifestyle free from poverty.

5.2 Over the last seven years governments at Westminster and Holyrood have introduced a range of measures which have helped to improve the quality of life for a significant number of people experiencing poverty. Much of this has focused around efforts to get people back into paid employment, at reducing child poverty and the introduction of a minimum income guarantee for pensioners. In taking these steps the government deserves to be congratulated.

5.3 The figures show that there has been some significant success in reducing poverty in Scotland (measured as those living in households with less that 60% median income), notably in a 30% reduction in child poverty (compared to 17% across the UK as a whole) mainly through increased work opportunities for parents coupled with UK policies such as Minimum Wage and Tax Credits. One in five Scots (a million people) were living in income poverty in 2003–04, but this showed a significant drop to a level lower than at any point in the past 10 years.

5.4 However, for many people without children there has been little change in their situation since 1997; for too many people in Scotland poverty is still a daily reality. For example:

— according to JRF the number of working age adults without children in poverty has increased from c300,000 in the mid 1990s to c400,000 today;

— almost half of lone parents are in income poverty (though this proportion is falling);

— there are 200,000 people of working age who want to work but who are not officially unemployed (JRF MPSE in Scotland 2005);

— while work strongly reduces the risk of being in poverty, two-fifths of the people in working-age households who are in income poverty now have someone in their household in paid work;

— a third of all employees in Scotland (and half of part-time workers) earn under £6.50 per hour;

— research by Save the Children (2005) shows that for families suffering severe poverty (children in households with less than 27% median income) little if any progress has been made since 1999.

5.5 Many of those whose level of income has increased slightly in real terms since 1997 have been, according to government figures, lifted out of poverty as a result of very welcome initiatives including elements of Welfare to Work, the introduction of Working Tax and Child Tax credits. However, these measures have only served to lift those previously just below the poverty threshold to just above it and many remain susceptible to poverty if there is even a slight variance in their family or personal circumstances. For others, struggling with a greater depth of poverty, government measures have, to date, had little or no impact. While employment is clearly a successful route out of poverty for many people, acute problems remain for those who are unable to find paid work as well as for significant numbers who, because of the level of their wages, remain locked in poverty despite the fact that they are in paid employment.

5.6 It has become increasingly obvious that these positive government measures do not go far enough. The *Minimum Wage*, while welcome, especially with the recent increase, is still set at a level which means that those who are paid on, or just above, the current rate are forced to apply for a range of means tested benefits to supplement their income. We believe in the principle of a *Living Wage* (advocated by, among others, *Church Action on Poverty*) which currently recommends a figure of £6.80 per hour, based on a scientific analysis of how much an adequate standard of living costs. The Minimum Wage should be enough to keep people out of poverty and not reliant on in-work benefits.

5.7 Listening to the experiences of people living on basic benefits convinces us of the urgent need both for a radical simplification of benefits and for an increase in their levels of payment. The value of many benefits has fallen in real terms over the past twenty years. This has to be reversed.

5.8 Among the people we have met there has been a clear recognition that there are those who abuse the system. Any measures taken to address this specific problem must not be to the detriment of the vulnerable; further, the stigmatization of certain groups (*eg* those claiming benefits) by sections of the media and some politicians is shameful and must be challenged. We would express concern that the focus (in government advertising as well as in the wider media) on abuses of the benefit system diverts attention from the impact of tax avoidance and other devices (around the edges of legality and beyond them) through which abuses by wealthy people cheat "the system" and therefore the most vulnerable.

6. Poverty Report Card

6.1 In considering progress since the Scottish Affairs Committee's last report, and since devolution, we have found useful the "Poverty Report Card" produced by the Poverty Alliance in 2005:

1.6.2 The Report Card notes that "**fuel poverty** has *'come in from the cold'* on the political front . . . The UK Government and the devolved administrations have put in place schemes and initiatives that will help . . . The *Central Heating Programme* in Scotland, funded by the Scottish Executive, is an excellent example of what can be achieved. It provides a non-means tested package of a free central heating system, insulation measures and energy advice for those who do not already have central heating in the social rented sector and to those aged over 60 in the private sector. Monitoring has shown that it is taking 87% of households out of fuel poverty". They conclude that "fuel poverty is being tackled: the problems are known and the solutions have largely been identified"; however, recent dramatic energy price rises, with a disproportionate impact on the poorest—especially through back-dating of prepayment meter charges—have pushed many more households back into fuel poverty.

2.6.3 Homelessness is both a consequence of poverty and a factor in prolonging it. Poor housing conditions have a similar impact. The Scottish Parliament has been effective in legislating for improvements in the response to the needs of homeless people, but levels of application to local authorities are still unacceptably high. We endorse the Scottish Executive's target that local authorities should be in a position to offer settled accommodation to all non-intentionally homeless applicants by 2012. However, our concerns about reaching this include:

- The inadequacy of the current supply of affordable housing, and the need for further substantial investment, particularly in affordable housing for rent.
- The lack of availability of rehabilitation and support facilities for all those who need them in finding routes out of homelessness, particularly in the areas of drug and alcohol misuse, but also in relation to mental illness, young people who have been looked after by the social care system, and others leaving a variety of forms of institutional living.
- The lack of joined-up practice between reserved and devolved issues, including housing benefit, and employment and training programmes.

3.6.4 Although the *Pension Credit* has helped many **pensioners** living in poverty, a failure to listen adequately to the views of pensioners groups on means tested benefits (or even the view of the Select Committee on Work and Pensions that "it can be quite a challenge to get people to claim means-tested benefits; they feel a huge loss of dignity and that they are begging for charity in doing so") has resulted in incomplete take up of the Pension Credit, with DWP still estimating take-up at 61%–69% of those eligible, ie up to 1.63 million pensioners missing out on what they are entitled to, despite £20m spent in advertising. The stakeholder pension seemed a positive attempt to provide affordable access to occupational pensions, but the effect of low wages, lack of financial awareness along with access to adequate financial planning, and lack of commitment from employers to contribute have minimised the gains from this well intentioned savings product.

4.6.5 In terms of links between **disability** and poverty, Suzi MacPherson notes that "the policy focus on disabled people is positive in making a commitment to tackling discrimination through extensions to the provisions of the DDA as well as through attempts to support disabled people to access employment via in-work benefits and support to return to work. However, as a route to tackling poverty this focus is somewhat limited." In particular, the continuing emphasis on work as the route out of poverty fails those whose disability prevents paid employment; the parallel policy commitment to "support those who cannot work" seems to offer little improvement if any in benefit levels. There is also evidence from the *Get Heard* project in Scotland which shows that many employers are very reluctant to take on people with disabilities or long term health problems.

4.6.6 **Child poverty** has rightly been placed at the centre, with the welcome commitment to eradicate it by 2020, seemingly more on target in Scotland than elsewhere in the UK. We agree with *Children in Scotland* that, after recent steps forward, "the real challenge will be to reach those children and families completely reliant on benefits".

4.6.7 Research carried out for the Scottish Executive on *Life in Low Income Families in Scotland* found that "the importance of family and relationships is readily apparent". We therefore question the

assumption that work is always the answer (especially for lone parents), and strongly agree that "more needs to be done to allow parents to spend more time at home caring for their children, particularly fathers who have a crucial role in their upbringing. Support for vulnerable families is welcome but more emphasis should be placed on integrating Sure Start programmes into mainstream children's services to ensure that no vulnerable family 'falls through the net'". We also support the campaign of the Child Poverty Action Group for free nutritious school meals for all pupils at least in primary schools.

4.6.8 The 60th birthday of child benefit is a good time to celebrate the role child benefit plays—showing our commitment to our children and helping parents make ends meet. Child benefit is popular, effective and reaches more children living in poverty than any other benefit or tax credit. With others in the "Make child Benefit Count" campaign, we call for an increase in child benefit, and for younger children to get the same rate as the oldest child. This would help support larger families—which is vital if child poverty is to be ended once and for all.

6.6.9 The growth in **in-work poverty** is a cause for concern: "under Labour the biggest group of people living in poverty are now not unemployed or pensioners but low paid workers" (Unison Scotland). As the Report Card notes "Unskilled workers, women, ethnic minorities and young workers are all more likely than others to be low paid. Despite this the recently announced rate rise will not affect the 16-17 year old. Young people should be not be disadvantaged because of their age.

7. Reinforcing Factors

7.1 We would urge the Committee to consider, as in your 1999 Report, the ways in which other factors reinforce or exacerbate poverty—both as causes and as symptoms—including fuel poverty, housing and homelessness, health and debt.

7.2 The long-term, destructive relationship of poverty and **debt** was researched by JRF in late 2005. The Debt on our Doorstep campaign arose from the poverty hearings held by Church Action on Poverty, in which people shared their personal experience of what poverty meant for them; debt was a painful and recurrent theme of these hearings. Since 1999, churches have worked with others in campaigning for joined-up strategy to tackle the spiral of debt and poverty.

7.3 In Scotland, there is even more urgency in joining up policies, since tackling debt involves matters within the reserved powers of Westminster (eg credit market regulation and the Social Fund) as well as others within the remit of the Scottish Parliament (eg debt recovery, financial capability and promotion of credit unions). We are therefore glad to be involved in the Cross Party Cross Parliamentary Group on Tackling Debt in Scotland, which is unique as a recognised CPG of the Scottish Parliament including Scottish MPs. While there is clearly much behind the scenes co-operation between the UK government and Scottish Executive, the lack of transparency prevents more engagement of those working to tackle poverty with these policy discussions.

7.4 While we value steps towards financial inclusion emanating from both Parliaments, we remain concerned that the needs of NINA ("no income, no assets") debtors seem to be lower in priority than other groups, whether in addressing the market failure acknowledged in the credit market by which the poor pay significantly more for credit (as highlighted in the Committee's 1999 report) or in reforming debt recovery and bankruptcy. As your Committee found in 1999, the impact of "legitimate" doorstep lenders may be even more destructive than that of illegal loan sharks. We agree with Citizens Advice Scotland that "access to affordable credit is key to tackling ongoing financial exclusion issues yet, despite explicit recognition of market failure in this area, the Government is still looking to industry to deliver solutions". In addition reform of the social fund—the one source of low value, no cost loans currently available—has been slow to respond to these needs.

7.5 While detailed studies about the impact of poverty among the **black and minority ethnic population** in Scotland find it hard to paint a very clear picture of the extent of poverty among ethnic minorities (due to difficulties in gathering data), recent reports by the Scottish Executive and results from 2001 Census show that minority ethic population is more likely to be affected by poverty. The *Audit of Research on Minority Ethnic Issues in Scotland from a "Race" Perspective* in 2001 uncovered extensive evidence to suggest that discrimination in key areas such as access to housing, education, social care, health, employment opportunities, make minority ethnic people more vulnerable to poverty. Recent figures released by the Executive show that children from minority ethnic background are twice as likely to live in poverty. We are encouraged by the Executive's drive to tackle discrimination and racism, and their effort to mainstream equality in delivery of services. However, more needs to be done to tackle the disproportional vulnerability to poverty among the minority ethnic population.

7.6 One specific area for attention is the situation of **asylum seekers**. The fact that government policy restricts benefit support for asylum seekers awaiting decision to 70% of income support levels implies an acceptance of poverty, while those working with asylum seekers, especially in Glasgow, are encountering many more examples of destitution. We welcome statements from the Home Office confirming that no families should be destitute, but experience tells a different story, of a growing problem. The recent survey by the Scottish Refugee Council (on which we understand the SRC will be submitting further evidence to

you) revealed that at least 154 asylum seekers, refugees and their dependents were destitute in Glasgow between 30 January and 26 February 2006 (including 25 destitute children under the age of 18); 27 were asylum seekers with active claims, 7 were refugees and 78 had been refused asylum status and were at the end of the process. These numbers are likely to significantly under-represent the actual number of destitute people because of the methods used and the problems associated with reaching a hidden population.

8. Executive Summary

8.1 The experience of churches and other faith-based groups which are tackling poverty is that, while considerable steps forward have been made, poverty remains, in too many communities, stubbornly resistant to Government initiatives. Our evidence illustrates both successful impact and continuing problems; the Poverty Report Card shows key areas where more needs to be done. The single point we would want to stress is the importance of listening to the voices of those directly affected in devising strategies and policies to tackle poverty, and we believe that the Poverty Audit currently under way will be a major step in that direction.

Rev Graham K Blount
Scottish Churches Parliamentary Office

October 2006

Examination of Witnesses

Witnesses: **Reverend Graham K Blount**, Scottish Churches Parliamentary Office, and **Mrs Eileen Baxendale**, Chairperson, Baptist Union of Scotland Public Issues Advisory Group, gave evidence.

Q618 Chairman: Good afternoon. It is my pleasure to welcome you to our inquiry into poverty in Scotland. Would you please introduce yourselves for the record?
Mrs Baxendale: I am Eileen Baxendale.
Reverend Blount: I am Graham Blount from the Scottish Churches Social Inclusion Network.

Q619 Chairman: Before we start on the detailed questions, would you like to make an opening statement?
Mrs Baxendale: I should have said that I am here in my role as the Chairperson of the Baptist Union of Scotland Public Issues Advisory Group. We welcome the opportunity to be at this Committee hearing. We are glad that you want to hear from Scottish churches. I do hope that you will find the slightly different perspective we have on poverty useful. I think we have two dimensions to our perspective to bring from the churches. One is in our commitment and obligation to justice and righteousness, which I am sure is shared by everybody in the room, and the second is that as churches we are involved day-to-day with people who live in poverty and not so much as service users like some of your other witnesses, but the fact is that they are us, part of the Church, part of what we do. I hope it is useful that their voice can get heard through us.
Reverend Blount: Perhaps I could just also say something quite personal. I was born 56 years ago in Glasgow, somewhere between Castlemilk and Shettleston. If you look at the figures, if I had been born in either Castlemilk or Shettleston the odds are against me still being alive today, but I was born in a leafier suburb in between them. Poverty kills people and that is why this inquiry really matters. That is why we have welcomed the Committee taking up this issue again. That is why we have welcomed the fact that in recent years a number of the statistics for poverty and inequality have been turned round from going in the wrong direction to several of them going in the right direction now. It may well be that actually keeping them going in that direction is getting harder. It is the people who are harder to give opportunities to and to lift out of poverty that we are having to deal with increasingly and keeping the focus there is going to be increasingly difficult. Joining up the thinking between Westminster and Holyrood may have become a little bit more politically tricky, but we need to focus on keeping it joined up.

Q620 Chairman: What is the single biggest cause of poverty in Scotland in your view and what are the consequences of poverty for the poorest in our society?
Reverend Blount: I think it is quite difficult to differentiate cause and effect here. I would not want to get too far away from saying that poverty is about low incomes. Obviously as Christians we would not adopt an entirely materialist view of poverty or anything else, but sometimes other definitions seem to be an excuse to get away from the reality about income and financial resources. There are several ways in which that becomes embedded and a kind of spiral, ie the interaction of that with poor health, as I have mentioned already, with levels of indebtedness, with difficult decisions about the use of fuel and with fuel poverty. All of these take a situation of low income and exacerbate it over a period of time and lead to more and more people getting stuck in poverty.

Q621 Chairman: Is poverty getting worse or is the situation improving in Scotland?
Reverend Blount: I think there have been some very positive developments. The figures tell us that we just about met the target in terms of child poverty in 2005 and therefore we might stand a better chance of

hitting the 2010 target in Scotland and elsewhere in the UK. I am not entirely sure why we are doing slightly better in Scotland, but so it would seem. However, the piece of research that I referred to in our submission which has now been published by Joseph Rowntree, which is the voices of people experiencing poverty in Scotland, would suggest that although a lot of the figures show an improvement in the situation, the perception of people living with this is not one of significant change. We asked them to think about the period since devolution and there was not a resounding "yes, things are getting a lot better". There were some specific examples of ways things were getting better which were a bit patchy across the country, but by and large people did not think there had been a significant change.

Q622 Chairman: Do you think the situation has improved but the message to the people is not there because of propaganda or because of some people thinking things are not getting better?
Reverend Blount: As you already hinted with your first question, the experience of living with poverty is a wide mixture of things. Statistics tend to isolate one factor at a time. While a number of the statistics are getting better, the people that we spoke to were not experiencing a big change in their lives subjectively.

Q623 Chairman: Which groups do you think are most affected by poverty in our communities?
Mrs Baxendale: One of the things I mentioned in my submission was poverty issues for the ethnic minority population. It clearly is the case that unemployment and poverty are higher among members of ethnic minority groups. An ethnic minority graduate is three times more likely to be unemployed than another equivalent graduate. Ethnic minority women are particularly disadvantaged in the labour market. Difficulties in accessing employment obviously contribute to poverty. There has been a big piece of work done by the Scottish Executive about the strategic group on ethnic minorities and the labour market which is going to be part of the race equality plan, but that is not yet published. That investigation was done some months ago now and it certainly highlighted a lot of these issues, but I do not know to what extent it is going to deal with them because I have not seen the outcome of that. That is one group where there are particular issues connected with employment and therefore poverty.

Q624 Chairman: Do you think the newly elected Scottish Executive knows about these issues? Have they taken any initiatives over the last two months to deal with these matters?
Mrs Baxendale: I have certainly spent some time on websites this week and it was significant that putting in things like ethnic minority poverty, looking at statistical reports that are published, did not generate much information. It took me a long time to find anything.

Q625 Mr Davidson: I want to follow up this point about ethnic minorities. In your experience to what extent is a lack of English something that is holding people back? I have been struck in my constituency, particularly the section that I have recently taken over in Govan, about the extent to which women from ethnic minorities, in many cases who have been here for ten, 15, 20 years, cannot speak English and seem to be making little effort to do so. Clearly in those circumstances it is highly unlikely that they are going to be attractive in the labour market where obviously the English language is overwhelmingly used.
Mrs Baxendale: I have a great deal of experience, like yourself, of working with asylum seekers and refugees, which is almost a different subset of the problem, and it is true that many of the women are not learning good English. What is also true, and this becomes anecdotal in my experience, is that many refugee men and women—

Q626 Mr Davidson: I am specifically not asking about refugees and asylum seekers because they are in exceptional circumstances but about ethnic minority populations who have been here for ten, 15 or 20 years and where the women have not learned English because of cultural differences. Clearly in those circumstances they are almost unemployable except within their own community where quite frequently they are exploited by being given low wages. To what extent does that ring true with your own experience?
Mrs Baxendale: I really could not say because my experience is a lot to do with asylum seekers and refugees. Certainly the information about women graduates and ethnic minority graduates struggling in the labour market would not be to do with English because obviously people would have good English in order to get their qualifications.

Q627 Mr Davidson: You were going to come on to asylum seekers and refugees. Maybe you could just clarify the point for us that you wished to make.
Mrs Baxendale: I wished to make two points. One is that, in terms of me being here today, every asylum seeker person I have spoken to in the last however many years would say to the Committee that they should be allowed to work, they do not need to be in poverty and they could be paying taxes. They are getting money from the Government they do not want. People want to work.

Q628 Mr Davidson: I understand why asylum seekers, many of whom are economic migrants, would want to say to us that they should be allowed to work. Have you taken into account the extent to which that would then be a substantial pull factor in attracting further people to come here on the basis that if you come here, say you are an asylum seeker and then immediately you are able to work there is obviously an attraction?
Mrs Baxendale: I am certainly aware of the pull factor. My personal opinion would be that there might be two ways in which we would allow asylum seekers to work that I would commend. One would

be if they come with particular skills—and we have a skills gap in Scotland—and the other one would be that after a period of time, perhaps after thee years because then I think you diminish the pull factor quite considerably—

Q629 Mr Davidson: As I understand it the whole concept of managed migration is about identifying skills that we need, in which case people will be able to apply to come here, rather than self-selecting. If you have dealt with asylum seekers you will be aware of how any time that is given as a particular target can quite easily be manipulated by lawyers in order to spin the whole process out and that would then provide a perverse incentive for people to make their claims ever more complex simply in order to reach a target date. How do we deal with these two points?
Mrs Baxendale: I am familiar with the arguments you are putting forward. I think there is a part of the argument that is not included there, which is that many asylum seekers do not come because they are economic migrants, they come because they are in genuine fear of the lives of themselves and their children. The pull arguments and the economic migrant arguments do not really apply to that group of people. For them it might be considered only reasonable to allow them to work.

Q630 Mr Davidson: Perhaps if we could distinguish between the genuine asylum seekers and the economic migrants we would not have half the difficulties we have at the moment. The problem is distinguishing between them.
Mrs Baxendale: I do not know if this goes outside of the remit of the Committee.

Q631 Mr Davidson: I think you have made some quite interesting points in the submissions that we have received about the position of asylum seekers. Glasgow MPs in particular have large numbers of asylum seekers under the NAS dispersal programme and so on. In my case it is the biggest single category of surgery cases that I have. I am well aware of the extent to which many of them are spurious cases and they are clearly economic migrants and it is therefore a major difficulty how we identify which cases are justifiable and ought to be allowed to work right away, but the problem is that 99 per cent of the others would claim the same right.
Mrs Baxendale: Certainly the new asylum model I would commend because it would deal with things much more quickly. The issue of having been here four years and not being able to work and all these difficulties hopefully will not be such a big problem for many people.

Q632 Mr MacNeil: The Scottish Churches Social Inclusion Network made a profound statement when they said, "we are convinced that the problem of poverty has to be understood in relationship to the problem of wealth. What, for the wealthy, is often perceived as a problem of poverty, is for many living in poverty a problem of wealth. For the creation of wealth to add value to society it requires to be more adequately distributed." What needs to be done to ensure that the poorest in society are gaining the benefits of increased influence?
Reverend Blount: I think for some time we have proceeded on the basis that if the country as a whole got wealthier then everybody got wealthier and that would sort itself out. That produced some fairly alarming figures of growing gaps and people being dramatically left behind. I think increasingly now it is realised that not only are these health inequalities I mentioned not only morally unacceptable but they are actually a break on the economy because effectively large numbers of people are being cut off from full participation in the economy. We seem to believe sometimes that extra money in the hands of rich people automatically produces benefits for the economy whereas extra money in the hands of poor people does not. I do not think there is any solid evidence for that. I think there is a strength in the more people we have actively participating in the economy being included, if you want to pick up the language of social inclusion, and therefore playing a full part and that means a redistribution of resources.

Q633 Mr MacNeil: I read last night in the *Evening Standard* in London of the perhaps folly, as the columnist put it, of building more houses because they will always be snapped up by property speculators. He was advocating mechanisms to prevent speculation in the housing market to enable house prices to fall and become more affordable. What are the key mechanisms you see that would enable people to participate properly in society and eliminate the relative poverty or actual poverty that we have?
Reverend Blount: One of the things I wanted to say something about was the importance of affordable housing in this discussion. The Scottish Churches Housing Action is part of the social inclusion network and along with Shelter and others they have been campaigning around the last Scottish election and since it about the need for 30,000 affordable homes in Scotland. We have a legal framework and system of rights now set up legislatively in Scotland which is apparently the envy of Europe in terms of homelessness legislation, but it does not mean a great deal if there are not the houses for people. We need to be finding ways to ensure that an appropriate level of affordable housing is created. I think the possibility of local authorities suspending in areas of high pressure the right to buy may be a part of that because the possibility that affordable houses built now will be into the speculative market in the relatively short term is a disincentive to building them. So we need to ensure that there is an adequate supply of affordable housing available.

Q634 Chairman: Do you think that policy makers have the right definition of poverty, that the language used around social inclusion and exclusion properly reflects the lack of opportunity faced by some people, and that the measures being used to assess and gauge poverty are the right ones?

Reverend Blount: I think the language of inclusion and exclusion has alerted us to important aspects of what it means to live in poverty. We have looked at the various statistical ways of analysing poverty. We believe that the Scottish index of multiple deprivation is as helpful as any single tool, but any single tool does not capture a many layered reality. In particular, it does capture concentrations of poverty, particularly of urban poverty and tends to miss small pockets of poverty and even individual households of poverty, which is much more the rural dimension of the scene. Statistically no one figure is going to capture the whole reality. Part of the definition has to be listening to the people for whom this is a daily experience. Schumacher has a story about a student job on a farm where he was sent out to count the cows every day in a particular field which he thought was beneath him and rather silly. Slowly as he did this every day he realised that he was paying attention to the cows and he began to see them as individuals and see when there was something wrong with one of them and that was really the purpose of the exercise. People experiencing poverty are not dumb animals. They are able to tell us if we are prepared to listen. I think that has to guide policy for the future along with the statistical analysis. When we are talking about regeneration within a community, there has to be a very strong local voice saying what that community needs rather than what somebody on the basis of policy analysis thinks they need.

Q635 Mr Davidson: I want to ask about routes out of poverty and, in particular, about the Government's view which I think could be fairly summarised as saying that work is the best route out of poverty. I think we are aware of issues relating to low wages and we will maybe come on to those later on. Do you accept the general thrust that for the vast majority of people work is actually the best way out of poverty?
Reverend Blount: I think for a very large number of people in recent years work has been the way out of poverty or at least a step towards that. As you mentioned yourself, for some of them it has been a transition from benefit dependency to low wages that has not entirely lifted them out of poverty, but for many people it has lifted them and lifted them beyond a lot of the thresholds that we are measuring.

Q636 Mr Davidson: The Government's strategy has been to get people into work. Do you think that that is essentially the right strategy, notwithstanding caveats about progression and the minimum wage? Is the general strategy right?
Reverend Blount: Yes, certainly in terms of the past. I think increasingly we are talking about smaller numbers of people who are unemployed and seeking work and therefore we are dealing with people who are harder to get back into work and so it becomes harder to make that difference as time goes on. I think it would be a mistake to see work as the only way out of poverty because I think we have to reckon with the fact that there are people who are not going to be working for a wide range of circumstances.

Q637 Mr Davidson: There are pensioners and disabled people who are effectively unemployable, I understand that and it is then a question of benefits. If you take that group out of it, in terms of the strategic direction, I just wanted to be clear that you did not see anything else, such as the provision of more benefits willy-nilly, as being the best route out.
Mrs Baxendale: There is also a generational element to people not working in terms of children's aspirations as they grow up in areas where there is high unemployment. A lot of young people I have known do not expect to work, but if their parents move into work—and I have seen this happen with local families—the children's aspirations change and lo and behold you have a family who ten or 15 years ago were a serious family with a lot of problems. The parents picking up basic employment means we now have a group of young adults who are all working. Getting the parents into employment has had that effect. It works the other way round as well in that if that had not happened for the parents I am sure those young people would not be working.

Q638 Mr Davidson: I am conscious that in my area there are enormous numbers of people in poverty without ambition because they have been reconciled to their lot. Are we in danger of having a whole raft of families who are just above the poverty level, who are getting into employment but who cannot progress beyond that? Is that your experience or is your experience that people, once they are moving into employment, are then moving onwards and upwards?
Reverend Blount: If one was optimistic about it one could that with those who have been brought over that threshold time will tell. There are certainly some signs that there is not the fluidity in the economy that leads to a natural moving up from low paid work on to something better paid. Certainly the experience is, going back to listening to the voices of people with poverty, that people felt almost as trapped in the low paid work that they had found as they had in the benefits culture that they had now moved on from.

Q639 Mr MacNeil: You mentioned fluidity in the economy. I would like to mention a more upstream issue. The fish are swimming in a certain pool. I am thinking back to an earlier evidence session we had when two lecturers from Bradford University were here who mentioned a European report. They said that the Republic of Ireland led Europe in the amount of people that moved from low quality jobs to high quality jobs but that the UK led Europe in the number of people who moved from low quality jobs to low quality jobs to low quality jobs. Is it not almost incumbent upon us to look at some of those fluidity in the economy problems that are surrounding people and contributing to the problem of hopelessness and being reconciled to their lot?
Reverend Blount: I certainly think that is an area where the subjective and the objective that you have had from Bradford University are of the same mind, ie that there does not seem to be as much perceived opportunity to move on easily from poorly paid jobs. People work in whole sectors where there are

poorly paid jobs and where there does not seem to be much opportunity to move on from them either within that sector or to build on the experience they have gained with one sector to move into a better paid sector. It does not seem to be working that way for people.

Q640 Mr McGovern: If we agree that for those people who can work the best way out of poverty is via work then that leads us on to the incomes. Could you tell me how we can best increase incomes for the poorest families in your view?
Reverend Blount: Are you meaning incomes of people who are in work?

Q641 Mr McGovern: Yes.
Reverend Blount: The minimum wage, which I know you have discussed with several of your previous witnesses, has to be an important dimension of this. The minimum wage was a massive step forward. It did not produce the widespread unemployment that was the warning of doom when it was proposed. Like many of your previous witnesses, we would like to see the minimum wage increasing faster than it does to ensure that certainly those who are working full-time on the minimum wage have a decent standard of living and are taken well above the poverty level by that. I am not going to trade figures in that regard, that is not my area of expertise, but I think it does need to move on faster than that. I think the issues that we were discussing with Mr MacNeil a moment ago about the economy and the opportunity for people to move on in terms of employment can be another dimension of that.

Q642 Mr McGovern: Are you not prepared to say what level you think the minimum wage should be set at?
Reverend Blount: No.

Q643 Mr McGovern: I do not need a monetary figure. It could be in comparison to average earnings.
Mrs Baxendale: It is not enough to live on. My daughter works extra nightshifts and all sorts of things on a minimum wage to support her children. It clearly does not enable somebody who is working hard full-time and who has children to manage. It does seem tight.
Reverend Blount: I can remember arguing at the time when we were discussing whether it would be brought in in previous evidence to a body that it should be linked to earnings in some way so that it is not a matter of reviewing it every time the Government decides to review it but that there is some automatic measure to bring it on. I think I would like to see it moving on a bit in real terms from where it is at the moment.

Q644 Mr McGovern: The danger of that is it is my understanding that since it was introduced increases have been significantly higher than the rate of inflation. So to tie it to earnings could be dangerous, could it not?
Reverend Blount: It is higher than the rate of inflation. I am not sure if it is higher than the rate of increase in earnings.

Q645 Mr McGovern: My understanding is it is.
Reverend Blount: You know more about it than I do.

Q646 Mr McGovern: Do you think an increase in the minimum wage could be funded from a reduction in the number of people seeking in-work benefits, Working Families' Tax Credits and such like?
Reverend Blount: If that ended up being cost neutral and neutral in terms of its impact on those who are receiving it, we are not taking a huge step forward, it might save the Government some money that is coming out of employers' pockets. My primary concern on the matter would be to put more money into the pockets of those who are working very close to the poverty line at the moment. The tax credits system is something that as churches in principle we would welcome as an imaginative way forward. There are well known and documented difficulties with administration. Apart from the individual difficulties that these have created for many, many people, they are also operating as a very powerful disincentive to people to apply for tax credits because people know stories of folk who have received money and then got in a mess because they have had to pay it back through no fault of their own.
Mr McGovern: I agree with you.

Q647 Chairman: When the minimum wage was introduced some people had concerns in Parliament that it would increase unemployment and they have been proved to have been wrong. Now there is a general acceptance that it was the right thing to do. We have taken evidence from a number of witnesses but nobody is able to pinpoint what the level of the National Minimum Wage should be. Do you have any figure in your mind?
Reverend Blount: I cannot honestly say that I do. I think the figures should be arrived at by looking at what kind of income is required to have a decent standard of living. The concept of a living wage as some kind of entitlement, however you actually achieve that, I think should underpin the way in which a minimum wage is calculated. So what I am suggesting is a way of calculating it rather than actually doing the calculation.

Q648 Chairman: Many people say that if we have an increase in the minimum wage that may have a detrimental effect on smaller businesses, ie the businesses which employ four or five people. Do you think it would be a good idea if there was some kind of subsidies given to these smaller companies?
Reverend Blount: I think there are dangers in starting down the road of subsidising companies in that kind of way. I think we would be very sympathetic to the intent of that and if we had a tax credit system working that might be the way to achieve it in terms of delivery of something adequate into people's pockets.

Q649 Mr Davidson: Two or three of the groups who have been in front of us before have said that the prevalence of trade unions in the workplaces, where there is low pay and the potential for exploitation, has helped bump up minimum wages but also reduced poor treatment. Has that been your experience and would you endorse that view?
Reverend Blount: Yes. Scottish Churches Industrial Mission is part of the network and they keep us informed on these kind of issues. The constructive role that trade unions can play in that kind of situation is important. It is slightly worrying to look at the figures which say that trade unions are better represented where pay is better. You have got to isolate which is the cause and the effect. If what you are suggesting is right then that is because the presence of unions actually pulls wages up.

Q650 Mr MacNeil: We have been talking in the territory of pounds, shillings and pence where we are perhaps in the territory of Mammon. What moral community religious duty to your neighbours do you think wider society has to make sure that we are working towards, as best we can, ending poverty, making sure that children are not being raised in really disastrous situations, situations that affect their life chances and their life expectancy as you mentioned at the beginning happens in Shettleston? What voice do you think the churches should be using to exert pressure on society and politicians?
Reverend Blount: I think on one level you start with clear traditional Christian obligations of charity, but you go beyond that to a desire for justice. If you like, it is a question about the nature of community, which was a key word in your question. Do we want increasingly divided and fragmented communities with these dramatic differences between one community and another in terms of finances and health and all sorts of things that go with that, or do we want a different kind of community in which people genuinely feel part of something wider? I think we see all sorts of signs of the danger of divided communities. It is one dimension of issues to do with crime and anti-social behaviour. It is one dimension of issues around alcohol and drug problems and all of that. I am not saying that if we sort poverty all these other problems will go away. I am saying that there is a strong sense in which these problems are also bound up with poverty. We are looking to a vision of community that is far more about going forward together, sharing together and recognising the different parts that we all play in the community that underpins ideas of social inclusion too.
Mrs Baxendale: One of the things that the Church has to say to the world is that everybody is valued. That is not a message many of our young people get today and other groups of society as well. We also put out a message about what you might call mutual responsibility, ie everybody is valued, but that also means everybody has obligations to function well in society, to help other people, all this basic stuff. Out of that we would hope to bring a view that poverty demeans people, poverty destroys their self-esteem, not always, but it can do, and poverty depresses aspirations. We would want to turn that round and see people as people of value and worth and people who can achieve and do things. Our society should be structured in such a way as to enable that to happen for everybody, particularly the most excluded and the most vulnerable. That is not always by employment. It needs to be other things we do as well. That is not to undermine our agreement that employment is the key thing.

Q651 Mr Walker: How many people live in Glasgow?
Mrs Baxendale: Less than a million.
Mr Davidson: About 450,000 people.

Q652 Mr Walker: How do you sell the idea of community? We have been on various visits as the Scottish Select Committee to small villages where you can feel there is a sense of community, eg there is one village hall. You get the idea that they are in it not together necessarily but there is more cohesion than when you go to a big city, be it London or Glasgow. How do you sell the idea of community to a vastly disparate range of groups, some who are rich, poor, some who are newly arrived, some who do not speak the language? How do you feel as churches you can create a shared sense of community? It is a big question. We are talking a lot about community so let us explore how you sell the idea.
Mrs Baxendale: I have lived in Glasgow for 30 years and there is a definite sense of community across Glasgow. It is not a huge great place. You can go from one side of Glasgow to the other in 45 minutes. You can go to another part of Glasgow and you will meet people you know. Then the big challenge is how you build on that and I do not know the answer. I do think the churches have a role. I think the church community in Glasgow is fairly well connected, but how we move on from that to do more for our city is a challenge for us.
Reverend Blount: I know that within the church I belong to, the Church of Scotland, there have been attempts at twinning arrangements between churches within the same city, and across Scotland, not in a patronising sense in which people from rich churches will do good to people from Drumchapel or whatever, but that Churches Together have a huge amount to learn from one another. These churches are embedded in their own communities. A lot of the regeneration work in churches and other faith communities increasingly now in Glasgow and beyond it is to do with building up this sense of community and breaking down the barriers. Eileen is involved with the Castlemilk Churches Together which did work with asylum seekers and refugees in that area and where there was a real sense of building up the community and not fuelling possible tensions between different parts of the community by bringing people together in a whole variety of situations and working together for the benefit of the community.

Q653 Mr Walker: We have Churches Together in Broxbourne and I think it is a very effective grouping because we have a number of churches and as

individual voices it is difficult to pick them out in a crowd, but as one voice it is much easier to hear them. I think that is a very progressive way forward. I have experience of that in my own constituency.

Mrs Baxendale: I think it is a difficulty for the generality of Glasgow; it is a big busy city. I am based in Castlemilk and there is definitely a sense of community which has been created partly indeed by the churches and by John Miller along with other agencies as well. So there is a very definite sense of community in Castlemilk, but that is a population of less than 20,000 now so you can do that. Across the whole city is more difficult.

Q654 Mr Davidson: It is fair to say that Glasgow is a bit like the Highlands with its individual villages only it is squashed into an area one-hundredth of the size. Glasgow is essentially a collection of villages and you have overlapping communities where housing associations will cover one area, churches will overlap and you will have gaps being filled in by other organisations. There are Westminster initiatives about poverty, there are Scottish Parliament initiatives and there are local government initiatives. Do you not get in the road as churches? What is it that you contribute that nobody else is picking up?

Reverend Blount: I am not going to say we get in the road, am I? In a variety of ways that evolve within their own communities churches engage with the community, whether that has been the kind of work with asylum seekers in Castlemilk we mentioned earlier, whether it is arts projects or all sorts of different ways. As Eileen said right at the beginning, churches have a crucial role to play not as people who come in to do something within a community but as a key dimension of the community. I think it is that sense of embeddedness within the communities that is a very important part of what we bring. We are not people who come in to provide a service and go away again. We are not there for as long as the funding for this project lasts and then we will pull out and go somewhere else again. The Church's commitment to areas is much more long term. Somebody said it is within the horizon of eternity! We are going to be there because we are part of the community and we will go ahead doing what we can and playing a constructive role in that.

Q655 Mr Davidson: How is your contribution maximised by us? I am conscious that, having come from a local authority background as well, we are very prone to having departmental silos and never the twain shall meet and all the rest of it. I can see that to some extent you are potentially in a bit of a silo as well and I am not quite sure how you can be better involved to maximise the impact of the financial flows into a community without making yourselves almost exclusively the channel. I saw in your memorandum you mentioned that you were a councillor. I assume that is a community councillor, is it?

Mrs Baxendale: No. I am on South Lanarkshire local authority.

Q656 Mr Davidson: Given that there are community councillors as well, I am not clear where the churches then play a role in all of that.

Mrs Baxendale: Some years ago we looked into the whole issue of social capital and so on and a vast amount of voluntary work and work in the community is done by churches. That is an enormous addition to what is going on in deprived communities. I have lost the thread of your question, I am sorry.

Q657 Mr Davidson: It is really a question of where you fit into all of this. Is your goal to fill the gaps that public services do not provide or is it to co-ordinate services at a local level? What is the point of the churches from our perspective looking at poverty?

Reverend Blount: Sometimes, like other parts of the voluntary sector, we will be contractual service providers doing what the local authority or you want done and are willing to pay for being done within a community, but that will not be the limit of our engagement within that community. Sometimes one of the reasons why churches are off the radar for local authorities and even central government is that we do a lot of things without coming to you for money. We raise money ourselves to do things. Often local authorities in particular only see as active the bodies that they fund to be active. One of the dimensions of Scottish life, as you will know, is that there is some element of history of churches at least being the excuse for a divisive element within communities and I think that is something that we are working hard to overcome. I mean the kind of projects that we were talking about of churches working together that undermine any sense of sectarianism, but I think that has sometimes made local authorities a bit wary of churches and being accused of backing one side against the other across a sectarian divide. At the moment we are working quite hard to get beyond that. Sometimes churches also distance themselves from partnerships with government at any of its levels. Sometimes that is about a fear of being told the way they have to do things. People in churches can feel that they have a strong conviction and they therefore want to go in and do things their way. There are pluses in people going in and doing that and there are also things to be gained from listening to other bodies and seeing how they see the scene as well. I do think that increasingly we are looking at partnership. I would have to say that I think in England there has been a much more positive sense of partnership between local authorities, national government and faith communities than has been the case until fairly recently in Scotland. I think the reason is maybe about sectarianism being a bit of a problem. Maybe the churches have not been as good at coming forward and engaging in this debate. I think it is something that we are coming to, but we are coming to it as parts of the local community with a long-term commitment to being there and the determination to work for the good of the community.

Mr Walker: Picking up on what my colleague Angus MacNeil said about the gap between rich and poor, there seems to be a new class of ultra rich which is

causing a lot of people concern. They seem to be completely disconnected from everyday society. A lot of them are venture capitalists, for example. Some of them are very rich Russians and internationalists living over here. I was wondering what you felt the impact of that was on not just people living in poverty but also the middle classes as well when they see this almost 'super tier' of wealth which seems to pay nothing towards the upkeep and maintenance of this country that offers them so much. I say 'this' country as we are still in the United Kingdom for the moment!

Mr MacNeil: This week!

Q658 Mr Walker: I would be interested in your views on that.

Reverend Blount: I think that area was what was being hinted at in the comment that Angus read out about wealth being as much the problem and that it is a very short jump from saying that poverty is the problem to saying that it is poor people who are the problem. I think these kinds of scandalous disparities are a major part of the problem. It is obviously tempting now and then to think that a Russian billionaire willing to invest in my football team would be absolutely wonderful but it is not actually the way forward. I take your point that there is something unhealthy for our communities in that being the case.

Mrs Baxendale: I think the other thing we would say is that at that sort of level wealth brings with it a high level of responsibility, but whether we see that responsibility fulfilled is questionable. As to how much it impacts on people living in poverty in terms of the everyday attitude and feelings, I am not aware of people living in poverty who have any great interest in the level of wealth of Russian millionaires.

Q659 Mr Walker: I think it is just the overall tone that it sets. I think even among the middle classes now there is a growing sense of injustice at this, that people can come to this country and not avoid paying their fair share but avoid paying any share whatsoever. You talk about building communities, but how can you have a community when there is now a super section that has no hand on this and no stake in it?

Mrs Baxendale: I do not see how they become part of a community unless they do take up some level of responsibility to do something within their community, as some people have done but not very many.

Q660 Mr Walker: And this is from a Conservative for crying out loud! Miracles can happen!

Reverend Blount: The sense from the media is that people are to be valued not by their bank balance or by their credit rating but by the amount of wealth that they have and that automatically somebody who has vast amounts of wealth is a far more valuable person than somebody from Easterhouse.

Mr Walker: At the risk of sounding churlish, sometimes I find it deeply annoying when you see pop stars, not perhaps of the Bono category or Bob Geldof, who have made a little bit of money and suddenly they are pontificating on everything as if their view, because they are famous and have a bit of money, is more valuable than the view of someone living on your estate who has no money at all but does a huge amount of good work for his or her community year-on-year-on-year for little reward or recognition. If there is a story breaking in the press, it is some pop star that gets the coverage and it is the person in your community whose voice is not heard and I think that is wrong as well. It is this superstardom—

Mr Davidson: I think we have a Bolshevik here!

Q661 Mr McGovern: We have heard some evidence that those in most severe poverty are sometimes the hardest to reach and some of the programmes that are meant to help them miss them. Could you say what you feel could be done to reach those who are in the severest poverty in our communities?

Mrs Baxendale: Personally, from my experience, where a number of these programmes struggle is because they do not connect with the person they are trying to help. It would be no more labour intensive if people who are struggling to enter the labour market and so on were actually mentored in some sort of way in that there was an identified person who aided and assisted them and kept an eye on them. That is not a terribly expensive thing to put into place. I am thinking of a young lad I am aware of just now who is being mentored by somebody in our church and that has made a huge difference to him. He has gone from very difficult circumstances where you would have thought there was no hope to being well on the way to completing a college course and becoming responsible and sustaining a tenancy, all sorts of things and that was by a fairly simple mentoring process. A lot of the schemes miss that part of what they need to do. I think that is certainly a gap and where the difference could be made.

Reverend Blount: One dimension of that, to go back to the recurrent theme, is about listening on the ground. The gap between what the policy aspiration is and the actual delivery of it on the ground is almost inevitable if the process is top-down. There needs to be much more rootedness of the delivery at local level and therefore sensitivity to what is happening at a local level so that at the very least the people at the frontline are feeding back to the centre that this policy is not reaching the right people, instead of deliver, deliver, deliver without much thought of whether it is reaching the people that it is meant to reach.

Q662 Mr McGovern: Would you agree also that perhaps in some cases one person's support is perceived by another person as harassment? For example, where Jobcentre Plus call people in maybe on a monthly basis to interview them to see if there are any training courses that could help them, unfortunately a lot of people perceive that as harassment rather than support.

Reverend Blount: I have to say that one of the things that to an extent surprised me in our work with people experiencing poverty was people with very bad experiences of government and local

government services and of how they were treated there. It is partly about how you are treated; it is not about what the policy is, it is about how it is presented to you, and it is not hard to imagine the kind of thing that Eileen spoke about in terms of mentoring being presented to somebody as "you need this" and provoking the kind of resentment that you are talking about, so it is about people-friendly, user-friendly delivery of things that actually can make a difference.

Q663 Mr MacNeil: How do you think the Westminster Government and the new Scottish Government could poverty-proof policies so that new initiatives do not exacerbate poverty or undermine current efforts to tackle poverty or indeed wealth?

Reverend Blount: I think that is quite a crucial challenge. One of the positive things that was built into the Scotland Act was the provision that in presenting any kind of legislation there had to be comment about the equal opportunities impact and sustainable development impact which is now routinely part of things, but any provision like that can become a matter of ticking a box and the difficulty is to write something in that is not just a matter of ticking the box and saying, "We have talked for five minutes about whether this will have any impact and we are basically saying it won't", to seriously think hard about policies and ensure that there is proper consideration of how they will impact on the poorest.

Q664 Mr MacNeil: In the answer you gave to Mr McGovern a while ago about support becoming harassment fairly quickly, is that a loss of seeing people as people and a ticking-the-box mentality almost?

Reverend Blount: Yes, I think so. It is characteristic of many large organisations and—and if I whisper it very quietly so that it will not be heard—I might say that churches are not entirely immune from it now and again themselves. It is something that we need constantly to be vigilant about. I—and a lot of other people in the churches—am very attracted by the idea of consistently poverty-proofing policies for their impact, but even doing that quite rigorously you still then need to look at how it is going to be delivered on the ground.

Q665 Mr Davidson: Can I follow up this question of delivery, there have been some big efforts recently in Scotland through SIPs and CPPs and all the rest of it to try and bring decision-making closer to people and to take account of the local needs. My own experience as a Member is that all that has happened is that basically Edinburgh officials have set the guidelines and they are then followed by local officials and taken out of the hands of locally elected members, community councillors, and all the rest of it. Is that the churches' view of how this has been working or do you have a much more positive view of all these efforts?

Mrs Baxendale: I hear where you are coming from—and I have been involved in SIP and all sorts of things in my past life—and it has not entirely succeeded in engaging with the local community. It has to an extent but there have been times when, yes, it seems people are setting down rules and regulations "You have to do it this way." Balance that with the fact that a lot of money has gone into deprived communities in Glasgow (I know about Glasgow because I dealt with that in the past) and it has been well spent. But there does seem to be still an on-going struggle to get people's voices heard. Again in areas of Glasgow where I work if you said to people, "Do you feel you are heard?" they will say "No," but that is a briefer version of, "Yes, we have been heard about some things but not entirely and the system does not always listen", and somehow we need to get into the structure of things that they must listen to local communities and listen to everybody. This is the basic theme we come back to as the churches; everybody is valuable so everybody's views are valuable, if we get that into our mindset.

Q666 Mr Davidson: Following that through, how can we have mechanisms that help those in poverty have their voices better heard? One of the difficulties is that it often has been said if we solved unemployment there would be a lot of people losing their jobs because there is a whole industry built upon trying to resolve unemployment and there would be a lot of people a lot poorer if we abolished poverty similarly because there is a great number of mediators and so on. How do we overcome that, given that on the one hand there are lots of people who are poor who are not articulate and are not able to communicate adequately never mind any strategic vision but very much at all, but on the other hand there are people trying to be helpful and you need to have things aggregated in a way? How do we strike that balance?

Reverend Blount: I think there are generations of not being listened to to overcome and there are generations from the point of view of decision-makers of not feeling any need to listen, so there are a lot of barriers to communication to overcome and I think some of the difficulties with SIPs and Community Planning Partnerships actually are rooted in that. The experience of the Scottish Parliament is that both the Parliament and the Executive, in their very early days, set up mechanisms that were designed to do this. The Churches' Social Inclusion Network in its early day almost mirrored the body set up by the Scottish Executive as a social inclusion network to do just this kind of thing, and it found, as did an attempt by the Communities Committee of the Parliament to engage on a regular basis with people experiencing poverty, it is not an easy thing to do. It is not going to produce instant results. You are not going to get the new policy wheeze that will sort out poverty from sitting down in a room for half an hour together and there will clearly be tensions. Part of the reason why you can describe people as being "inarticulate" is actually because they have never been asked to do this before, they have never had the opportunity to

take part in this kind of discussion before, and I think perseverance with it through all the difficulties is part of it, and it makes life very difficult for some very well-intentioned people who are determined to try and deliver things that are the right things to be delivering.

Q667 Mr Davidson: Do the churches potentially have a role in this or are you just another group that gets in the road?
Reverend Blount: I think what Eileen says about social capital is important there. Actually churches are one of the places where people learn to be articulate. Maybe I am biased by belonging to a Presbyterian pseudo-democratic organisation where people are encouraged to play a part in the governance of the institution and where we do recognise the value and the contribution of everybody, but that often is how people's commitment to the community and their articulateness, if you like, in expressing that is nurtured. It cuts both ways. I had a kirk session in my first parish many of whom learnt their way of operating in committees because they had been heavily involved in trade unions affairs. There are a number of such organisations in which people have traditionally built up that kind of experience and social capital, so I think there is a very positive role there.

Q668 Mr McGovern: As regards to child benefit one of your submissions mentions delays in processing child benefit applications.
Mrs Baxendale: That was my submission. I was not able to check today if that situation has improved and that is just based on having known people who were having difficulties at the time I was writing it. I apologise, I have not updated that.

Q669 Mr McGovern: The question I did intend to ask is—and if you are not able to answer that is fine—what is the impact of these delays on families and is it widespread or is it localised?
Mrs Baxendale: I think it is very difficult when you have a three-week-old baby, it is very expensive having a new baby because they need all the things and then they keep needing nappies and so on and people—this is anecdotal—frequently say to me, "I had no idea how expensive it was going to be," or, "The bulk of my money, whatever it is I am getting on a Friday, is going on stuff for the baby and I haven't had new shoes for months," and so on so it is putting people under pressure and it is an unnecessary pressure in that I do not see why it would be more difficult to assess the child benefit quicker; I just do not.
Reverend Blount: I think what is statistically in terms of the whole amount of money being distributed is a very small matter can have a huge impact on people whose means of keeping themselves going is very, very close to the bit, so that a relatively small delay that on one side of the table looks a relatively trivial matter is actually a huge matter on the other side of the table. I was reading something this week through Citizens' Advice Scotland which I am involved with as their Chair, and that was about people in the Highlands who basically find themselves dependent on charitable food parcels because of benefit delays and that can also mean that one way in which people respond is by taking out costly credit to get them over this period and that sticks it further and gets them further embedded.

Q670 Mr Davidson: Surely this comes back to the role of the churches as mediators? If you are aware of cases like that then surely either you should be picking these up with the locally elected member or with the Department? Delays in individual cases are not actions of policy, there is no policy that says these things should be delivered and delayed. If there are hiccoughs I can see how yourselves, knowing your way through the channels, would be able to help people take it up either with their MP or somebody else. I can see a remedy to that as an issue.
Reverend Blount: Absolutely, but there is also a related issue where there do seem to be significant problems in the transition from benefit to work in terms of a gap between when the benefits run out and when the wages kick in. To most of us who are comfortably off that might seem a very minor thing but it is actually a huge barrier in their switches, which is again about a delay but it is much more a matter of policy as you say.

Q671 Mr McGovern: If I could just comment on what you said there. I am a comparatively new MP, I was just elected at the last general election, and at every surgery I do have people come to my surgery with child tax credits and Child Support Agency cases but I have to say I cannot recall anybody coming to me and saying their child benefit application had been delayed.
Mrs Baxendale: My understanding at the time I wrote this was that this was not a particular issue for particular people, because they are all done at Newcastle, but that Newcastle took six or eight weeks to process a child benefit application.

Q672 Mr McGovern: I certainly do not disbelieve you. I am just surprised that no-one has ever come to my surgery and said, "I have been waiting eight weeks for my child benefit, what can you do about it?" unless the churches pick it up in Dundee. The supplementary question was to be about Child Trust Funds. Again, since I have been elected, no-one has ever come to me and said they have got a problem or do I have information about the Child Trust Fund. I do not know if that means it is so simple that everybody gets it without a problem or if nobody bothers to apply for it. Do you think there is adequate support and guidance for parents to apply for the Child Trust Fund?
Reverend Blount: I would have to say that my experience is very similar to your own. I have not been aware of anybody having problems with it.

Q673 Mr McGovern: And you think that implies everybody gets it without a problem?

Reverend Blount: There are no obvious problems.

Q674 Mr Walker: I do not mean to be controversial but we cannot always avoid it. There is this general view from everybody who has given evidence that those living in poverty are universally righteous and they are the wronged, and that cannot always be the case. It is like saying that all those who are wealthy are universally selfish and mean, and they are not, we know that is not the case. We have not asked this question through all the evidence sessions, but there must be examples when you see people who are just not very good or are not willing to help themselves, they are offered help, they are given every opportunity and they do not take those opportunities for whatever reason. It must be exasperating for you. Often these are the hardest-to-reach people because often they do not want to be reached. What do you think we could do to actually say, right, you have had enough chances, we are going to have to intervene more forcibly to break this cycle of poverty because ultimately it is going to be your children and their children and their children that will suffer as a result. Do you see what I mean?
Mrs Baxendale: I see what you mean, yes, I do indeed. That is a hard question. As churches we are committed to continuing to try to help people but we are not committed to being foolish about it. Some people need a great deal of support and then they do make it and they do change. That is probably not what you are talking about. You are talking about people who however much support you give them are just not willing to change.

Q675 Mr Walker: The ultimate sanction the state can take against families is to take their children away, which is appalling and horrible but sometimes the state feels for the benefit of those children it has to take them away. For the hardest to reach people perhaps who do not want to be reached who have the greatest problems I think that maybe we need to be looking at new methods of breaking the cycle, maybe it is taking them out of their existing environment and supporting them in a new environment and allowing them to make a fresh start. I do not know what it is but you have got to break the cycle. You said at the very beginning if you get mums and dads and suddenly you can change their whole life opportunities, and not their life opportunities solely but those of their children and grandchildren and so on and so forth. Do you see what I am saying? It is a very difficult question and I do not have any answer.
Mrs Baxendale: A couple of responses to that. I worked as a social work manager for many years and it is indeed the case that sometimes children had to be removed from their families for their own safety and well-being, but we have to be aware at the time if we do that that does not necessarily increase the children's chances of doing well. We all know that children in social work care do not do so well in exams, employment and all sorts of things because they have already got the disadvantages that they had as they came into care.

Q676 Mr Walker: So you are just entrenching the next cycle potentially?
Mrs Baxendale: Not necessarily, a proportion of children that come into care do very well, educationally and employment wise. I know that the Committee have already heard from the Dundee NCH people. I am not sure if that is the project that does exactly what you were talking about—it takes families right out of their environment—and that is a project that does that successfully.

Q677 Mr Walker: Here is a question: what do you think the Government should be doing that it is not doing now to help the hardest-to-reach families, the ones that cause you the greatest amount of exasperation because you can see it all going wrong and right now you do not believe there are any resources in place to stop it from going wrong?
Reverend Blount: My instinct would be that with a lot of these the kind of project that Eileen was talking about, some projects that are church-based some that are not, where it is not the state making a direct impact on somebody, it is groups from within the community and voluntary sector groups working with people, with the state in its funding sense recognising that this is hugely time and people expensive to do but that there is an urgency to break the cycle, and that with a lot of people while they seem very resistant to carrot or stick, if you like, then you have got to ask yourself why is this happening, and that will not be the same answer for everyone. It is not that there is a magic bullet that says if you just switch this on it will sort it, but it is working intensively with people.

Q678 Mr Walker: You are right, we saw the Dundee project and there troubled families are actually taken out of their environment, housed within that project and almost re-educated, it sounds Orwellian, but given a lot of love, a lot of support and parameters which they may never have had before. The cost of this is vast but actually when you compare that six months to a year-long cost to the cost of that family continuing to be dysfunctional in the community, actually it is one of the best investments that you are ever going to get.
Reverend Blount: Absolutely.

Q679 Mr Walker: I suppose, yes, that is what I was referring to—very radical thinking.
Mrs Baxendale: I do not know that you would do better than that. I think it is a very good project. I do not think we can help everyone. I do not think there are new magic formulas that we should be applying. There is a lot of stuff in place—Surestart and all these sorts of things—all sorts of projects already in place and maybe we are not going to win over everybody.

Q680 Mr Walker: Maybe we should be identifying best practice and seeking to replicate things such as the excellent work done in Dundee across other communities?

Mrs Baxendale: Yes.

Q681 Chairman: Do you believe that campaigns like *Debt on our Doorstep* have been successful? In your view what needs to happen next to help break the spiral of debt and poverty?
Reverend Blount: Having co-ordinated *Debt on our Doorstep* in Scotland I want to believe that it has been successful. I think it has been successful to the extent that public awareness and political attention on the problems of over-indebtedness is quite considerable. Debt and poverty feed on each other in a very destructive way and I think that is increasingly recognised. I think we need to look very hard at the provision of small amounts of affordable credit for people in dire need. The Social Fund has a part to play in that; the Credit Union movement has a part to play in that as well. I think indebtedness is one of the most powerful ways in which people become increasingly trapped in poverty.

Q682 Chairman: What do you think are the two most significant things that the Government can do to alleviate poverty? One solution each: one from you and one from Eileen.
Reverend Blount: I would go back to what I said—small amounts of affordable credit and the Social Fund working as it was set up to work.
Mrs Baxendale: I think it is fair enough for you to ask the question. I think that child poverty is very significant and although it is a universal benefit I think raising the level of child benefit and equalising it for all children in the family would make a difference and that would be a measure that is not complicated, obviously it would cost, but I think that would make a significant difference to families in poverty.

Q683 Chairman: Can I thank the witnesses for their attendance today. I am sure your evidence will be very helpful for us when we compile our report and make recommendations to the Government to tackle poverty. Before I declare the meeting closed, would either of you want to say anything in conclusion perhaps on areas which we have not covered during our questioning?
Mrs Baxendale: Perhaps just for completeness briefly, in my submission I talked about rent deposit guarantee schemes and the fact that they should be increased. To update you on that, there are now rent deposit guarantee schemes in every local authority in Scotland, so although they could do with greater funding, they are in place. I would not want my submission to be misleading.
Reverend Blount: I think to recognise the diversity of poverty because it is about people and the need to listen to their experience and let that shape policy. We would not be sitting here discussing the problem of racism and not talking to people who are black and experiencing it, but somehow we seem to be able to talk about poverty and rarely talk to people with direct experience of it.
Chairman: Thank you once again.

Tuesday 19 June 2007

Members present

Mr Mohammad Sarwar, in the Chair

Ms Katy Clark
Mr Ian Davidson
Mr Angus MacNeil

Memorandum submitted by Govan Law Centre

Introduction

Govan Law Centre (GLC) is a community controlled law centre with charitable status (SCO 30193). GLC was founded in 1995 and is based in Glasgow. We employ six solicitors and undertake a large volume of defended eviction and mortgage repossession casework, employee representation before the Employment Tribunal, education appeals for pupils wth special educational needs, and social welfare casework generally. Clients contact us directory, or through referrals from social work, money advice, CABx, Shelter, and other agencies. Our service is free, and at any one time we manage around 1,700 client files.

We disseminate free Scottish housing and debt law advice online at www.govanlc.com and www.bankcharges.info. GLC undertakes prevention of homelessness casework across Glasgow, but mostly within the South West where we manage a Prevention of Homelessness Project in partnership with Glasgow City Council's social work department. East Dunbartonshire and East Renfrewshire Councils fund GLC to defend mortgage repossession actions within their local government areas. We also operate a Parliamentary Unit which campaigns on various social policy issues and provides parliamentary drafting to enable MPs, MSPs, trade unions and charities to promote policies which can tackle poverty and disadvantage.

The Scottish Affairs Committee report *Poverty in Scotland* published in July 2000, revealed that one in four adults, two in three lone parents, 29% of pensioners, and one in three children, all lived in poverty in Scotland.[1] Since then some progress has been made in Scotland, [2] but poverty remains a major fact of life for many adults and children in Scotland, and the highest concentrations of poverty remain within Glasgow City.

Factors which can Cause or Exacerbate Poverty and Social Exclusion

We would like to focus on four topical and issue-based problem areas, drawing upon our casework experience, and describing in summary how these factors can push citizens into poverty or exacerbate their social and financial exclusion in Scotland.

1. *Default or penalty charges*

It is common practice for banks and businesses to impose disproportionate and unfair charges for the most minor of contractural defaults. Such charges are "penalty charges" which are unenforceable at common law and in terms of the Unfair Terms in Consumer Contract Regulations (UTCCR, SI 1999/2083), yet they are applied as a matter of course in the UK.

A typical example is where a worker's salary is late by a day and they find that three direct debits are unpaid. Many banks will impose a charge of £117 (£39 per unpaid direct debit), together with a monthly charge of £28 and unauthorised overdraft interest at 30% APR. For someone on minimum wage of £5.05 per hour, just one set of these charges can represent almost a week's pay.

That worker still has to pay their direct debits, but their hard earned salary will be taken to meet the bank's charges. Often they cannot catch up and next month will be subject to another set of charges, and so on and so forth until their family has very little to live on and are trapped in a cycle of debt and poverty. Unfortunately, for thousands of families in Scotland this cycle of "debt" is a regular occurrence.

It is not only banks who impose these charges, many other businesses exploit their customers by levying £15 to £25 "administrative charges" for simple reminder letters. Besides pushing people into a cycle of poverty, it should be noted that most mortgage lenders also impose penalty charges of £40 to £60 per month, simply where a debtor gets into three months of arrears. GLC has seen mortgage repossession cases where more than one third of "mortgage arrears" is made up of penalty charges. GLC has been campaigning on

[1] Scottish Affairs Committee Report *Poverty in Scotland* (2000).
[2] Poverty indicators for Scotland are available at: http://www.poverty.org.uk/S01/index.shtml

these issues since March 2005, and launched the first UK website to provide *pro forma* letters to enable citizens to pursue refunds for free: www.bankcharges.info. Our website attracts half a million visitors per annum, so there is no doubt this issue affects a great deal of people in Scotland and the UK.

We believe that the UK Parliament should consider legislation to regulate the level and imposition of administrative charges in any consumer contract. Citizens can pursue a refund of unlawful penalty charges, going back five years in Scotland. GLC would note that in Scotland a consumer can only sue under the small claims system for a sum no more than £750, whereas in England and Wales the limit is £5,000. We believe that there is a case for extending the small claims limit across the UK—for administrative charges cases only—to £10,000 if citizens can reclaim these charges it can put them on a sound financial footing, and remove them from a cycle of debt despair.

2. *Property management*

Around 34% of all households in Scotland live in either a tenement, four-in a block, multi-storey flat, or converted flat.[3] Such occupiers will rely on factors or property managers.[4] In Glasgow property management is a significant cause of poverty for two principal reasons.

Firstly, factors are by and large unregulated in Scotland.[5] Many homeowners can find it difficult to replace their factor—as the company may attempt to tie them in contractually and many title deeds require a factor to be appointed. In our experience some private firms of factors overcharge their clients, and exploit their clients by way of sending repeated reminder letters at a cost of £15 each to the client. Property managers are quick to sue their customers in the sheriff court for debts, and we believe this is because the operation of some factors seems to be geared towards exploiting customers, generating a lucrative revenue by applying unfair charges and high interest rates, as opposed to looking after the fabric of the customers' building.

Secondly, in Glasgow around 26,000 owner-occupied homes are managed by the Glasgow Housing Association's (GHA) subsidiary company GHA Management Ltd. The GHA has been carrying out structural renewal work which includes re-roofing and cladding. Grant assistance may be available subject to means testing but many elderly and low paid workers are being presented with bills of several thousand pounds from the GHA after the application of grant assistance. While homeowners have to pay their *pro rata* share a problem has arisen because the GHA has adopted a policy of only accepting repayment of debts over 12 months.

If a homeowner is unable to repay their factors bill within 12 months the GHA will automatically take them to court.[6] This will often result in an ordinary cause action whereby the debtor wil then be liable for several hundred pounds in legal expenses and judicial interest running at 8%. The GHA cites "charity law" to justify why debts must be repaid within a year, however, there is no such charity law rule, and unless this policy is relaxed many vulnerable homeowners in Glasgow will be pushed into further debt and poverty.

3. *Rent arrears and housing benefit*

The latest statistics show that local authorities and housing associations raised almost 25,000 eviction actions in Scotland in 2005.[7] Around 96% of cases were for non-payment of rent. Around one third of actions resulted in decree; and out of that number one third of households were physically ejected or abandoned their tenancy—some 3,000 households in total. There are no centrally held statistics on evictions in the private sector—however the data available confirms that actual evictions rates in the private rented sector are significantly higher *pro rata* than in the social rented sector.[8]

When tenants make a claim for social security benefit they will be given a housing benefit form as part of their pack.[9] However, the housing benefit form has to be completed and returned to the local authority. Many people do not appreciate the need to return this form quickly to the local authority. Failure to do so results in rent arrears, which in turn can result in an eviction action being raised. It would be helpful if claimants could complete their housing benefit form and return it to the Jobcentre along with their other forms, and the Jobcentre could then pass all housing benefit forms to the local authority. We believe this small administrative change could prevent rent arrears and associated problems.

[3] See Table 3, Scottish House Condition Survey—http://www.shcs.gov.uk/pdfs/SHCS%20Key%20Findings%202003-04a.pdf

[4] Property managers (traditionally known as "factors") manage a range of properties in Scotland: from traditional tenements, modern flats, office blocks, industrial units to shopping centres. This proposal is concerned with residential property only.

[5] GLC is assisting Gordon Jackson MSP (Glasgow Govan) with a proposed bill in the Scottish Parliament to regulate property managers in Scotland.

[6] See for example: http://www.eveningtimes.co.uk/news/display.var.1201897.0.nurse_wins_more_time_to_pay_gha_bill.php; and http://www.eveningtimes.co.uk/news/display.var.1186555.0.gha_takes_owners_to_court_to_pay_housing_repair_bills.php

[7] See http://www.scotland.gov.uk/Resource/Doc/1033/0039931.doc (Scottish Executive Homelessness Monitoring Group Discussion Paper: *Preventing Homelessness—addressing rent arrears,* September 2006).

[8] *Ibid,* para 7.

[9] See http://www.jobcentreplus.gov.uk/JCP/Customers/WorkingAgeBenefits/Howtoclaim/index.html

Central Government gives local authorities funding to make "discretionary housing payments". The Department of Works and Pensions has issued guidance to local authorities on the administration of these payments, but our concern is that this fund is not widely publicised, and many tenants are unaware of the ability to seek top up payments; which in turn can prevent eviction and homelessness.[10]

Finally, we note that when tenants are taken to court for eviction some local authorities do not impose legal expenses if the tenant has entered into a reasonable repayment plan.[11] However, most housing associations, including the GHA Ltd in Glasgow, recover full judicial expenses which can typically be £300 to £400 including VAT. Housing associations receive public funding and in the case of the GHA have an in-house legal team. Having to pay an extra £400 is not easy for a tenant living on income support or JSA(IB) of £57.45 per week.

4. *Credit and social security law*

GLC notes that many citizens in Scotland are pushed into poverty because they are unable to access affordable credit. The poorest people end up paying for the most expensive credit. The UK Parliament has made progress within this area by enacting the Consumer Credit Act 2006, however, we believe more work needs to be done to enable low income households to access affordable credit. Credit unions have an important role to play here, and we would suggest that social landlords should work more closely with them or indeed resource their own credit unions in order to help debtors repay their priority debts over a reasonable period and at a reasonable cost.

Many citizens may have no bank account and have a poor or zero credit rating. Accordingly, in times of emergency they turn to the social fund. The flaws and inadequacies of the social fund are well documented and require urgent reform.[12]

Employment can be a powerful route out of poverty, but in our clients' experience there is generally a difficulty between commencing work and losing entitlement to various social security benefits. We believe there needs to be a more generous transitional period to assist debtors and their families.

Mike Dailly
Govan Law Centre

21 February 2007

Further memorandum submitted by Citizens Advice Scotland

1. Citizens Advice Scotland welcomes the Committee's Inquiry into poverty in Scotland. We have already submitted written evidence on poverty and the CAB Service,[13] and are pleased to have the opportunity to submit further evidence on the issue of poverty and debt.

2. Credit is almost an inevitable consequence of living on a low income—short and long term loans, credit cards, catalogues are all used to deal with crises and unaffordable needs. Many people manage their credit commitments, however, the CAB service deals with those who don't. This can be due to insufficient levels of income as well as changing circumstances resulting in a drop in income, pushing people into poverty. Extortionate and unfair lending practices combined with lack of access to affordable credit all contribute.

3. Last year, the Scottish citizens advice bureaux dealt with 88,307 new **debt** enquiries—a 3% increase from the previous year. Enquiries about debt include consumer, utility and housing debt and make up one in every five of the 442,550 issues dealt with by the CAB service. In 2005–06, the total amount of new debt dealt with by the service was £211 million—this is a significant increase from the previous year of £163 million.

4. In 2004, we carried out research into our debt clients.[14] We found that:

— In the last two years, our clients' debt levels had increased by 64% and were now on average £13,380

— One in five had debts of more than £20,000 excluding mortgages

— 14% had five credit or store cards or more, with some having up to 13 different credit and store card debts

[10] Guidance is available online here: http://www.dwp.gov.uk/housingbenefit/manuals/dhpguide.pdf

[11] For example, Fife Council.

[12] See Chapter 6, *Inadequacy of the Social Security System,* by Danny Phillips, *Improving Debt Recovery in Scotland* report, December 2006, available online at: http://www.govanlc.com/idrwgreport.pdf

[13] Memorandum submitted by Citizens Advice Scotland to the Scottish Affairs Committee October 2006

[14] On the Cards February 2004 http://www.cas.org.uk/onthecards.aspx

— Nine out of ten debt clients had some form of consumer debt, half had at least one credit card debt, and half had a personal or unsecured loan

— Four out of every five debt clients had multiple debts, with nine out of ten debts being owed to mainstream creditors. The average number of debts had increased to approximately five, with one in every five clients servicing eight or more debts.

5. Our findings also showed that this level of debt was unmanageable for many of our clients. We found that:

— Over half of them had monthly household incomes of less than £800

— One quarter lived on less than £400 per month

— Half had no income other than pensions or benefits

— On average, for every £1 of monthly income, clients owed almost £22 of debt excluding mortgage—the level of debt stress had doubled in 2 years

— One in six felt under pressure to take on further borrowing or had had their offer to repay rejected. Just over half had actually borrowed more to try and deal with their debts.

6. Our findings showed that people were in debt due to changes in circumstances and chronic causes of poverty. A drop in income, job loss, illness, low income or disability all being major contributing factors, however alongside these issues were high interest rates, credit charges and easy access to credit.

7. Circumstances can be stacked against clients on low incomes before they start. Due to their low level of income, they have limited access to affordable credit and as a result pay disproportionately high interest. As they struggle to manage their debts, they are faced with charges and additional interest imposed for missed and late payments—this often pushes a debt into an unmanageable and unaffordable figure. 8. The following are examples taken from our bank of CAB evidence that illustrate typical debt cases brought to local bureaux.

Extortionate interest

— A 70 year old pensioner running a loan with an Annual Percentage Rate (APR) of 246% or

— A female client with mental health problems running a loan with an APR of 177%

— A client with a £500 debt to be repaid over 26 weeks but with £228 interest applied.

Hidden Charges and interest on missed payments

— A client with a £1,500 loan who had been paying reduced payments for almost six years—then found her debt was now £10,000 due to a mixture of late payment charges and escalating interest

— A lone parent owing £500 paying reduced payments of £20 per month. By the time interest and charges were applied only 15p per month was going towards the debt

Late payment charges

— A client's loan doubling from £750 to £1300 due to regular £25 arrears charges

Charges for bounced direct debits and unauthorized overdrafts

— A client with a £100 overdraft that ended up at over £600 due to ongoing charges

Consolidation loans

They decrease the payments, but increase the debt and the repayment period.

— A client who took out a consolidation loan with her bank for £25,000. Added to that was a £25,000 credit charge, and £19,000 insurance, making a total of £69,000 payable at £575 for 10 years—this was 40% of her income.

Rolling loans

Used to pay off existing loans, but increase overall debt levels.

— A client in receipt of incapacity benefit who took out another loan to pay off her original loan resulting in increased debt but little cash in hand. Her income was £80 per week but she now had a debt of £1,600 repayable at £42 per week.

Irresponsible lending

— A client whose sole income was benefit and occupational pension having five credit cards from the same bank with debts of over £17,000

A young male client earning £230 per week allowed to accumulate £69,000 of debt in loans and credit cards from high street lenders and banks

9. These typical examples reflect what the CAB service see daily—clients struggling to manage the unmanageable, trying to repay debts that can never be repaid due to the extent of indebtedness, the limited income and the conditions attached to the loans. Our 2004 research showed that the situation had worsened dramatically for low-income clients in a two-year period. Our current statistics show that consumer debt remains the largest single issue dealt with by the CAB service and is increasing year on year, alongside overall indebtedness levels. While reforms at both Westminster and Holyrood such as the Consumer Credit Act 2006 and the Bankruptcy and Diligence etc (Scotland) Act 2006 will impact on some aspects of the problem, nevertheless debt and poverty seem intrinsically interlinked with limited solutions.

Susan McPhee
Head of Social Policy and Public Affairs
Citizens Advice Scotland

June 2007

Memorandum submitted by the Association of British Credit Unions Limited (ABCUL)

Executive Summary

1.1 Introduction to the size and scale of the credit union movement in Britain and in Scotland.

1.2 The scale of third sector lending, developments in this market and the impact on Scotland. This response also highlights the importance of small scale saving and how this can help to alleviate poverty.

1.3 ABCUL has been working with nine member credit unions over the last few years to introduce banking services for credit unions in the UK. We believe that this is one of the most significant developments on the financial inclusion landscape in Britain. Credit unions now have the potential to bring the necessary day to day transaction banking services to people who are excluded from mainstream banking. This account will be anything but basic as account holders will have access to a line of credit through the credit union, and fees and charges will be determined by credit union policy, not bank policy.

Introduction

2.1 The Association of British Credit Unions Limited (ABCUL) welcomes the opportunity to make a submission to the Scottish Affairs Committee inquiry into poverty in Scotland. ABCUL is the principal national trade association for British credit unions and represents 70% of the 549 credit unions throughout England, Scotland and Wales. ABCUL member credit unions represent 85% of the £368,536,000 share capital and £348,579,000 loan portfolio of over half a million adults who uses credit unions each week.[15]

2.2 The credit unions movement is proportionately stronger in Scotland where there are 124 credit unions, serving 205,930 adult and junior members. Scottish credit unions have £185,208,000 in assets, £129,824,000 out on loan and look after £161,143,000 in member's savings[16].

2.3 ABCUL, like its member credit unions, is an Industrial and Provident Society and is a co-operative owned and controlled by its members. ABCUL belongs to the World Council of Credit Unions the world wide apex body whose members represent 43,147 credit unions in 91 countries serving 136 million people.

2.4 Over the last eight years the Association has played a leading role in reforming and modernising the credit union movement in Britain. As a result the credit union movement is now adopting models of development and offering a range of products which has dramatically improved the scale of many credit unions. Credit union membership has almost doubled since 2002 and the Scottish Executive reported in February 2006 that credit union membership in Scotland had quadrupled in three years.[17]

2.5 Credit unions have four statutory objectives[18]:

(a) the promotion of thrift among the members of the society by the accumulation of their savings;

(b) the creation of sources of credit for the benefit of the members of the society at a fair and reasonable rate of interest;

(c) the use and control of the members' savings for their mutual benefit; and

(d) the training and education of the members in the wise use of money and in the management of their financial affairs.

2.6 Given the role that credit unions play in providing low cost, inclusive financial services, the Scottish Executive has invested £500,000 per year for two years from April 2006 to March 2008 to support the growth and development of credit unions in Scotland. This is in addition to the £36 million Growth Fund which

[15] FSA quarterly aggregate statistics, December 2005.
[16] FSA audited statistics 2004.
[17] http://www.scotland.gov.uk/News/Releases/2006/02/07094300
[18] Credit Union Act, 1979.

HM Treasury have allocated to third sector lenders to increase the availability of affordable credit in low income communities. The Growth Fund is available for third sector lenders throughout England, Scotland and Wales and is currently being distributed, and we understand that credit unions will receive the bulk of the £36 million.

2.7 ABCUL has recently undertaken a piece of research with the Personal Finance Research Centre at Bristol University[19] to document who uses different types of credit unions. The majority of credit unions have always understood their membership to be the low-waged, those in receipt of benefits and those who without the credit union would otherwise be financially excluded. The research supports this understanding and evidenced that the majority of people using credit unions are on below average incomes.

2.8 The research also shows that for those responding to the survey the credit union is the preferred source of saving and borrowing. Evidence also shows that members have stopped using high cost credit as a direct result of joining the credit union.

Availability of Affordable Money

3.1 In Scotland 37% of people have no savings and for many, credit is the only way they can budget for larger purchases.[20]

3.2 Credit unions currently provide affordable credit to around 500,000 adults in Britain and as of June 2005 credit unions had a loan portfolio worth £286,819,000. The demand for credit union loans generally peaks at Christmas time, which can be seen in the fact that credit unions had on loan £315,680,000 as of December 2004[21]. Research carried out by the Scottish Executive revealed that in Scottish credit unions 58% of loans are for less than £1,000[22].

3.3 In 1999, at about the same time as the PAT14 report was being published an alternative model for community finance was proposed, Community Development Financial Institutions (CDFI's) for personal lending.

3.4 CDFIs or Moneylines as they are often known were put forward on the back of criticisms of the failure of credit unions to achieve coverage and scale.[23] ABCUL shared many of those frustrations with the prevalent approaches to credit union development in the 80's and 90's. However it was the Associations view that the most effective way forward was to reform the credit union movement. We believe that the comparative progress over recent years has shown that this strategy was a sound one.

3.5 Therefore six years after the launch of an alternative to credit unions the credit union sector still represents over 99% of all third sector lending in Britain. Perhaps more significantly the present growth in the number of people on low incomes served by the credit union sector is outstripping the growth rate of CDFI's for personal lending. Credit union membership continues to grow at more than 10% per annum.

3.6 As of June 2006 the credit union statutory maximum interest rate is 2% per month on a reducing balance which works out at 26.8% APR. However many credit unions continue to lend at the previous limit of 1% per month on a reducing balance, or 12.7%APR. Moneylines typically charge between 25-30% APR and unlike credit unions are not regulated deposit takers.

3.7 The launch of the first Moneyline in Scotland is currently planned for Glasgow, with significant investment from both Glasgow council and the Government's Financial Inclusion Growth Fund.

3.8 There is broad credit union coverage in Glasgow with one in six Glaswegians belonging to a credit union. This works out at 13% of the population which is high in comparison to 4% of the Scottish population as a whole. Therefore over 100,000 people are members of credit unions in Glasgow and the 34 credit unions include nine employee credit unions and 25 community credit unions. Glasgow credit unions hold £133 million in members savings and have over £92 million out on loan.[24] The Scottish Executive are extremely supportive of the work that credit unions do to provide affordable credit and safe savings to the people of Scotland, and credit unions are central to the Executive's financial inclusion strategy.

3.9 However despite the efforts of all third sector lenders there is still people who invariably turn to high cost lenders for their credit needs. The National Consumer Council have estimated that low income consumers pay on average £129 a month in interest—11% of their income, and people on benefits borrow an estimated £330 million a year from home credit, with interest payments alone amounting to an estimated £140 million.[25]

[19] Funded by the Esmee Fairbairn Foundation, 2005 http://www.abcul.org/lib/liDownload/87/Membership%20Counts%20-%20Who%20uses%20credit%20unions.pdf

[20] Financial Inclusion Actions Plan, Scottish Executive, 2005.

[21] FSA quarterly aggregate statistics, December 2004.

[22] Hayton K, Gray L and Stirling K (2005), Scottish Credit Unions, Meeting Member Demands and Needs. GEN Consulting Scottish Executive Social Research, Edinburgh.

[23] Investing in people and places, Karl Dayson, Bob Paterson and James Powell, 1999, University of Salford.

[24] Glasgow Credit Union Strategy Group.

[25] Affordable Credit Fact Sheet, NCC and POLICIS, July 2005.

3.10 A £500 loan over 55 weeks from the largest home credit provider Provident Financial costs a borrower £325 in interest. A loan for the same amount over 52 weeks from a credit union lending at 1% costs £31.07, a saving of £293.93 on an individual loan.

3.11 However credit unions understand fully that the availability of affordable credit is not in itself the long term answer to financial inclusion. It is the ability to build small sum savings which provides the safety net which helps prevent people from falling into debt or poverty and the vehicle through which people lift themselves out of poverty.

3.12 Dave Richardson, Technical Officer for the World Council of Credit Unions (WOCCU) has written that, "as verified by the credit union experience, . . . poor people have a much higher demand for savings products than lending services".[26] Credit unions throughout the world have shown that savings mobilisation among even the poorest of communities is possible.

3.13 In the last few years the move to direct payments of benefits has greatly increased the number people having their benefits paid into a credit union. There have been some interesting consequences, particularly around the level of benefit that credit unions have retained in savings. The credit unions that administer benefit payments on behalf of their members are reporting between 5 and 10% retention of benefits in savings.

3.14 There many large employee credit unions in Scotland, and they play as much of a role as community based credit unions in helping their members out of financial difficulty. For example the majority of the members of the Scottish Transport Credit Union which serves employees of the passenger transport industry in Scotland are bus drivers. Half of their membership earn £6.50 per hour or less, and most of these members are young men with young families to support.

3.15 The credit union see between two and five members in either mortgage or rent arrears per week, and are involved in around three evictions cases per month. The credit union negotiates on behalf of the member and often provides a loan to cover the arrears; they are proud to say that in 10 years they haven't lost a single home.

Impact of Government Policy on Poverty

4.1 The Government has committed £120 million to help promote financial inclusion, £36 million of which has been allocated for the provision of affordable credit through third sector lenders; a portion of which will go to third sector lenders in Scotland. This injection of capital for third sector lenders is welcomed by the credit union movement. ABCUL will be monitoring, alongside the DWP, the success of the fund in achieving it's aims of increasing the supply of affordable credit to low income communities and increasing the sustainability of third sector lenders.

4.2 However one of the priorities for Government around financial inclusion is to reduce the number of people that are unbanked. 11% of Scots do not have a bank account. This figure can rise to 18% for those on a low income.[27] That can mean a whole range of difficulties, including the ability to access employment, as many employers now require their employees to have a bank account. Also those without a bank account cannot take advantage of the discounts on basic utility bills without the ability to pay by Direct Debit or Standing Order, and cashing cheques can be extremely costly if you do not have a bank account. Therefore this creates a situation where the poor pay more.

4.3 The introduction of banking services for credit unions has the potential to make a very significant impact on financial exclusion and poverty for those that are excluded from mainstream banking. Over the past few years the credit union movement has invested in the development of banking services for credit unions and in The Cooperative Bank we have a banking partner committed to providing the technology needed to make this available to all credit union members. The first credit unions to launch their own service accounts will take place in November 2006.

4.4 Currently only nine of the largest credit unions, four of which are in Scotland have the existing resources to implement the service. Although the costs are relatively small in comparison to other financial inclusion projects, for those credit unions involved, the implementation of banking services represents the most significant investment that they have ever had to make.

4.5 However there still remain a significant number of credit unions, particularly community credit unions that could manage and deliver the service and who are keen to roll this out to their members. However it is these credit unions that are prevented from doing so because of the initial investment that is required. We believe that the Government should recognise the strategic importance of this initiative and support individual community credit unions in entering the market.

[26] Unorthodox Microfinance: The Seven Doctrines of Success, MicroBanking Bulletin, February 2000.
[27] Scottish Executive, Financial Inclusion Action Plan, 2005.

4.6 We are not envisaging a complete roll out of banking services to every credit union in the country. We understand that many of our members rely heavily on volunteer support and currently do not have the capacity to undertake such a significant development. However there are credit unions, many of which are based in the most deprived local authority areas in the country, and many of which are in Scotland that would be able to deliver these services to thousands of people in their communities. This would bring "banking" services into the heart of those communities, and would provide people with the basic tool which is necessary to get out of the poverty trap.

4.7 ABCUL would be happy to provide the Scottish Affairs Committee with further information regarding our banking services project.

4.8 The availability of free cash machines in deprived areas is also a factor which reduces the ability of poorer people to maximise their income. Members of Yoker Credit Union in Glasgow and other local residents were amongst the first to benefit from a Royal Bank of Scotland scheme to install free to use cash machines in low income areas with no current free ATMs. Yoker is typical of many areas where only fee charging machines are available; around 40% of the population are on benefits, 50% senior citizens and 10% employed, therefore cash machine charges limit many people's ability to maximise their already low income Yoker credit union commented that, "As there are no Banks within the vicinity, many of our members, both young and old, feel it is great to be able to use this machine within our premises as they feel safe and do not have to travel to find a bank."

4.9 Therefore if more credit unions like Yoker could provide banking services direct to people in their community, then there is enormous capacity to help alleviate poverty in areas of high financial exclusion.

Mark Lyonette
ABCUL

October 2006

Examination of Witnesses

Witnesses: **Mr Mike Dailly,** Principal Solicitor, Govan Law Centre, **Ms Susan McPhee,** Head of Social Policy and Public Affairs, Citizens Advice Scotland, **Mr John Patton,** National Development Officer, Scottish League of Credit Unions, **Ms Loretta Gaffney,** Manager, Glasgow Easterhouse, Citizens Advice Bureau, and **Mr Chris Mallon,** General Manager, Association of British Credit Unions Limited, (ABCUL) Glasgow, gave evidence.

Q684 Chairman: Good morning and welcome. We are conducting an inquiry into poverty in Scotland in urban areas and rural areas. We have taken evidence from different people in different parts of Scotland, but I believe this is our first session in Glasgow and you are all welcome. Can you please introduce yourselves for the record.

Mr Mallon: I am Chris Mallon from ABCUL. I am General Manager of ABCUL Scotland. ABCUL is one of the trade associations in Scotland, along with the Scottish League. At present we are ruling on things such as the Banking Services Project. We have rural and urban credit unions, a mixture of associations, such as workplace credit unions and community based credit unions.

Ms Gaffney: I am Loretta Gaffney. I am the Manager of Easterhouse Citizens Advice Bureau, and we are a member of Citizens Advice Scotland. The bureau has been established in Easterhouse for over 30 years and I have been a member of the bureau for over 20 years.

Mr Patton: I am John Patton. I am the National Development Officer of the Scottish League of Credit Unions. I was appointed to that post in 2000 and I shall retire from it shortly. I had hoped to be retired by now, but I shall be retired by 1 August. I have responsibility for supporting credit unions which are affiliated to the Scottish League. My background is in education, and the bulk of my work is involved with lobbying, training and development.

Ms McPhee: My name is Susan McPhee. I am Head of Social Policy and Public Affairs at Citizens Advice Scotland. Citizens Advice Scotland is the umbrella organisation of the Citizen Advice Bureau in Scotland and we provide support services for the CABs.

Mr Dailly: I am Mike Dailly. I am the Principal Solicitor of Govan Law Centre. Govan Law Centre very much tries to use the law to alleviate and tackle poverty in ways such as defending evictions and repossession cases, but also in trying to use the law in an innovative way.

Q685 Chairman: Before we start with the detailed questions, would you like to make any opening remarks or statements?

Mr Dailly: In terms of the topics that we will cover, I hope that today's session will be looking at the Financial Services Sector. It is my concern, and the concern of Govan Law Centre, that the most vulnerable members of society seem to be the most exploited by the Financial Services Sector, whether that is through consolidated loans, through court expenses, or, indeed, bank charges or unlawful penalty charges. Quite simply, the poorest people in Scotland, and, indeed, the UK, pay for the most expensive credit.

Ms McPhee: Debt is the largest single issue for the Scottish Citizens Advice Bureau, and last year we dealt with over 211 million pounds worth of debt. One fifth of all new cases brought to the CAB are all

to do with debt. Over the last few years what we are seeing is an increase year-on-year. Our research has shown that our clients are in debt for two reasons: firstly, either they took on credit which they thought they could afford and then something has happened, for example, illness or a job loss or a loss of overtime or something like that, but the second reason is poverty. Basically, their income levels simply mean they have to use credit to get by, so they use credit cards, cash loans, et cetera, to supplement their incomes, not to buy luxury goods but to purchase food, utilities and other household essential items. When they come to the CAB, at that point their debts are usually unmanageable and it is not generally due to poor budgeting, it is simply due to lack of income, coupled with things like harsh loan terms, such as high interest rates and charges. I hope today that these are some of the things we are going to explore.

Mr Patton: Chairman, I would amplify what the two previous speakers have said. I have been involved with credit union for over 40 years. I became involved with credit union because I saw it as a vehicle which could provide affordable financial services to people who did not normally have access to the mainstream financial services. As my accent probably betrays, that involvement began in Ireland, and in Ireland over 50 per cent of the population belong to a credit union. It is a cross-community effort. If I can use the word advisedly, all classes within society belong to credit union. In my first credit union in Derry the chair of the credit union was a GP. The board of directors had several graduates on it, but it had builders and dockers and a broad mix and that would be my vision of what I would like to see happen. I have a feeling it is not going to happen this week, but I would like to see it happen in the Scottish Credit Union movement and, indeed, in the Credit Union movement throughout the UK where there would be a real ability to make affordable credit available to people who do not normally have access to it and who are paying the sort of extortionate rates of interest which Mike alludes to.

Ms Gaffney: I have worked in Easterhouse, as I say, for many years, and you may be aware that although there are efforts to generate a Greater Easterhouse area, it remains an area of multiple deprivation. Roughly 82 per cent of the work we do in Easterhouse and deliver is money related. Other issues which come would be debt and benefits and I am concerned about the continual increase in debt. Before coming along here today, I was looking at an AGM report from 10 years ago and I recorded that I was alarmed at the increase of debt then, which was 17 per cent of our overall caseload; today it stands at 44 per cent of our overall caseload. If I was worried ten years ago I am very very worried about it now. Equally, I am concerned that many of the people who we used to see on benefits and we now see in work are in the same poverty or similar poverty and at times even worse and that is a serious concern. The making work pay is apparently not working for many people.

Mr Mallon: I would like to agree with what John has said there and also point out that credit union is an ethical provider of financial services. We are working towards a banking services project offer or a banking account to all our members which will be of low cost. That is something which we recognise as being very important to us as credit unions, to be able to provide such a service because we do see some of the problems for those on lower incomes with the present services supplied.

Q686 Chairman: What do you think are the main factors which contribute to social and financial exclusion and pushes people into poverty in Scotland?

Mr Dailly: I think the problem we have got is we have got marketing companies that are fuelling a buy now pay later culture and that then enables the financial services industry to lend irresponsibly. It seems to me that if people do need money in society, we need to manage that. The question is what is the balance at the moment in terms of regulation of the financial services industry? I would suggest to the Committee that the pendulum has to swing more towards public protection for ordinary citizens because I think what we have seen, for example, with the bank charges situation in the UK where people are being penalised, that whole sector generates about £7 billion to the financial services industry, and it is the most vulnerable people in society who get hit with bank charges. I think that illustrates that the financial services industry, if left to its own devices, is not able to be responsible enough.

Ms McPhee: Obviously I would agree with what Mike said, but, also, although consumer debt is the largest issue of debt with CAB clients, I think that hides the fact that people are taking on loans to supplement incomes. They are using credit cards, et cetera, to help with utility bills and rent arrears and things like that, so although consumer debt is the biggest area, it is often masking other things as well and it is about income levels.

Q687 Chairman: Obviously there are people who are lending money illegally and charging very high interest rates and then there are financial institutions as well. Do you think both are contributing factors to poverty or are illegal money lenders more dangerous than the legal financial institutions?

Mr Dailly: I do honestly believe that the banks in the UK are much more dangerous than illegal money lenders. I say that advisedly because I spend a lot of my time in bank charges cases which we provide as a free service across the UK online. Something like one million people have downloaded our letters to get money back and we have helped people get back millions. I have to say, the amount of emails I get from people, to give a quick example, a working single parent with two children who emailed me to say that in one week he got £200 in bank charges, that is a typical letter, and in that one week when he went to take out his wages, he said he did not have enough money to feed his children and he felt

suicidal. To me allowing that kind of thing to happen in society on a grand scale across the United Kingdom I think needs to be tackled.

Q688 Chairman: Mike, I do appreciate the good work you are doing on behalf of the vulnerable and on behalf of the weakest people in our society to get money back from the banks. In fact, a number of my constituents have told me that they have managed to get money back just because your drafted letter was sent to the banks, thousands of pounds have come back to the people. I think we would be interested later on to know more about your company.

Mr Mallon: I think a lot comes down to responsible lending, no matter who the provider is, whether it is a bank, a credit union or whatever, that the individual is properly discussed with and their affairs are looked at, and if it is not a loan which is appropriate, they are referred to someone else for advice and support, rather than getting money out there to earn an income from that money. As a lender you have to do that, but it is making sure you do that responsibly. Sometimes giving a loan can be more of a problem to the person than solving a problem.

Ms Gaffney: What you are saying about responsible lending is what I would have thought would have been respectable lenders, for example banks, and what we are seeing is banks offering people consolidated loans when clearly the person is in seeing them because they cannot pay the loan they have got, so offering them another loan is increasing their debt. The other side of that is, and let me give an example, I had a gentleman in who wanted us to help him with a number of debts but he had fixed his bank loan himself, he said, "I've negotiated that" and he thought the bank manager was great. While we were looking at that negotiation, what the banks had agreed was that he pay £20 a month, what he did not realise was he was paying £22 interest a month on that, so in actual fact what was happening was his debt was increasing by £2 per month, and he had been paying it for a year and a half.

Mr Patton: I do not have the expertise in debt which other members of the panel will have, although we do see in credit union quite a few people who come to us and very often we cannot help them because credit union is not a Panglossian panacea for the causes of debt, it is simply something which can help some people who have debt. I hope the Committee in the generality of things is not merely going to look at the symptoms of debt and that you will also be looking at the causes of debt. It seems to me that they are much wider than what bank charges are or what interest rates are. I think the distribution of wealth is something also. I was a head teacher of a school in 1985 in Tullibody in Clackmannanshire and I had moved from another school where I was deputy head only about a mile and a half away, but I was struck by the difference in the composition of those two schools. In the second school, which was only a mile and a half away, 85 per cent of the children were on free school meals, a very positive indicator of a high level of poverty, and there I found all the social conditions which are associated with poverty. A little girl with very low self-esteem came in one day and the staff and I tried at every opportunity to raise her self-esteem, very often in very casual ways, and on this occasion she was wearing a pair of patent leather shoes and I admired her shoes and she said to me, "I got those from the Tally Man". I thought the Tally Man was dead but he was obviously alive and well and living in Tullibody and is still living in Tullibody. The point I am trying to make, Chairman, is in the 20 years since I was appointed to that school—I am no longer there, obviously—I do not think conditions have changed all that much. I suspect—and this is purely anecdotal—that there are similar situations right across Scotland. I was once President of the EIS and on an educational basis I visited a wide range of areas within Scotland and I came up against these pockets of deprivation again and again and again. On the point about interest rates, if our friends in the press contact me, they usually want to talk about loan sharks because loan sharks are sexy and dramatic and make good headlines in the *Daily Record*, but I suspect from what I see in credit union that Home Credit causes far more damage to many Scottish citizens, it creates a cycle of debt, it traps them in a cycle of debt and it is charging them, by their own admission on their website, 175 per cent plus. Indeed, a report from the CAB recently pinpointed that in a lot of cases it exceeds 175 per cent and may range from 200 to 500 per cent and that creates a pit of despair which those people find difficult to escape from.

Q689 Mr MacNeil: A point of clarification. What you are saying here to the Scottish Affairs Committee in Govan, in Glasgow, is that the biggest problem with indebtedness is not loan sharks as such, but there is a bigger great white shark of lending and that is what are called bona fide groups operating illegally and are contributing more to poverty than the typical loan sharks?

Mr Dailly: Indeed, as John rightly says, you could be trapped in that cycle. The moment you get into very expensive credit, it is very difficult to ever get out of expensive credit. The difficulty is when you start making defaults on some of your payments, what happens is you then get these incredibly punitive charges, £39 per letter in charges, so you are in this cycle of debt, you are getting charges added to it and if you get lawyers taking you to court, you get court expenses and you can suddenly discover you are on a downward spiral.

Q690 Mr MacNeil: In your experience of the Govan Law Centre, which organisations are the worst offenders?

Mr Dailly: There are so many offenders.

Q691 Mr MacNeil: Give me three?

Mr Dailly: You have got particular problems with the consolidation loan market, the adverse credit market, Welcome Finance, I Group Loans, Black Horse, these are the sorts of organisations which we come across quite a lot. Then in the mainstream sector, I have to say that every bank, whether it is the

Royal Bank of Scotland, the Bank of Scotland, Lloyds TSB, HSBC, we could go on and on and on, they are all involved in exploiting vulnerable people.

Q692 Ms Clark: Yesterday we were hearing about the Provident and I think their credit levels are around about 177 per cent, and Loretta has already made mention of credit levels of 175 per cent plus, so what kind of organisations, other than Provident, are out there targeting people with that kind of interest level?

Mr Dailly: I think I need to be more much clearer, in that there are so many scams involved in this sector. What I am trying to say is it is every financial institution which is involved in this, it is so widespread that nobody notices it because we have assumed it is normal. To give a quick example: PPI Insurance, which is Payment Protection Insurance, I think is going to be the next big scandal in the UK. What happens is, to give a typical example, somebody goes to take an unsecured loan of £20,000. They will typically be sold this PPI Insurance with it. That may be £4,000 or £5,000. That is added on to your loan, so you then borrow £25,000. You then get into difficulties financially and you discover that the PPI policy is not worth the paper it is written on and it has got more holes than a piece of Swiss cheese, so you cannot claim on that. You have effectively ended up borrowing this huge sum of money, the policy is no use, you end up being taken to court and you may well be looking at bankruptcy and losing your house and so on and so forth. We have got different scams operating in the UK, and I think it really is a matter for Westminster to tackle these scams.

Ms McPhee: In terms of what you were saying there about banks, you are not always taken to court, what then happens is you are in heavy debt with all your charges, your interest and your PPI payments, so they then role it up into another loan for you. Again, all of that is being then rolled up into a loan which you cannot afford to pay, so it continues. It is the main banking institutions that do that frequently. They are not supposed to do that in terms of the debt collection guidance, they are not supposed to force consolidation loans upon you, but it is something which we see, it is endemic. The other thing too is Home Credit in that they do something similar like that. There are advantages in Home Credit in that the charges are all upfront. You have got all this interest, but if you start defaulting you do not get added-on interest, so that is attractive to people on low incomes because they know where they are, even if they are paying this huge amount of interest. Where the problems start again is you have not paid off your loan fully, so you then borrow more money which then pays off that bit of the loan and you are constantly doing that. That is what makes you end up in this terrible cycle and you suddenly end up owing far too much money and you are also getting confused because you may be running three or four different loans from different credit companies.

Q693 Mr MacNeil: What you are saying is you would be better going to court earlier than having Home Credit?

Ms McPhee: Again, it depends on the circumstances, sometimes you would. If you were taken to court it might give you the ability to then make yourself bankrupt, but the Home Credit industry do not take you to court, they will wait until you have got more money to pay it back.

Q694 Mr Davidson: Can I go back a step because I think, in particular, Susan remarked that it was lack of income which led people into poverty and so on and so forth. Part of the Government's strategy has been getting people into work and seeing work as the best route out of poverty. I think it would be helpful if you gave us clarification as to whether or not that is working and what the impact has been of the national minimum wage. Certainly in this constituency unemployment has come down by over 50 per cent and long-term unemployment down by 80 per cent and so on and so forth, and the assumption, therefore, is not that the sun shines every day, but these people are a great deal better off than they were before. I think it would be helpful if you clarified whether or not in your view that was the position. The second is for those who are not in work. Is it simply a question that benefits are inadequate, or is there something else which we are, perhaps, missing that is keeping these people in poverty?

Ms McPhee: I would like to get Loretta to answer that, but if I could add one thing before we do that. In terms of our debt research, half of the people who were in debt were in work and yet their incomes were on average £801 a month. In fact, a quarter of our debt clients have incomes of less than £400 a month. That will give you some kind of indication of what I am talking about.

Q695 Mr Davidson: Presumably in full time work the national minimum wage will be—

Ms McPhee: They are not necessarily in full-time work, they will work, they will be in paid employment.

Q696 Mr Davidson: Sorry, can I clarify that. They will then be eligible for Working Family's Tax Credit and they are meant then in these circumstances to be much better off?

Ms Gaffney: If I could take up the point because it is one of my concerns. I think you are right, for many people obviously work is what lifts people out of poverty, but it has got to be decent work and decent pay. If it is not, to subsidise that we have got Working Tax Credits. The difficulty is the poorest people are in social housing and they are paying their rent and their council tax and the Working Tax Credit comes in as a form of income, so it is means-tested. They go and they get the job at the minimum wage, they get it topped up with the Working Tax Credit and then they find that they get no housing benefit and no council tax, therefore they have got to pay for their house, their council tax, their travel to work, their lunches and they are either worse off or

the same. I did a calculation before I came just to prove that point. If you are talking about a person who has got the minimum wage, works 37 hours, by the time they pay their rent, their council tax, their travel to work and their lunches, they are left with about £80 a week and that is to buy their food, their clothes, their household goods and have some leisure time.

Q697 Mr Davidson: The DWP have told us, and have told me on several occasions, that they can do in-work calculations for people which demonstrate that they are always better off in work. Are you saying that is not true?
Ms Gaffney: What I am saying is we do get a considerable number of single parents who take part-time work, who have had that calculation from the DWP, but have not been told about the reduction in their housing benefits. So, yes, when you put it down, "There's what your salary will be, there's what your Working Tax will be, that looks good in comparison with your benefit, but then we have got to further that calculation and take off the fact that ---".

Q698 Mr Davidson: Have you raised this then with the DWP? I am presuming CAB have discussions and links with the DWP, has that been raised with them, and what is their response to that?
Ms McPhee: We meet with them quite regularly, but more on the operational bit which also causes a great deal of problems.
Ms Gaffney: To be fair to the staff, I am not sure, but I would think that the staff have probably got targets to get people into work, I would assume, so they will be under pressure to do that.

Q699 Mr Davidson: They are telling us quite categorically that they demonstrate to people worked examples which indicate that they will be better off in employment. You are saying that is not true because it does not include council tax and housing benefit, which presumably is a much greater barrier in Glasgow on the basis that the rents and council taxes here are much higher than anywhere else on the basis that there is less public support for the councils.
Ms Gaffney: As I say, your average rent in Easterhouse, for example, would be something like £50/£60 a week and your council tax, so if you are not getting housing benefit, that is coming right off your salary, the minimum wage, and your Working Tax Credit.

Q700 Mr Davidson: Chairman, I think it would be helpful, because we have discussed this before, if we get a note from you about that point specifically in order that we can pursue that with the DWP in the context of their stated policy as a general statement and also some worked examples if possible.[5] Can I clarify the second point of that, which was for those who are out of work. Are you saying that it is just simply a question of the level of benefits being inadequate?
Ms Gaffney: I think the level of benefits is inadequate, I think the level of benefits could be higher and that would be helpful for people, yes.
Ms McPhee: People will always need to borrow. If you have got something that goes wrong, like a cooker or something, you will need to have some kind of replacement and crisis loans certainly have caused lots of problems recently. A lot of it has to do with the administration of the DWP. People cannot even get through to get crisis loans, so that is causing lots of problems. They are not enough either, they do not give enough money.
Mr Dailly: I was going to say something about the sanctions which the DWP impose. I saw somebody at Govan Law Centre yesterday who was living on £35 a week. When I looked into the detail of it, I ascertained that the guy was taken on as a janitor and his new manager basically told him he was now a cleaner so he ended up leaving that job. Technically he was constructively dismissed, so universally we need a sanction, but the fact that somebody has to live on £35 a week I think is incredible, because when the minimum benefit level was set in the UK, it was based on the basket of goods test after the war. If we are then saying people can be forced to live on £35 a week, then to me obviously we need some sort of sanction and we need to encourage people back into work. But it seems to me we need to think about what does this then result in in terms of people living in poverty.

Q701 Mr MacNeil: You have fairly well established an issue between debt and poverty and I am wondering how debt exacerbates the pit of poverty? Are resources being diverted away from the bank of poverty because it seems that an awful lot of people, in effect, are paying for white goods two or three times over with the sorts of horrendous rates that they have? I think we really need to explore further the relationship between debt and poverty. Is debt the biggest cause of poverty that we are seeing? Is it debt?
Ms McPhee: It is certainly the largest single issue brought to the Citizen Advice Bureau. Consumer debt certainly is and, as I have said, consumer debt can mask whether you are using it to pay for other debts. It is taking up a great deal of the Citizen Advice Bureau resources in advising people.

Q702 Mr MacNeil: Of those who would be termed to be in poverty, what sort of percentage would you roughly estimate are suffering debt problems?
Ms McPhee: One in five of the clients coming to CAB are coming about a debt problem and, in general, CAB clients are in the lower income spectrum.
Mr Dailly: Again, in terms of the Law Centre, I cannot think of any client that I have ever seen in the last eight, nine years in the Govan Law Centre who has not had a debt or has not been in financial difficulty. Seriously, I cannot think of one client. I think the answer must be it goes hand-in-hand. The

[5] Not printed.

great difficulty is obviously we know that poverty is a complicated thing, there are all different factors, but if you end up being in debt, even if you are trying to get back to work or you are working and you are getting a decent wage, if you are then getting hit with high interest rates, you have got PPI insurance to pay and you have got default charges, the difficulty is it is like the life has been sucked out of you by the financial services industry.

Ms McPhee: What can happen is if you have lost your job some creditors will not apply interest charges or anything and will wait until the circumstances change, and then if you get a job it all comes back on again.

Q703 Mr MacNeil: There is not much of an incentive for people to work. What are the main reasons that people fall into debt these days? Is it because people lose their jobs or is it because there is an emergency?

Mr Dailly: There has been research done by the Deputy Prime Minister's Office into mortgage repossession and it was very interesting research which was done because it put that whole myth, which we often see in the press, that people are feckless or they are reckless to an end, sure that happens but that is in the minority of cases. The main reason people get into debt—there is empirical evidence for this—is because of a relationship breakdown, so two incomes become one income, or sickness/illness and your income drops because of that. Those are the vast reasons. I think it is fair to say that we are all effectively one or two wage slips away from disaster in society because the culture we now have in the UK is not like the days gone by where people would save up and people would be much more canny, we seem to have this kind of buy now, pay later culture. The difficulty is your manageable debts while you have got your two incomes coming in are okay, the moment somebody goes off ill, then you can go right down into that slippery slope. I think that is true for many people, probably including myself.

Q704 Mr Davidson: What is the answer?

Mr Dailly: I think the answer has got to be we need to do more work on the culture, as I say, this whole idea that it is okay to have that level of personal debt.

Q705 Mr Davidson: That is irresponsible borrowing.

Mr Dailly: Yes, we need to do more on irresponsible lending, and, I have to say, I am a huge supporter of credit unions because I do think there is a case for state intervention. I am not saying we should prevent the free market from making money in this area, I am not saying that at all, but when we then see that there are a lot of people who end up in poverty because of the way things are set up, then surely that is a good reason for state intervention and, again, that could be through credit unions. Interestingly, just a couple of years ago the Scottish Executive got permission from the European Commission—because you have got to watch out for competition law if suddenly you give money to a credit union—to give several million pounds to credit unions to deliver insurance policies which were very low cost.

Q706 Mr Davidson: I do understand much of that about the supply side, but you did say about the demand side in the sense of people being only a couple of wage slips away and, perhaps, borrowing beyond their means. I asked you about irresponsible borrowing and you neatly sidestepped that. You spoke about changing the culture, I am not quite sure what you are saying we should do about that.

Mr Dailly: Ultimately, there is a responsibility on the citizen, there is no doubt about it, but the difficulty is if you have a society where you have got much more aggressive marketing, and that could be not just TV and radio but also people being sent credit cards. Somebody in my office said to me that their daughter was sent a credit card application when she was 14, so making it okay for people to be able to access unlimited credit, sure it falls to the citizens but, equally, it is like putting a bottle of whisky in front of an alcoholic, that is not responsible.

Q707 Chairman: On the one side, we have experienced people who are in difficulty, they are desperate for money, and when they go to borrow this money they do not go through the nitty gritty and see what are the terms and conditions applied to it, what kind of interest they have to pay, if they default or how much in penalties they have to pay. Obviously they are in a desperate situation and they do not look into this. We need to have some kind of awareness for people, when they borrow money they must find out about the details of that borrowing. On the other side, legally financial institutions are charging 100 per cent, 200 per cent, and do you think there should be some cap when we have a base rate of five and a quarter per cent, that these financial institutions should not be allowed to exploit the most vulnerable, there should be some cap on interest rates? What is your view on this?

Mr Patton: The Credit Union movement, indeed the CAB campaigned two years ago, I think, Susan, when the Consumer Credit Act was being rewritten for a cap on interest rates.

Ms McPhee: It is not our policy. We do not have a policy on a cap on interest rates but we supported a review then.

Mr Patton: Okay, thanks. Certainly the Credit Union movement did make a submission arguing that there should be a cap on interest rates, and the response from Government was that a cap on interest rates would mean that those in the market would all charge up to the cap, which I thought in a competitive market was sheer nonsense, people do not charge up to the cap. The Royal Bank does not charge up to 175 per cent, for example, it is a competitive market and it is driven by market forces. I felt there was a missed opportunity to introduce a cap on interest rates because, as Mike said in his opening statement, the fact is the most vulnerable in society, the poorest in society, are those who pay the highest interest rates. Most of us around this table could probably go out tomorrow and borrow at seven per cent or eight per cent. A sizeable minority of people in this city and a huge majority in this area will be paying much higher interest rates than that.

Ms McPhee: We would certainly support that this needs to be controlled because we have seen so many cases of people affected.
Mr Dailly: On the point which John was making, I am sympathetic to a cap, but I am concerned about the point that organisations will just increase to the maximum cap and we have got some evidence for that. Just the other year, the OFT said to credit card companies that if they charge more than £12 for the default charge on a credit card they would intervene and use their powers. What has happened? Very interestingly, just about every credit card company in the UK, apart from maybe three or four, have set their charges at £12. I think we need to be careful about that.

Q708 Mr MacNeil: We have the problems of 175 per cent interest rates, a cap would be seen to be attractive in many ways. In the case of the credit cards, they went up to £12, it would seem, but if you had, say, a multiple or a national figure for an interest rate, the other lenders or other loan packages would drift upwards as well, and the whole of society would have higher interest rates.
Mr Dailly: It may have these consequences.

Q709 Chairman: What is the solution?
Mr Dailly: I do have a possible solution which is based upon giving the court the power to effectively cap. In 2004, Chairman, you introduced the Prevention of Homelessness Bill in the House of Commons. Now, unfortunately that Bill fell because there was not enough time, but what that Bill had was a provision in it so that if somebody was facing homelessness from debts, the court was empowered across the UK to vary the rate of interest, effectively to reduce the cap or waive that and also waive charges. Certainly I would support giving some safety net protection so when somebody gets taken to court or either you can apply to a court to ask them to vary that if in certain circumstances not doing so would result in a disaster for a person or a family.

Q710 Mr MacNeil: Is there not still a case for a cap on interest rates if it is a multiplier of the base, five times base, six times base or whatever, because at the moment the 175 per cent we have is 18, 19 times or 20 times base rate?
Mr Dailly: You could have a cap, but the difficulty is where do you set that cap, and the consequences which that might have need to be thought about.
Ms McPhee: Although 175 per cent is appalling, at least the person knows where they are, they know what the payments are. It is what Mike has been talking about, the hidden charges, which the mainstream financial institutions charge that makes it sky high and people get completely confused in terms of how much they owe. Like Loretta's case where someone thought they were paying off a loan, £20 a month, when, in fact, it was constantly accumulating at £22 a month. It is these charges which make things much, much worse.

Ms Gaffney: To come back to what we were saying earlier, debt is obviously an issue and credit, but if I look at the clients who come into Easterhouse, which is mostly your poorest section of society, it is probably on average about four to five debts maximum, but two of those will be rent and council tax. You will always have rent and council tax and often maybe a utility. They will not have a number of credit cards, they may have one or two, but it will mostly be personal loans, which I think is what we said earlier, Provident and whatever. In terms of people's awareness of interest rates and what I think we said earlier, in terms of our clients, they are not interested, they are interested in what it is going to cost them per week. If they are told it is costing them £1.50 a week, it does not matter if that is going to be for 100 years or what the interest rate is, that is what they feel they can afford and that is what they will go for.

Q711 Mr Davidson: In those circumstances, council tax debts and rent debts are the cheapest because by and large the council does not charge interest on those, which is why, in a sense, the council often feels they are always the last in the queue to get paid, which is why they end up being quite tough in circumstances, because by and large they do not charge huge interest on your council tax arrears. I am not quite sure how people then have got into that sort of situation. Part of the difficulty I find is that lots of people in the area object to some folk not paying their council tax or not paying their rent and then maybe having it written off when they have been struggling to pay theirs. How do you think we ought to deal with that?
Ms Gaffney: I have certainly never ever had a client in where their rent or their council tax had been written off. In my experience, what happens with people—and I will go back to, perhaps, people going into work—is prior to that they were getting all their council tax and their housing benefit paid, so they may have been poor and they may have had little money, but they had a roof over their head and their council tax was getting paid, all but their water rates, when they move into work and they have got to then start paying rent and if they are having difficulty managing because they are not getting housing benefit, then they will use that money and not pay the rent. That is what will happen because they will need that money that week for a pair of shoes for the wee one or whatever and the same with the council tax.

Q712 Mr Davidson: This comes back to the point about whether or not people are better off in work than not, does it not?
Ms Gaffney: Yes, it comes back to that point, and basically what you are then seeing are people six months, maybe a year down the line where their rent has increased considerably. I am saying that as a CAB, but I also talk to housing associations and whatever and many of the staff are saying the same thing. What they are saying is when people go into work that is when they are having problems with collecting rent.

Ms McPhee: Only one in four of our debt clients have council tax debts, so three in four do not, which means they are paying it because it is a priority debt by the CAB service. One of the other things we were talking about before we came into this room was sometimes it is about councils' processes for collecting debt which, again, masks the true debt. For example, Glasgow Council and some of the other councils are pushing sequestration proceedings against people, so people are panicking and then taking out consumer loans to pay off the council tax debts to avoid them.

Ms Gaffney: It is not just Glasgow City Council, there are a number of councils and it is another concern, particularly if they are homeowners because they are immediately going for sequestration as opposed to any form of diligence, and if the person is sequestrated they will lose their home. That is increasing and increasing all the time. That is another worry. What many of the people are doing is then trying to get a loan to pay it off and it would be a considerable amount of money, so that is pushing them further into debt. Yes, the council tax will get paid off if they get that loan, but you can be assured that the next year when they are trying to pay off the loan they will not be paying their current council tax, so it is a vicious circle, a pointless exercise. For some people who cannot get the loan—and I had one of my staff along yesterday morning at the court and five people in front of her case were sequestrated, that is five people, a woman with three children who could well lose their home—it does not work anyway.

Q713 Mr MacNeil: Up until now we have talked obviously a lot about debt and I want to pursue that further. I would like ideas and suggestions from you. Some of them might not be the most obvious to us, but it might be that councils be less aggressive when it comes to debts and not going for sequestration, it might be limits or capping of interest rates. I would like from the five of you, your own top three suggestions of steps which could be taken to reduce indebtedness and other problems which, therefore, would put an end to poverty. The reason I ask is you are working at the coalface and you are seeing this more than we are. If you could change the current set up, what would be your favourite three at the moment?

Mr Dailly: The first thing is we need to regulate default charges in the UK. When I say default charges, I mean any sort of penalty type or a charge for a letter or that type of thing because it is not just the banks that are doing that, every company in the UK, more or less, has this policy of squeezing extra money out of you by this default charge approach.

Q714 Mr MacNeil: Could I write back to a bank that was doing that and charge them for the letter I was sending them!

Mr Dailly: You could try it, but I do not think they would pay because, again, the problem is they have that written into your terms and conditions and, remember, you are a consumer, so if you do not like that, then you could go somewhere else, so goes the theory. You go to another bank and they have got the same terms and conditions, that is the way it works. I think we need legislation. I know the OFT is obviously doing work here and there is a report due out at the end of this year for banks but, as I say, it is not just banks, every company is using default charges to rip people off. I think legislation in the House of Commons would be one way to solve that. The second thing is because about 70 per cent of all householders in the UK are homeowners, I think we need to look at the exploitation of homeowners. My concern is that when people get taken to court in Scotland for mortgage arrears, typically if they have got arrears of £600 to £1,400, there is a clause which is applied into your mortgage by law which allows the bank to recover every single legal expense. I typically see people getting hit with £2,000 of legal bills but they have got a mortgage of just £1,200. That is just incredible; I say that as a solicitor. It is absolutely incredible that people are able to make that kind of money because there are huge profits in that, so we need to do something about that. Again, that would require the House of Commons to do something about that. The third thing, if I may say, is I think we need to roll out some sort of state sponsored mortgage insurance scheme. I am the UK legal adviser to SHOP, that is the Sustainable Home Owner Partnership, which is a UK-wide project funded by the Joseph Rowntree Foundation**.** We have an advisory group which involves the Treasury Department, the DWP, various banks and so on and so forth. There is a report coming out very soon and the idea is, knowing that interest rates are on the rise, do we want to see what happened in the late 1980s, early 1990s when interest rates went into double figures and basically people across the whole of the country were forced into repossession, and I say we do not want to see that, let us plan against that happening. We know interest rates are bound to go up because that is the nature of the global economy, so let us think about having some sort of state sponsored mortgage insurance type scheme which covers you if you get ill, covers you in certain events and would mean that if we had an economic downtown, I hope that never happens, if that happened on a mass scale we would be prepared in the UK for that.

Ms McPhee: I can think of two things which would address debt issues. One is devolved to the Scottish Executive and it is to do with composition of debts. We have a debt arrangement scheme in Scotland, it has been operating for two years now, and on 30 June it will change to allow for the freezing of interest. What it still does not do is allow a composition of debts and we have argued right from the word go how that would still exclude our clients. Without allowing debts to be reduced, people will still not have sufficient income to pay off these debts. If you have a composition of debts combined with a freezing of interest, I think that would impact right across the board. It would make lenders think more carefully in terms of how they lend money, I think it would affect irresponsibility in lending because it would have restricted the amount of money to be paid back. It would also protect people from the

harsh consequences of sequestration and would give them a fresh start. I think that would be a key thing. The other thing is the social fund. The social fund should be reformed. I think it should be expanded out to people on low incomes because it is interest free. It is one of the key solutions, it is just that it does not reach far enough and it needs to be overhauled. These are the two key things which would address debt issues.

Q715 Mr Davidson: Can I clarify that. Basically the problem with the social fund is there is not enough of it?
Ms McPhee: There is not enough of it and not everyone can access it. Some of the things that happen when you are in it are it does not give you enough money or asks you to repay over too short a period of time.

Q716 Mr Davidson: That is partly because there is not enough money in it, is it not, because it is a revolving fund?
Ms McPhee: Yes, it is.
Ms Gaffney: I will go back to the one which I have been going on about. I do believe that we need to address the issue of poverty and that work takes people out of poverty in earning a decent wage. While we welcome the minimum wage, I think that has got to be looked at and increased.

Q717 Mr Davidson: To what level? Does the CAB have a line on what the minimum wage should be?
Ms Gaffney: No, the CAB does not have a line on what the minimum wage should be.

Q718 Mr Davidson: Do you then?
Ms Gaffney: I would say that people should have £7 and over £7 as a minimum wage, but in line with that, while I welcome Working Tax Credit and Child Tax Credit, which has benefited many people through the poorest sections of society who are on social housing, it is taken as income and affects their housing benefit and I would like that to be addressed so that those poorest sections of society can also benefit from Working Tax Credit in the way that others can.
Mr Patton: Two things, again, Chairman, and these are personal reflections rather than the policy of the Scottish Credit Union movement. One is maybe egotistical or esoteric. I would like to see increased funding of education. Mike talked earlier about the culture of debt. We have a target that 50 per cent of our young people should now go into higher education, when most of us in this room, those of us who are involved in higher education, maybe with the exception of Mr MacNeill, but those of us of an age who went through higher education, did not have to rely on our parents or the banks or student loans to pay our way through higher education, indeed most of the Cabinet probably benefited from that, including the Chancellor. Education is a devolved issue but, at the end of the day, the funding for education comes from Westminster, and we are creating a culture that it is satisfactory to borrow money to pay for your education, albeit that student loans are at a very low rate of interest, I appreciate that, but not all of the student debt is met by student loans. A lot of them become involved with banks and other credit agencies and they carry that with them into adult life, so the pattern is set that borrowing is an acceptable norm. It is axiomatic certainly when one hears politicians speak that all graduates earn more in their lifetime than the rest of the population, that may well be true, but I know a considerable number of graduates, and I only have to look at my own family for examples, who are not earning a very high wage post graduation. I have a daughter who is doing a PhD at the moment and is earning less than £35,000 per year on her third degree and after 12 years in higher education. I give that as an example. I think we have to look at the funding of education and try to decrease this dependency on debt, which 50 per cent of the educated people are bringing with them into society and a dependency on the banks for loans and all of the evils which have been spoken about by other members of the panel. The second thing I would say is there has to be a heightened awareness from Home Credit people. Susan talked about people who are happy because they are only paying £8.50 a week, but they do not really appreciate that when they are paying £8.50 a week they should really only be paying £4 for the money they are borrowing if it is a reasonable rate of interest they are paying. I think it should be incumbent upon credit providers to state clearly how much this loan is going to cost them and how much of that is in interest charges, just in the way of other lending agencies. When a person borrows from a credit union there is truth in lending. We are ethical lenders, as Chris has said. They know at the beginning when they borrow the money how much the loan is going to cost them in interest charges, how much they are going to have to repay and what the total repayment will be. Indeed, if the capacity to repay is not there, then a credit union should not lend that money because lending money to people who cannot afford to repay is not helping them in the least.
Mr Mallon: I agree with what John said. I do like the idea of something to do with a cap of interest rates and I think it is something to be thought about, also, things such as arrangement fees, et cetera, for loans should be brought into the whole calculation. It is always outside the calculation, so it can be a very false figure you are given. Ourselves as credit unions do not have that within it, so it can be met.

Q719 Ms Clark: What we want to move on to is the whole issue of housing, which you have already touched on, and the way that housing costs in particular impact on the poorest and most vulnerable in society, and to what extent they contribute to the debt which people suffer. In particular, one of the things we would like to look at is eviction rates. Do you know how eviction rates in Scotland compare, for example, with the rest of the United Kingdom?
Mr Dailly: I know we have only got limited figures, we have only got statistics for the public sector, and something like 30,000 cases every year in Scotland

are raised by councils and housing associations. We are not sure exactly because nobody is counting the private sector landlords, but, of course, they are more likely to go through to the end with eviction. I spend a lot of my time defending eviction cases and one thing I would say is it seems to me that often when people are taken to court for eviction they have fallen on bad times. They are out of work, for example, or are into benefits for whatever reason, so their income is very small, maybe £50 or £60 a week. They then get taken to court and the difficulty is that in going to court, even when you get the case continued, cases are sisted, frozen, for you to make your payments. In that situation, when the case comes to be dismissed at the end of the line the landlord will seek judicial expenses. Those figures went up in 2002, so, technically, even for a case that does not do very much, just sits in court and then gets dismissed, you are looking at more than £300. Interestingly, Fife Council, where its tenants are repaying rent arrears, will not charge them the court expenses because built into those judicial expenses is a profit. It always strikes me that in, for example, Glasgow, the biggest city in Scotland, which has got the GHA, the Glasgow Housing Association, the biggest landlord in Europe, it does not have a policy which does that. Then you get a situation where you have got somebody who is living on a very small income and they then get these court expenses added. If we are going to say that we have got social landlords, then they should be different from private sector landlords and they should do what Fife Council does.

Q720 Mr Davidson: Can I clarify that. If the court costs are not charged to the person who is in court, are they then falling on the other rent payers? They do not presumably just disappear?
Mr Dailly: You are quite right, they do not just disappear, but I think the point I am making is because these figures are "judicial expenses", then effectively it is based on employing a private lawyer who is going to charge and make a profit and pay for the costs of their overheads and so on and so forth. The reality is a lot of large social landlords have in-house lawyers, so what I am really suggesting to you is the reason that Fife can do it is clearly it is not costing them £300 just to take someone to court. You are absolutely right, I appreciate that somebody has got to pay for it, but because it is not costing that amount, why should you make a profit when people are in that situation, if we are talking about public sector organisations?

Q721 Ms Clark: You say that you have dealt with quite a number of eviction cases, so in your experience, what happens to people who are evicted?
Mr Dailly: In the vast bulk of cases we stop people getting evicted, but there are sometimes cases where it is impossible because people will not stick to the agreed repayment plan and the arrears keep going up, and the sheriff will grant a decree and that is very difficult. What happens to all these people in Scotland? Would you believe it, they end up going from the social rented sector into the private sector. The difficulty with the private rented sector in Scotland is there are two types of private sector: there is the nice private sector which is nice flats that some students might be able to afford, professional people, fair enough; then there is the other private sector which is absolutely abysmal, where people have got rat infestation, dampness, the windows nailed down so they cannot get any ventilation. We see these cases in Govan day-in day-out where the people we are dealing with are effectively blacklisted from getting on to housing association houses, so they are stuck in that sector. There has been some work done on this by the Scottish Executive and I think there is more scope for us to be able to challenge that, but that is what happens to people, ultimately they end up going into pretty grotty private lets.

Q722 Ms Clark: You say this mainly happens to people who do not make their repayment plans. In your experience, do local authorities and housing associations discriminate between people who cannot pay, their circumstances are that they are just not able to pay the reasonable repayment plan or people who just will not, who are not co-operating?
Mr Dailly: Some landlords do and some do not. For example, in Govan you have got some very genuine housing associations. When I say genuine housing associations, I mean they are of a size with a management committee made up of local people, there is that kind of genuine community spirit. For example, there are housing associations in Govan where even when they get a decree, it then goes back to committee for the committee to decide, "Are we really going to make this family homeless?", so people get a lot of opportunities. Then you juxtapose that with the Glasgow Housing Association which really has no community spirit about it at all. I would say to you that since stock transfer in Glasgow things have got significantly worse. The stock transfer process in Glasgow has resulted in increased poverty, not just because more people are being evicted and they do not do that differentiation which you are talking about, but the other thing the Glasgow Housing Association has done is because it is a factor to 28,000 homeowners it has got a policy whereby if you cannot service the debts due to the GHA within a year they are going to take you to court. Their excuse for that is it is a charity law rule, which I would go on the record and say is absolute nonsense. It seems to me that we have organisations getting public funding that are actually causing homelessness and causing misery in this city.

Q723 Chairman: I am bit concerned about that. Obviously Glasgow City Council had a debt of £1.1 billion to central Government and 55 per cent of the rent used to go to pay off some of the debt. That debt has been written off and you are telling me the situation has gone from bad to worse. There must be something wrong somewhere.
Mr Dailly: The GHA has had something like £700 million of public subsidy, it is remarkable, it is probably more than any other registered social housing in the UK, and they are also able to draw up

to £1 billion of private finance. Yet I would say to you, here in Govan, if you look over to Ibrox Stadium where there are lots of multi-storey properties, I have got clients living in there whose children are wheezing and are literally exposed to asthma attacks because they have got such problems with dampness. The Glasgow Housing Association has left those people in those intolerable conditions since they took over in 2003. The Council had an excuse because the Council, as you rightly say, Chairman, had no money and all this money was going to service historic debt, that does not happen anymore. Why do we have people living in misery in this city? It is thousands of people, literally it is a scandal.

Q724 Mr MacNeil: Is that not the culture of the GHA? Is there not something wrong with the management of the GHA that was not there when it was the council?
Mr Dailly: With the Council, at least if you were not happy there was a democratic institution whereby you could change it via electing a different councillor. That was something which was good and wholesome. With the GHA, you are quite right, the problem we have got is the managing structure is such that the Chief Executive has now left. His only accomplishment in the last three years was to double his salary to £200,000 and he has since left to go to Australia.

Q725 Mr MacNeil: Are you saying that the GHA and Glasgow housing should be taken over again by the council?
Mr Dailly: Yes, I am sympathetic to that, absolutely, but it is like saying, "Can we nationalise all the industries again?" Financially it is probably not possible, but I would like it in an ideal world. For the GHA, the Scottish Executive has got powers under the Housing (Scotland) Act 2001 to put statutory appointees on the board. One of the things I would like to see is an amendment to the Freedom of Information Act in Scotland which could be done by a statutory instrument so that the GHA are added on to it, so we can then do FOI on the GHA so that we can really hold them to account. I sincerely say to you, and as the Chairman has said, they have had all this money, yet why are things worse? It is incredible.

Q726 Mr MacNeil: You are saying that the money given to the GHA has been mis-spent public money and they should have maybe written the debt off, end of story?
Mr Dailly: Absolutely. I think it has been mis-management on a grand scale.

Q727 Mr MacNeil: From Government?
Mr Dailly: No, mis-management by the Glasgow Housing Association. It could have worked, I suppose, if you had got the right people running the show, but it has not worked.

Q728 Mr Davidson: In your memo, Mike, you suggest that housing benefit forms could be going back via job centres. This whole idea of a one-stop-shop for benefits advice, combining the two, all of it, how much mileage is there in that, and what stops that being done at the moment? I would be interested to hear from CAB as well whether or not you think a one-stop-shop approach would make much of a difference to the real difficulties which people face.
Mr Dailly: Very quickly, in terms of what I have said, I do not think we need to go so far as having the council services put into the same office as the DWP, that is possible, of course. I think there is an easier solution, that is when somebody goes in to claim, they get a pack from the job centre and in that pack there is a housing benefit form, but the job centre are not interested in you filling that in because that is not their concern and that results in what happens which is people really want to get the benefit because they need something to live on. They fill in the form they need to fill in, they go away with the housing benefit form, typically, not thinking that they need to fill it in, until they then get taken to court for rent arrears and we then have to do backdated claims and this, that and the other, and that can be difficult. An easy solution would be for the job centre and the DWP to then say to people, "Fill in this housing benefit form which is in your pack and give it to us and we will send it to the council". I think that would stop a lot of people getting into rent arrears in a way that we could easily tackle from a small adjustment.

Q729 Mr Davidson: If this is so easy why has it not been done then?
Mr Dailly: A lot of things are easy in life that are never done.

Q730 Mr Davidson: Why is this particular easy idea not being done? Has it been raised with the DWP?
Mr Dailly: I do not move in those circles.

Q731 Mr Davidson: It is a fair point, if they have not been asked to do it, then it is unrealistic to attack them for not having done it.
Mr Dailly: I did not say I was attacking them.

Q732 Mr Davidson: Noising them up then.
Mr Dailly: Not even that, it is just a helpful suggestion. I think the problem in the UK is we do not have joined-up departments, we do not. If I put this to the DWP I doubt it would get high enough up the line for anybody to take notice of it. I think this Committee is in an ideal position to deal with that.

Q733 Mr Davidson: I am sure the Chairman can manage all that. Is this the view of CAB as well that this is an issue or have you not come across it yet?
Ms Gaffney: It is not as much of an issue certainly in Easterhouse as Mike has obviously found it, but I would agree that if you can have it all filled in in the one place, the DWP or otherwise, that is going to be helpful. In terms of housing benefit, our difficulties with housing benefit is more in terms of when the

housing benefit asks the claimant for more information, sometimes that information does not come back to them and they close the case.

Q734 Mr Davidson: Sorry, what certain information do they ask for?
Ms Gaffney: That might be about income, any information which they feel they require to make a decision on a benefit claim. Sometimes from the client's point of view, maybe they think they have sent it in or they think they have given it to them, whatever, and they have not and the housing benefit will close the case. What they should do is write to the person and say they have made a decision on the case which is a nil decision and they can appeal that. If they just close the case and do not do that, then it just rolls on for more and more rent arrears for the individual. It is more issues like that which we are dealing with rather than people forgetting to claim.

Q735 Mr Davidson: Has CAB raised this as a policy, again, with housing providers or with presumably COSLA, sorry, it would not be COSLA now, would it, it would be the Scottish Administration since it would be all housing associations and so on. Has this been raised with them?
Ms Gaffney: We have certainly raised it with the housing benefit section in terms of them making decisions.

Q736 Mr Davidson: What has the response been?
Ms Gaffney: I think it is about individual members of staff and they know that is exactly what they are supposed to do and sometimes it falls down. They are ongoing discussions that we are having with the housing benefit section. Sometimes it works for a while and sometimes it does not.

Q737 Mr Davidson: Can I ask about property factors, the way in which they operate in Scotland. Is this a matter of changing the contractual relationship between factors and their customers or changing property deeds? I think this is mainly from the submission you have given us.
Mr Dailly: Yes. If we are looking at private sector factors, something like a third of all households in Scotland may well need a factor because that is the proportion of tenements. In all of the big cities where we have got a lot of tenements, like Glasgow, Aberdeen and Edinburgh, you do need a factor and typically that is a private company. The difficulty there is these companies are by and large unregulated. If you go down to the Debtors Court or Glasgow Sheriff Court you will see these guys, they are the ones who are basically suing people at a rate of knots who are their own customers. What they do as well, just to give an example, you have a debt of £50 due to the factor, your management fees are maybe £8 to £10 a month, what they will do for you is get the close cleaned, get the grass cut in the garden, that kind of thing, and they charge on top of that a management fee of, say, £10. A lot of them have a scam going on whereby when you are due to pay that bill, if you do not pay it instantly they start sending you letters, and they have written into their terms and conditions a clause which says, "We can send you a letter every five days". I have got cases where people from all over Glasgow have got £1,000 or £2,000 of debt and the bulk of that debt, believe it or not, is from these letters, which work out at £7.50 when you add on the VAT. Because these private factor companies are unregulated, over the years they have been in a position where they have been able to operate this scam. I know it is of great concern to Glasgow City Council's Trading Standards Department because we speak to each other on this.

Q738 Mr Davidson: Is this a Westminster issue or is this a Scottish Administration issue?
Mr Dailly: It is a Scottish Administration issue. Interestingly enough, I have worked to draw up a Bill proposal for Gordon Jackson, which obviously the consultation is still going on for, so hopefully another MSP can pick that up in the Scottish Parliament because anybody could just say, "We will take that proposal forward". The idea of that Bill was to have a property factors register so that we could then have minimum standards.

Q739 Mr Davidson: To be fair, while I think it is helpful for us to be aware of that, it is not directly an issue for us as a Westminster Committee and, again, we note the disappointment that in the six weeks it has not been resolved yet! The next point I have got to raise with you, again the question of the Govan Law Centre, is the issue about the Glasgow Housing Association not accepting payments spread over 12 months. I understand that set of issues but, again, is that an issue for us or is that an issue for the Scottish Administration which it has not dealt with?
Mr Dailly: Interestingly enough, I was quite concerned to hear from the Glasgow Save our Homes Campaign Group, I think Nicola Sturgeon MSP was saying there was nothing which could be done about this and I was quite concerned about that. The GHA's policy is this thing that if you cannot pay a bill within 12 months then you have got to borrow the money. With a lot of these bills we are talking about a lot of people who are pensioners.

Q740 Mr Davidson: I understand the issue, and I also understand that a lot of the pensioners have not bought the houses at all, it is their sons and daughters who have bought them in order to have a capital gain when their relative pops off, I understand that, fine. I am not entirely sympathetic to the idea that then having bought the house they should be able to avoid paying for their share of repairs, but this question of the policy on 12 months, is that a Westminster issue or is that a Scottish Administration issue?
Mr Dailly: That is a devolved issue. It could be tackled very easily. The Scottish Executive has the powers because, remember, they are the regulators of Community Scotland and Community Scotland are the charity regulator for housing associations and the GHA is a housing association, yet I have been on their case trying to get this sorted.

Q741 Mr Davidson: This has not been done!
Mr Dailly: I think this is a huge issue for Glasgow. I am not saying for a second that people should not pay these bills, they should, you have got to pay your bills, but the difficulty is if you are a pensioner and you get a £5,000 bill and you are living on a state pension, to be told that you have got to pay it within 12 months or we are going to take you to court—

Q742 Mr Davidson: I understand that, but let us be realistic, most of the people living on a state pension have not bought their houses themselves, it has been bought for them by relatives.
Mr Dailly: The thing is if you are on a state pension—and in 1980 the Tories introduced the right to buy—I see people who have exercised the right to buy and it has resulted in them paying a mortgage of just £100**.** You cannot blame people for exercising their right to buy because it is like giving somebody a bag of gold.

Q743 Mr Davidson: I completely understand that, but the point I am making is in the vast majority of cases, in my experience, where pensioners have become the owners of these houses it has been the sons and daughters who have paid it for them in the expectation of a capital gain and it is, therefore, unfair upon others to argue that in those circumstances either the debt should be written off or they should be given enormously advantageous terms which would obviously fall to be paid for by somebody else.
Mr Dailly: With respect, if I may say so, that is an absolute myth and I will tell you why. In the factoring deed for the whole of Glasgow, which the district council back in the day introduced, there is a ten per cent interest charge built into it. Say, for example, I get a £5,000 bill as a pensioner, and I take your point about sons and daughters and things like that, that is a fair point, but, nevertheless, if I am saying, "Can you not give me three years or five years to pay it back?", the GHA is making ten per cent interest. Nobody is being subsidised, that ten per cent interest is above the bank base rate.

Q744 Mr Davidson: Why are they so keen to collect the money right away then?
Mr Dailly: Because they do not have the heart or the soul of a genuine housing association. They are not really a housing association. Legally they are, but in every other sense of the word they are not.

Q745 Mr Davidson: I would be interested to know whether or not they rely on the money. Presumably they want to pull it in in order to rotate it, to revolve it in order to do other projects, because if they have got a whole chunk of money lying about and it is not coming back in then does that hold up other projects? I am just thinking of what the rationale for this could be.
Mr Dailly: I can see that point. The difficulty is that the GHA have been making big multi-million pound surpluses because, as the Chairman said, whereas the council have to pay 55 per cent in the pound in rent to the Treasury, that has now gone. They have actually returned a surplus, so they have had £700 million of taxpayers' money and they can draw down £1 billion, yet they are intent on putting people into a state of physical alarm by taking them to court just because they are not prepared to give them two to three years to pay back the debt.

Q746 Chairman: I think all of us accept that high-class money lenders, legal or illegal, are a part of the problem and not a part of the solution, so there might be some help from credit unions. What type of things are credit union loans used for? Are they used to pay off other debts, thereby moving poor people on to more favourable repayment terms? Are credit unions any use to those for whom saving is an unaffordable luxury?
Mr Patton: That depends, Chairman—and Chris will obviously have ideas on this—on the size of the credit union, how long the credit union has been in business, the number of members it has and the amount of money it has for lending. The bulk of credit union loans are small loans which are used mainly for household purposes, but that can have a wide range of causes. A holiday, for example, at this time of the year would be seen by a credit union, if the person is in a position to repay the loan, as being quite reasonable, for a family to borrow the money for their summer holiday from the credit union and repay it within a year. Credit committees who do the lending in credit union I would think for the most part would make that stipulation because it obviously makes sense if it is going to be an annual holiday that it is a 12 month loan. The credit union would say to them, "Go and find the best deal you can from the holiday provider". It covers a huge range. There is some consolidation of debt and that depends on a whole lot of things. On occasions we have consulted with Citizens Advice Bureaux or Money Advice Scotland as to whether it is in the best interest of the member, because credit union is concerned with the best interest of the member, not on making money for the credit union, but what serves the member best, whether it is in the best interest of the member to take a consolidated loan, and it obviously depends on the amount of debt that there is. It also depends totally, of course, on the member being open and transparent with the credit committee and admitting to what exactly their financial situation is. If a credit union is to advance money to pay off loans, particularly if there are going to be charges in paying off debt, it may not be a good idea to borrow from the credit union, it may well be better to pay off the original creditor. A lot of loans are used for household purposes, the kind of thing which Susan mentioned, when a cooker goes, when a washing machine breaks down, it can be borrowed from the credit union. The money from a credit union is at one per cent per month, that is an aggregate of 12.6% APR, so £100 borrowed from a credit union repaid in a year will cost the borrower just over £6 in interest, a total repayment of £106 as opposed to going to Home Credit. I came across a young woman six years ago who had borrowed money for school uniforms, a household necessity, £100. She had repaid it and a year later she still owed

the Home Credit company £40 interest on that. Had she borrowed it from the credit union that £100 would have cost her £6. The list of things which credit union lends money for is almost as long as this meeting has been; it is a long, long list! One of the things we are wary of is advancing money for weddings. They are happy enough, for example, to lend money to a mother and father to finance a wedding, but they have some concerns about financing a prospective bride and groom because there is a feeling in the credit union that is not a wise loan to take on, a lot of debt at the beginning of a marriage.

Q747 Chairman: If we compare the Credit Union movement with other parts of the United Kingdom, would you say that proportionally we are stronger and more advanced in Scotland or weaker?

Mr Patton: I think at the moment Northern Ireland is still part of the United Kingdom, so if we compare it with Northern Ireland, no, it would not compare strongly. As I said at the beginning, I began life as a credit union director in Derry Credit Union in 1965. Derry Credit Union was established in 1960 with assets of £8; it now has assets of £100 million, 25,000 members and over the 40 years of its existence it has lent something in the region of a quarter of a billion pounds in an area of high deprivation and high unemployment, but an area where there obviously has been a great respect and an awareness of what credit union can do to enhance lives and raise esteem. That is the important thing about credit union, and it is a point I would like to make to this Committee, it is not just about lending money, credit union has got great implications for individuals, for families and for communities because debt, as Mike and the others here and Susan know, really lowers self-esteem and decreases confidence. As an educationalist I know that confidence is a prerequisite to learning. The credit union, while it allows people to become in charge of their finances in the family, raises the self-esteem of that family, raises the self-esteem of the children, opens up opportunities for them to learn and advance in the community and that is a ripple in a pond which spills out across the whole of the community. John Hume, the Nobel Prize winner, spoke here in Glasgow University a couple of years ago and he said he did not attribute the Celtic Tiger solely to the impact of credit union, but he said it could not be distanced, that part of the confidence which has affected the Republic of Ireland in particular, as the fastest growing economy over the last ten years in Europe, has come from the confidence instilled in people which they garnered from the Credit Union movement. If you compare the Credit Union movement with what Northern Ireland Unionists like to refer to as "mainland Britain", in Scotland it is proportionately stronger than in England and in Wales and that is an historical fact. The reasons for it, I am not certain, quite possibly the connection with Ireland is a factor, but Chris may have ideas on why it is stronger in Scotland.

Mr Mallon: I would not say it is stronger. The Strathclyde area, this Glasgow area is very much in Scotland somewhere that is there for credit unions. You go outside of that, you go up sometimes to the Highlands, the Islands, Shetland, et cetera, credit unions have been tried, there have been feasibility studies et cetera done, but the cost has prohibited the establishment of that. Recently the Western Isles have launched a credit union but there is a lot of money going to be going into that to support that. Within Glasgow, yes, credit union is strong, but once you go outside there it is not a story of in Scotland everybody having access to a credit union because a lot of Scotland does not have access to a credit union.

Q748 Mr Davidson: That is partly because a long time ago the Strathclyde region was promoting credit unions, was it not?

Mr Mallon: That was very much the case, very much so, yes. Glasgow still very much promotes credit unions. Glasgow still has a strategy group for credit unions and Glasgow still has a strategy which has been put together by credit unions, et cetera, through that.

Q749 Mr Davidson: I apologise for the length of the meeting. Everybody recognises that credit unions by and large are a good thing, and I know that the Government in Westminster have done a great deal to try and help, are there any particular outstanding issues where there have been requests or demands you have made which you think would boost the service that have not been granted, or is it simply a question of practicalities which are holding you back?

Mr Patton: Ed Balls has indicated that he proposes to amend the legislation for the co-operative movement in general and the existing 1979 Credit Union Act will be part of that. There are obviously parts of that instrument which have held credit union back. Through regulation the FSA has been able to increase the amount which people can borrow and the length of time they can borrow from, but for a period of time we have not been on a level playing field, to use the cliché, with other lenders and that would certainly be welcome, if those changes could be expedited and if we could now get the consultation which we have been promised.

Q750 Chairman: Can you drop us a brief note about these changes which you look for and we will be happy to look into it, and probably make recommendations.

Mr Patton: We would be happy to submit those to the Committee, yes.[6]

Q751 Mr Davidson: All of that is being addressed though, is it not? I want to be clear whether or not there is anything else which is major that is outstanding and there is not, is that right?

[6] See Ev 382

Mr Patton: There are things which the Treasury has done that some of us in Scotland have taken exception to. Last year the Treasury decided that credit unions could increase their interest rates to two per cent per month. The credit unions certainly that I represent unanimously rejected that. They felt it was not in the egalitarian principles of credit union. We felt that with the Chancellor in particular, and he was involved in this because he was contacted by a number of people personally on this issue, there was a failure to understand the nature of the Credit Union movement. Decisions about policy within the Credit Union movement should be made by the credit union people because it is a self-governed, self-managed, self-owned co-operative organisation. However, the Treasury went ahead with this, and I felt that was probably one of the most damaging things which has happened to credit union in the last ten years. Certainly when I spoke to credit union people in Ireland they were aghast at the idea that credit union should be increasing its interest rates when across the world, particularly in Ireland, because of the euro they are decreasing interest rates. Indeed, what the Treasury was saying was more risky loans could be made, which is against the whole ethos of credit union, because it is not my money I am lending, it is your money, it is the people of credit unions' money. Ethical lending depends on the fact that there should be a capacity to repay, so you do not take chances with other people's money, nor are you helping people if you take chances. Indeed, to charge them two per cent we felt is exactly the point which Mike made earlier, the most vulnerable in credit union, the poorest in credit union will be paying the highest interest rates. It would not be egalitarian because some people would be paying one per cent and others would be paying two per cent. Maybe the same members of a family in a credit union, one brother could be paying one per cent and his other brother, who was considered a greater risk because he had a big student loan, could be paying two per cent. That has been damaging.

Q752 Mr MacNeil: Where credit unions are strong—you have cited the Republic of Ireland, Northern Ireland and Scotland—are the strengths of companies like Provident lesser in Dublin and Derry than that in Glasgow?

Mr Patton: Mr MacNeill, I have not got empirical evidence on that, to be frank, but I would assume in a place like Derry where there are 47,000 credit union members out of a population of just under 100,000 that most people are fairly savvy, including Scots are fairly savvy, and if they know that paying Provident is going to cost them four, five, six times the amount than it costs in credit union, then the credit union is the obvious place for them to do their borrowing and lending. To this Committee I would like to emphasise that credit unions are not about lending money, by the way, they are savings organisations and principally they are thrift organisations. In Scotland, in particular, we are trying to renew the image which Mike presented of the Scots who saved up for something before they borrowed.

Q753 Mr MacNeil: While credit unions are strong, you would say they have less of a problem with debt? Could you say that on the basis of empirical evidence?

Mr Patton: There will always be some people in communities, no matter where it is, who because of circumstances outwith their control will find themselves in extreme debt.

Q754 Mr MacNeil: Can you identify a general trend in a community?

Mr Patton: I would certainly say that for most working-class people in Northern Ireland credit union would be a generic term for them, in the same way that we use banks as a generic term. Credit unions would be their first port of call. Indeed, it is not just working-class people who join them but, as I said earlier in my first submission, it is a cross-community thing. People, MPs and others on high salaries, regard it as quite a noble thing to put their money at the disposal of others to borrow and, indeed, for a credit union that is successful and paying an interest rate on savings it is quite an attractive savings proposition.

Mr Mallon: Credit unions are not all the same, there are some with a very small number of assets, maybe £100,000, and you have got some with £30 million in assets, so what you expect in the common bond from one cannot be replicated always in the same common bond by another. You will get the Provident living side-by-side sometimes with the credit union. You will sometimes get a credit union member also taking a loan from the Provident. It does happen with it. I am sure when they come along to you they will not just have loans from the credit union but there will be other lenders there with it. It is making sure the credit union becomes an accessible lender. We are brilliant and our philosophy and ethics are great, but we have to be accessible to people. I think sometimes one of the reasons people will take from something like the Provident is it is accessible. They come around to you, they visit you, they build up a relationship, in general we do not do that. We are more "There, you come to us" and we will try and deal with you in that way. With credit unions, it is not just that, it is not like a yellow box, there are very, very many different sizes of them, different types of services which are provided, different sorts of products. With some of the larger credit unions their interest rates will be less than some others. Some will pay a higher dividend on savings than others, so it is not just as simple as saying, "A credit union provides this or provides that".

Q755 Chairman: Community Development Financial Institutions arose because of the criticism about coverage and scale levelled at credit unions. How have credit unions responded to the criticism levelled at them? What do you think the role of Community Interest Companies should be?

Mr Mallon: I think one of the problems for credit unions at the start was a lot of CDFIs were to do with business, which is not an area for credit unions to lend into, then they went into personal lending and came into that. One of the best ways of looking at the criticism, in Scotland we have not really had the CDFI sort of scenario until recently, so to comment on that one would be unfair at the moment because it has not come through. Some of the evidence coming through from the English side of it has been, for example, in Portsmouth £5 million has been invested into it and half a million pounds has been lent out in loans through the CDFI. That does not make a good figure when you think some credit unions start with nothing other than volunteers' work and yet have turned into organisations which can lend out half a million pound loans. As an investment of money, I do not think that stacks up. Also, a credit union in the Midlands has shown a great way of dealing with the criticism. It has had the CDFI business from Sandwell transferred to it because it was going out of business. That is a good way for the credit union to show how it worked. On the Scottish side, we do not have much evidence at the moment to give a Scottish angle to that.

Mr Patton: I have very little experience of CDFIs. My attitude is an ambivalent one; they are there to service business. I am not quite certain why they have arrived. I see credit unions as a totally different animal. I would like to see credit unions totally dependent on their own resources. I mentioned John Hume speaking here in Glasgow and he was asked a question about the closeness between government and credit unions and he felt it was one of the things which maybe helped to smother the Credit Union movement to some extent in Britain in that he called it, and I quote, " . . . a dangerous proximity to the whims of government . . . ". Mr Davidson has referred several times to a change of administration here in Scotland. Credit union is apolitical; we are not allied to any political party. CDFIs seem to be greatly dependent, as far as I can gather, on public financing. I would like to see credit unions standing on their own two feet, supported by the members, owned exclusively by the members, and totally independent of government, both national and local.

Q756 Chairman: How is the community based approach reconciled with the need for scale which brings stable, sustainable and efficient operations?

Mr Patton: Derry Credit Union is a community credit union, I should say, but here in Scotland I think there are examples of community credit unions. Indeed, Dalmuir Credit Union is one of the largest credit unions in Scotland and is totally a community credit union. You asked me how does it become sustainable, it does it by attracting the trust of members, by returning that trust, by building on that trust, by showing that it can deliver a service and, remember, the best advocate for credit union is the happy satisfied member. They are our best marketing device, and positive support obviously from our friends in the media where credit union is seen not as an outreach of the social fund or attached to a social work department, but is seen as a community banking service which is there to support the needs of individuals in that community.

Mr Mallon: We have got a lot of community credit unions that have done things with mergers, transfers of engagements, which is your transfer of business, expansion of common bonds to make their own organisation more viable, because when they were first set up the common bonds were very restrictive. Now under the FSA there is an idea that you can expand these common bonds, bring more membership in and hopefully through that extra membership you will get more footfall and you will be able to build up the business of a self-sustainable credit union. It is difficult for some community credit unions if they are poorly financed and are dependent on volunteers because you are asking a lot of volunteers to provide financial services which other people are paid good wages for on a weekly basis, these people are providing it for nothing, but they still do it and the community is very successful. If you can get a community credit union with 800 members, for example Yoker has got £600,000 in assets, it is putting out £500,000 in loans, it has one member of staff who they pay for themselves, they have bought their own premises, which was a bank, that is a community credit union. It works in a very tight area and is very successful. It has taken about ten to 15 years to do that, but it is successful in that area.

Q757 Mr Davidson: Can I follow up on the point about the credit unions. As member of the Co-op, I know that the Co-op, both party and movement, have provided tremendous support to yourselves in terms of the easing of passage through things. I was not entirely in favour of what the Chancellor had said about the two per cent until I heard your denunciation of it. One of the things which strikes me is credit unions are in danger, are they not, of being a bit picky in the sense that they are only taking on people who are really of very low risk? We are also concerned with those who are slightly below that level. We raised this point yesterday when we were meeting the Illegal Money Lending Unit, that people who fall below your standards are then left either to go to the Provident or the Greenwoods people who are charging them quite substantial rates, or if they fall below those they go down the illegal money lending route. Is the Chancellor's line about two per cent for higher risk people an effort to move you a bit more downmarket without then proposing a risk for the money which is put in by other people who are of a higher standard of lender. My worry is you are only catering for a certain group of people who are respectable and are good risks and so on. What do we do about those who are a lot below that? I understand the point about supply, about regulations and lending and so on, but how do we widen your remit?

Mr Mallon: As a credit union trade body, ABCUL did encourage the increase in the interest rate and the reason was, very much as you say, some of our credit unions felt if that was allowed they could lend to people who they normally turned away. Very few of

them have taken that up, if any. Most are below the 12 per cent, which is what we are lending out. Traditionally our lending was a timeshare, it was a shares multiplier, so you had to save £100 with us and then, for example, maybe we would give you a £200 loan. In recent times there has been a move away from that. Maybe you have not saved with us, but you now can get a loan automatically on capacity to repay. Some of the funding coming through has been a compensation funding source so that you can deal with people, where if you have a loss through that lending you can then apply to get compensated for that loss. That was monitored through SGEI. There have been initiatives such as that and they have been coming through. Credit unions have applied for funding to do this and they have been working in that, so changing the normal trend of people. There was a problem in the past, sometimes people could be turned away because a credit union could not lend to them. As John said, it is members' money, you have to take care of that money too, you have to be prudent with that, but that is something which is being worked on at present and has been moved through. Recent funding initiatives have been part of that. SGEI, had a product, for example, it was a savings product, but it did not have to be linked to loans. You had to have a loans product but it did not have to be linked to savings, it was the ability that the person could come in and repay, but you then had a fund which you could apply to to get back the loss on it. If you were a credit union you could go through this funding initiative to do that. Some have, and they have been successful in it, but they have just started to come through that, so to be able to say, "This is working" or "That is not working", it is too early for us to be able to do that. Also, it has not been widely publicised that these loans are guaranteed for a very simple reason. If they are guaranteed, there is a very good chance that people may decide, "It is not a problem if we do not pay it back". That is not good either because you want to sometimes get people into the habit that they can take the loan and pay it back and we do not want them to become another bad debtor, we give them that history of a build-up of credit.

Mr Patton: I would reject the idea that we are selective in recruitment. Credit union is open to everybody. Whether or not they get a loan, of course, is something we have to be selective in and that is about being responsible. If a credit union feels it can salve its conscience by charging two per cent by giving a loan to someone who is already deeply in debt, then that is a matter for that credit union, but personally I would not like to be a part of it. Certainly we are selective about those to whom we lend our members' money because that is what an ethical and principled approach to lending requires of us, that is what helps to prevent debt. We are not in the least selective about whom we admit to credit union within the terms of the regulation. We obviously can only admit to credit union those people who qualify under regulation.

Q758 Mr Davidson: There was a question which we had about the social fund but, unless I am mistaken, we have covered most of that and the social fund problems all flow from the fact there is not enough money in it, do they not, and, therefore, it has to be tighter in the pursuit of that? That is fair, is it?

Ms McPhee: It is not wide enough.

Ms Gaffney: Those who are on incapacity benefit do not have access to the social fund but they are only on a couple of pound more than people who are on income support, so it could be widened. Again, if you are widening it, you are probably going to have to have more money.

Q759 Mr Davidson: That is in the memo which you have sent us in, is it not, on the social fund?

Ms McPhee: I think you need to look at it, yes.

Q760 Mr Davidson: If there is anything else you want to send us about that because, again, since Westminster is clearly our responsibility, we can pick that up about other issues to do with the social fund. I think we have generally understood that because it has come up elsewhere. It is always difficult to say, "What's the bigger problem, this or that?", but we have identified a number of problems: lack of access to affordable credit, poor financial literacy, lack of information about more suitable sources of credit; or poor transparency on the part of lenders. Is there any one of those that spring out as being far worse than the others, or are they all pretty bad?

Ms McPhee: I think what stands out is lack of affordable credit and poor transparency, the two combined are the worst ones.

Q761 Ms Clark: You will be aware that one of the Government's priorities in terms of financial inclusion is to try to increase the number of people who have bank accounts. I know that credit unions started developing banking services in November last year. I just wondered if all you had any comments to make in terms of that experience to date in the short time that credit unions have been involved in banking.

Mr Patton: None of the credit unions which I represent is involved with that policy, but Chris will probably have something to say about that. As I said earlier, I would like to see people coming into credit union who already have bank accounts but who see a role for credit unions as part of their saving habit as well.

Mr Mallon: There are ten credit unions centres with that capacity: three of them are from Scotland, two within Glasgow and one in the Lothians, the larger credit unions. It has been funded very much through those credit unions which have been involved in it and ourselves in ABCUL. It is to produce a current account sort of approach, not with an overdraft, but it will have facilities for direct debit, those sorts of facilities on it, and access through ATM for cash withdrawal using the visa network, which is widely received and is used by the Bank of Scotland et cetera, so it is a very good network. There has been a lot of uptake with the three credit unions: Scotwest, Capital and Glasgow Credit Union, so those are the ones which are pushing it through in Scotland at the moment. As I said, uptake has been good, a lot of

people are using it. The individual cost to the account will be decided by the credit union, but it could be minimal, it could be around pounds per month or something like that as a cost to it. The idea is that for things such as a rejected direct debit, et cetera, the penalties or the costs will be kept to a minimum and that is where the savings will come in. Also, by allowing people access to direct debit, et cetera, facilities for fuel payments, that sort of idea, savings can be made and those savings will come through with it. At the moment, outside those three credit unions, once the pilot is done others will be invited to join. The problem is there is a need for an infrastructure within a credit union to do this and to become part of it, so a credit union which is of a smaller size and dependent on volunteers would find it quite difficult to be involved in it. The cost, and this is an approximate, this is not the price, is around £120,000 for a credit union to get involved. I believe part of the growth fund will have money set aside for credit unions that wish to be involved with that, with maybe up to 50 per cent of costs. As I say, it is in an early period, it is still part of a pilot and once the pilot has gone through it can be rolled out. It is very much a credit union initiative, it is credit unions that are pushing this through using ourselves, ABCUL, as their trade body. As I say, initial uptake has been very, very good.

Q762 Ms Clark: A slightly different issue is access to money in many deprived areas and cash machines. I just wonder what your views are in terms of that whole issue?
Mr Mallon: One example widely publicised last year was the Royal Bank of Scotland and Yoker Credit Union where Yoker Credit Union offered for the cash machine to put in. I think the next cash machine cost something like £1.80 for a withdrawal, so if you have got a tenner in your account, you cannot take it out, it is as simple as that. If you have got £100 in it and you take out £10, that is an 18 per cent cost to take it out, it is expensive. This is a free withdrawal machine so that access is there. I think Royal Bank are now willing to work in conjunction with other credit unions in putting that out there, because it has been trialled there, it has been seen it does work, it is giving benefits to the credit union through new members coming though who would not normally come in through the door but now they are coming in to use the machine and then ask about it. There are issues regarding security, having such access to it, et cetera, but those issues have to be overcome too. We hope through the Banking Services that credit union members will be entitled to have that current account, so, therefore, that should open up, through that network again, all ATM machines for accessibility.

Q763 Ms Clark: Obviously over quite a number of years now banks have been closing down in lots of communities. How big a problem do you think this remains, even though there have been some successful initiatives in getting new machines?
Ms McPhee: I think it is a problem. Last year we did research with Citizens Advice England and Wales on ATMs and charging ATMs and what we found through an online survey was that 25 per cent were use pay-charging cash machines once a week. People on benefits, for instance, who may be only taking out a withdrawal of £10 are paying £1.50 at a time. We found that there were what we call "free ATM deserts", areas of deprivation which simply have no free machines at all. If people want to go to a free ATM they have to get a bus ride, all of which will cost them more money to get there. Some of the banks responded to that research report. The Royal Bank did do something about that but still there are not enough free ATMs as there should be.

Q764 Chairman: You know the problems and misery caused by high classed lenders, whether they are legal or illegal. In your view, what should we be doing to help people so that creditors and banks do not charge very high service charges? Can there be any mechanism, like energy companies have social tariffs within the banks and building societies can introduce social tariffs or is there anything else they should be doing?
Ms McPhee: I think something which would be useful would be what they have in America, which is the Community Reinvestment Act. What it does is it forces banks to disclose the lending practices in local areas so that they have to disclose who they are lending to and what they are lending on. It allows people to then compare banks and compare what is going on in local areas of deprivation. For instance, the Royal Bank, who operate in America, are forced to disclose all of this information but they are not here. I think those would be really useful statistics to allow us to look at what is going on in local areas.

Q765 Chairman: You think naming them and shaming them might help?
Ms McPhee: There is some evidence. The New Economics Foundation have done a research report on this and in their experience, certainly, by naming and shaming them it has an impact and it also allows banks to display good practice and shame the others. It is not always a bad thing, it can show how well you are operating.
Mr Dailly: In parts of America banks then put money into their local community where there are not a lot of services available, so it seems there is a social responsibility, charitable payment. Obviously that could be done in Scotland working with credit unions. I appreciate, from listening to John, that the credit union is quite happy with the way they have built up, but there must be ways to think about delivering that without upsetting the credit unions.

Q766 Chairman: I want to know, and I am sure Committee members would like to know, your words of wisdom. What are the two significant things can the Government do to alleviate poverty?
Mr Mallon: In general, I was thinking more about savings vehicles, make sure they are regulated. At Christmas we had the example of a hamper system where you can lose your savings and those savings

need to be regulated. Ourselves and credit unions, they are regulated and I think there is something going through at the moment to do that. That is very important because if you lose your savings coming up to Christmas and that is what you have put them there for, you are going to be turning around to whoever can lend you the money to make up for that.

Ms Gaffney: Surprisingly, increase the minimum wage and look at the benefit system and how complicated it is and how it impacts in terms of the means testing.

Mr Patton: I think it is an impossible task for the Government to end debt and the dependence upon debt, but it can certainly take steps to regulate the interest charges on debt, by banks, and I know under John McFall there is certainly a lot of work happening in that area. I would like to see some of the private sector Home Credit agencies who operate outwith regulation more regulated. Credit unions are very heavily regulated by the Financial Services Authority, but it certainly seems to me that the Home Credit agencies do not enjoy, if that is the word, that same level of regulation nor is there that same transparency in the lending to consumers.

Ms McPhee: Obviously I agree with John, regulate charges and interest rates and impose penalties. For instance, under the Consumer Credit Act people can apply for alternative dispute resolution to look at unfair practices, if that was opened up to include interest rates and charges that would help with heavy penalties.

Mr Dailly: I think we have got to tackle the fact that there is not a lot of genuine competition in the financial services sector. Recently the European Commission was concerned about the lack of competition between banks. Although they say there is a lot of competition, in actual fact they all have the exact same sorts of practices. If we try and tackle that, and that is certainly a big issue**,** then it could be done by way of state intervention, whether it is through credit unions or other kinds of Community initiatives, I think that could kill two birds with one stone. It could open up competition but also tackle the people who cannot access credit. I think that could be done. The second thing is, as I said to Mr MacNeill earlier, I do think we need to have legislation in the House of Commons dealing with bank charges. I say that because there are judges in London who have said, "We need a test case. This is an intolerable situation. We have got the biggest consumer revolution in the UK ever with people claiming back their bank charges". I am involved in instructing a QC at Hull County Court in July where a judge has issued something like 40 to 60 striking-out orders and we are trying to stop that happening. We have got this complete uncertainty across the UK from the courts as to can people claim back their charges and I think that surely gives a message which is that really it is time for Parliament in London to deal with this issue.

Q767 Mr MacNeil: Chairman, I have got a small personal interest question, or maybe it is wider. The evidence and what you have said this morning and this afternoon has been very useful. How often do you get in the face of politicians? I know you will be busy and you have got jobs to do, but quite a lot of what you have said this morning, you may be dealing with things that politicians have never got around to sorting out, so I would like to know how often you get in the face of politicians, and that is politicians of all parties. Certainly politicians compete between the parties and they could probably serve you a wee bit better than they are?

Mr Dailly: I think you might have picked some of the wrong people because obviously people like myself and Susan do get involved with politicians quite a lot, and I help politicians draft legislation, private Member's bills. I should say for all political parties, the SNP, Liberals, Labour, Socialist, so I have been involved with all of them. I think the only one party I have not helped is the Conservative Party, but I am sure you will forgive me!

Ms McPhee: We have been involved in extensive lobbying, particularly with the Scottish Parliament. We will have debt bills going through the Scottish Parliament and we will be getting involved in all of them.

Mr Patton: In the Scottish Administration certainly there is cross-party support for credit union, I assume that is also reflected in Westminster and that is something I welcome. I am happy to work with any politician of any party who supports the idea of credit union as long as they recognise that the Credit Union movement is an independent co-operative where it determines its own policies.

Ms Gaffney: I work locally with my MSP quite often who has always been very supportive of local issues and the council as well and councillors, we are all working together.

Mr Mallon: I think we find that the access is very open. As John said, we do get a lot of cross-party support for anything which comes through the Scottish Parliament.

Q768 Chairman: Can I thank the witnesses for their attendance this morning. Before I declare the meeting closed, would any of you like to say anything in conclusion, perhaps on an area which we have not covered in our questions?

Mr Dailly: I would like to say it is quite refreshing that the Scottish Affairs Committee has come to Govan today in the heart of the community, so I would like to thank the Committee for coming to Govan today.

Chairman: Thank you very much. I am sure all my Committees members would agree that this was a very, very useful session and your evidence will be very useful to us when we compile our report and make our recommendations to Government. Thank you very much.

Taken before the Scottish Affairs Committee

on Monday 26 November 2007

Members present

Mr Mohammad Sarwar, in the Chair

Mr Ian Davidson
Mr Jim Devine
David Mundell

Memorandum submitted by the Convention of Scottish Local Authorities (COSLA)

COSLA welcomes the Scottish Affairs Committee invitation to provide evidence at their inquiry into Poverty and this paper aims to provide members with an overview of the evidence COSLA proposes to put forward.

Summary of the Main Points

1. The tax credit and benefits systems need to become more flexible and responsive to allow individually-tailored approaches. COSLA advocates more personalised, flexible, locally-agreed and individualised support for everyone seeking and capable of sustainable, accessible, appropriate work.

i. COSLA recommends that local government is resourced to undertake targeted benefit take-up work.

ii. Any replacement for Housing Benefit must take full account of local differences in rent and income levels and must not lead to increased debt levels for tenants.

iii. Financial and social exclusion are increased by closure of key services such as post offices; by limited access to low-cost financial services; by a lack of affordable, flexible childcare in some areas; and by regressive utilities tariffs for low income households.

iv. Climate, rural scarcity and fuel costs exacerbate poverty in rural areas of Scotland.

v. Geographical intensity and generational factors exacerbate poverty in urban areas of Scotland.

vi. Asylum seekers and refugees can be particularly susceptible to poverty and destitution.

Background

2. Scottish Local Government is committed to ensuring social justice and to tackling poverty across Scotland. Across urban, rural and mixed urban-rural Scottish local authorities, a range of strategies and approaches are being implemented within the wider context of Community Planning, for example to:

— address health inequalities;

— address income poverty, financial inclusion and debt;

— tackle unemployment; and

— improve literacy and numeracy skills.

3. It is impossible to define the total cost of Scottish councils' contribution to the reduction of poverty, but it is safe to say that local government contributes a significant proportion of total annual public sector expenditure on services to tackle poverty and disadvantage.

4. Despite concerted efforts by UK, Scottish, local government and our partners, large numbers of people in Scotland continue to experience poverty and social exclusion. Using the UK and Scottish government measure of poverty—households with less than 60% of equivalised median income—Child Poverty Action Group (CPAG) identifies that 980,000 people in Scotland (20% of the population) are living in poverty; and 250,000 children (24% of all children) are living in poverty.

5. Although significant progress has been made in tackling poverty over the past 10 years, in particular amongst children and pensioners, there are still groups of people at risk of poverty in Scotland, including young adults, lone parents, people who are not working, people affected by disability, ethnic minority groups and asylum seekers. An increasing challenge is people with multiple and complex needs who require joint interventions from a range of agencies. While poverty is most prevalent in urban areas of Scotland, CPAG identifies that one in ten of the rural population (100,000 people) are income deprived and large numbers of people are living in poverty in areas with much lower concentrations of poverty than the city of Glasgow which has a disproportionate share of Scotland's poorest neighbourhoods.

6. At a time when Scotland's economy is growing, poverty remains widespread and clearly economic responses alone will not be adequate. Scottish Local Government believes that eradicating poverty requires joined up strategies, policies and approaches at both national and local levels across issues of income; education, training and employment; childcare and caring; health and community wellbeing.

7. This paper focuses in particular on reserved issues and their interface with the work of local authorities and community planning partners in Scotland.

Tax Credits and Benefits

8. The main levers of the tax and benefit system across the UK are reserved to Westminster. While tax credits have undoubtedly lifted a significant number of households out of poverty, Scottish local authorities identify a number of issues related in particular to the administration of tax credits which can impede poverty reduction, including:

- Delays in decisions and awards, particularly in the initial period, which can place parents in a financially vulnerable position.
- Confusion regarding awards which result in over-payments.
- Application forms not being available on-line which leads to delay in completion.
- 16-hour rule which excludes many parents who work fewer hours from accessing in-work benefits.
- A8 nationals' registration problems which delay access to in-work benefits such as tax credits.
- Delays in assessment and payment for asylum seekers who gain status under the "legacy" programme.

9. We therefore suggest a review of the administration of tax credits and scope for local discretion on "rules" and fast-tracking. This would allow more flexible, responsive and personally-tailored approaches and locally-agreed, partnership-led packages of individualised in-work support which include tax credits.

Job Seekers

10. Job Seekers Allowance (JSA) rules can make it difficult for jobseekers to attend vocational skills training as part of their pathway to work. A limited period of training and coursework can be a vital part of the process of preparing the individual with multiple disadvantages for work, for example, by improving employability, habits of work and increased confidence. We therefore suggest consideration of the provision of local discretion to relax these rules where there is clear evidence that the training proposed (over 16 hours and/or two weeks) is part of a managed pathway to work.

11. There are also issues for people currently in receipt of Incapacity Benefit which can impede them from accessing employment. For example, time spent on Incapacity Benefit (IB) or Severe Disablement Allowance (SDA) does not count towards the qualifying period for Council Tax and Housing Benefit "run-ons" (continuing benefits) on entering employment. Therefore, individuals leaving IB for Job Seekers Allowance to pursue their intention to get work (since claiming is an eligibility requirement for some New Deal and other programmes) have to claim JSA for 26 weeks before being eligible for these continuing benefits. These same people would retain eligibility for continuing benefits if they opted to remain on IB/SDA.

12. In replacing Incapacity Benefit with Employment and Support Allowance in 2008, we hope the Government will ensure that flexibility will extend to administrative processes, assessments and "rules" to enable local partnerships to provide appropriately tailored packages of support timeously and effectively and to ensure that interfaces with other benefits do not act to deter people from taking up employment, training, education or volunteering options. Again, we advocate more personalised, flexible, locally-agreed and individualised support for everyone seeking and capable of sustainable, accessible, appropriate work.

Benefit Uptake

13. Local government clearly has a role to play in ensuring that people are kept informed about the benefits that they are eligible to, not least because benefits such as Housing Benefit and Council Tax Benefit are administered by local authorities. Scottish local authorities are proactive in this regard and provide a great deal of information to their residents, whether that is in person at council offices, in print, or on their websites. Similarly, some are also involved in resourcing, co-ordinating and monitoring the work of other advice and rights agencies—for example, Fife Rights Forum is funded by Fife Council with a remit to help to improve the quality of advice services, promote co-operation between agencies and increase community involvement across the sector (http://www.fiferightsforum.org.uk).

14. However, welfare benefits do not always reach their intended recipients. Indeed, a 2005 study by the Department for Work and Pensions (DWP) estimated that around one in five people over 60 did not claim their full entitlement. It is therefore recommended that local government is resourced to undertake locally-appropriate, targeted secondary benefit take-up work and that DWP work with local government and other key stakeholders to improve primary take-up rates, for example through increased automatic triggered payment wherever possible.

Local Housing Allowance

15. The Welfare Reform Bill currently before parliament introduces Local Housing Allowance (LHA) to replace Housing Benefit for low income households renting in the private sector. Local authorities currently administer Housing Benefit and will take over provision of the Local Housing Allowance. This new benefit will generally paid directly to clients rather than their landlords. COSLA has a number of concerns in relation to this forthcoming change.

- This change in benefit has the potential to push more people into poverty and debt through a reduction to their current benefit level.
- The DWP does not have a strong record of resourcing programmes to help unbanked benefits claimants access bank or post office accounts (which they will need to have to receive LHA).
- Blanket rent levels introduced by LHA will potentially lead to inequalities where the level of rent set is not sensitive enough to local differences.

16. The rate of withdrawal of Housing Benefit (known as the taper) as a claimant's income rises above basic Income Support/JSA Levels is very high, a 65 pence reduction in HB for each additional pound of income including that from earnings and working tax credits. This creates a "poverty trap" which acts as a barrier to work with many who take up employment finding that they are little or no better off financially. Indeed many are left worse off once work related overheads such as work clothing and travelling costs are taken into account.

17. The existence of this "poverty trap" was acknowledged yet again as recently as July 2007 in the House of Commons Work and Pensions Committee Report entitled "Benefits Simplification" (paragraphs 156–176).

Financial Inclusion

18. Financial Exclusion is a characteristic of poverty and available statistics tell us that 9% of Scots (450,000 people) still do not have access to a bank account. Scottish Local Government is committed to developing services that provide advice and support services targeted at vulnerable members of the community to help individuals maximise their income and benefits. This is hampered by regressive policies by some utilities companies with regard to tariffs for low income households; by closure of key services such as post offices in fragile and disadvantaged communities; and by limited access to low-cost financial services.

19. Scottish Local Government is also implementing preventative measures in relation to financial inclusion where Education is playing an important role by covering finance and financial issues with young people within the school curriculum, so they are more able to manage their finances, access bank accounts etc.

Closure of Post Offices across Scotland

20. People living in poverty are particularly dependent on their local post office as a place to collect benefits, access money and, as importantly, a place of informal social networking. Accessibility to post office services is therefore a key issue in Scotland where individuals rely on them for essential financial services, given that more post offices in Scotland are located in rural areas because of the way the Scottish population is distributed, compared to other parts of the UK.

21. COSLA therefore has a number of concerns related to the closure of Post Offices and places considerable importance on government's commitment to funding support for the network and the introduction of "outreach" branches.

Fuel Poverty

22. The Scottish House Condition Survey for 2004–05 found that 419,000 households (18.2%) in Scotland live in fuel poverty. However, Communities Scotland also calculated that for every 5% increase in fuel price, a further 30,000 households will become fuel poor. Fuel prices increased by an average of 61% between 2003 and 2006, bringing the actual figure for the number of Scottish households in fuel poverty in 2007 to around 650,000. Older people are particularly at risk of fuel poverty as they have fixed incomes.

23. Statistics from Energy Watch Scotland demonstrate Scotland's unique position in relation to Fuel Poverty:

- Due to the difference in climate, Scotland has a much longer heating season and a household in the north of Scotland can spend 68% more on fuel than in the south of England.
- Scotland has a large number of properties that are off the mains gas grid and which are likely to remain so; some 33% of homes in Scotland have no gas.
- Research from the Scottish Government has shown that the most effective measure for removing a household from fuel poverty is to fit a gas central heating system. However many households are in rural and remote areas where the cost of providing a gas supply would be uneconomic. These areas are then forced to use more expensive fuels to heat and provide power to their homes.

24. Fuel Poverty has particular relevance as an indicator of poverty in rural areas of Scotland due to remoteness, transport difficulties and the cost of fuel. There are issues, however, with how data is collected. For example, in Argyll and Bute 21% of households are estimated to be in fuel poverty on the basis of authority-wide data. However, at small output area scale the figure can rise to 45.9%.

25. Orkney has the second highest level of fuel poverty in Scotland, with 31% of households recorded as living in fuel poverty. Orkney's climate is colder, wetter, and windier so residents face higher fuel bills to achieve an acceptable level of comfort. In addition, fuel poverty in Orkney is related to the age of stock, with 45% of all dwellings being pre-war builds so the energy efficiency of houses is very low. 89% of all properties were identified as having an NHER rating in the 0–5 range (poor to moderate) in comparison with 49% nationally. Of those, 84% are in the private sector.

Employability and Skills

26. Scottish Local Government recognises that the level of poverty amongst working-age adults also needs to be addressed and is currently involved in delivering a range of locally-appropriate interventions across Scotland which aim to tackle unemployment and to increase skills and employability. It is anticipated that the imminent transfer of regeneration and Business Gateway functions from Scottish Enterprise to local government should support greater integration of services to help people to move towards job-readiness and into training and work.

27. At present, current government strategy, with its focus on work as the key route out of poverty, is only partially effective. CPAG identifies that half of children and working age adults living in poverty in Scotland are living in households where an adult works. Low pay is prevalent in Dumfries and Galloway, Clackmannanshire and Moray whereas worklessness is prevalent in West Central Scotland (Glasgow, Inverclyde and West Dunbartonshire).

28. Despite improvements in childcare provision, a lack of affordable, flexible childcare remains a significant barrier to parents trying to move back into education or work.

29. Local authorities across Scotland also raise a number of issues regarding the operation of New Deal and its impact in reducing worklessness. For example, some highlight that the tendering and contracting for major JobCentre Plus (JCP) delivery programmes, such as New Deal, do not offer sufficient scope for responding to local strategies and involving local partners. Assessments of tenders are undertaken nationally with recommendations made to District Managers for their consideration with little local input.

30. In addition, the national design of New Deal sets up some rigid requirements of programme delivery and participation which restrict the capacity of JobCentre Plus staff to offer customers the most effective combination of measures from the full menu of opportunities. Such restrictions make it harder to maximise outcomes within given budget limits. Similarly, other providers sometimes need access to customers' personal data held by JCP but current rules exclude this possibility, even where customers give their consent.

31. It is proposed, therefore, that JobCentre Plus Districts should be able to operate New Deal programmes on a flexible basis within agreed targets and funding, enabling them to offer customers the full range of options in response to their Action Plan rather than solely using age or eligibility criteria. In addition JCP District Officers should be able to manage the overall funding available for customers without specific allocations of resources to each individual (ie using an average cost per head according to category), allowing flexibility to meet targets. It is also recommended that a proportion of JCP programme funds should be designated as a "partner" or "co-decision" fund for allocation by the local partnership, giving JCP the ability to participate as an equal partner in local alignment of funding and procurement to deliver shared employability, employment and anti-poverty outcomes.

Asylum Seekers, Refugees and Migrant Workers

32. There is a recognition that important progress is being made in tackling poverty in Scotland through Scottish local and national and UK Government commitments and policy action. However, in some cases policy appears to be resulting in increased poverty, for example, for asylum seekers.

33. COSLA Strategic Migration Partnership (CSMP) works with many of the key voluntary, statutory and private sector organisations involved in the provision of services to asylum seekers, refugees and new migrants in Scotland.

34. According to Border and Immigration Agency in Scotland, around 20% of new asylum applications currently being processed in Scotland result in leave-to-remain being granted. Failed applicants have a right to appeal and in 2006 22% of appeals were successful.

35. Most Asylum seekers are destitute when they arrive in Scotland, having had to abandon their cash and assets when they fled persecution. Asylum seekers are not able to access mainstream benefits provision, but can apply for accommodation and/or subsistence payments through the Asylum Support system while their case is decided. Asylum Support is administered by Border and Immigration Agency and is set at around two-thirds of the level of income support (currently around £40 for an adult asylum seeker). This means that asylum seekers are living in poverty while their claim is decided.

Refugees

36. People who receive refugee status in Scotland also experience poverty. When a person receives a positive decision they have to move from the accommodation provided by Border and Immigration Agency (although sometimes accommodation is novated). They then face the poverty trap of choosing between expensive furnished accommodation or struggling to furnish a home (bearing in mind that most Scottish people experiencing poverty can rely on long-established family and social networks to support them in this).

37. Refugees can struggle to find employment commensurate with their previous skills and experience. Long periods of economic inactivity while they waited to receive status, problems translating or transferring qualifications and the impossibility of carrying out police checks in their country of origin are significant barriers to finding employment.

38. The quicker decision-making of the new asylum model will make these issues less relevant for new asylum applicants. However, Border and Immigration Agency are in the process of dealing with a backlog of applications which were lodged before the new system was introduced. This involves the review, by March 2008, of 1079 families' cases across Scotland, and around 90% of those resolved to date have received leave-to-remain. As a result of this, people who have been unable to work for three years or longer now have the right to work and there is an urgent need for services to support them to avoid them becoming part of Scotland's worklessness problem.

39. Refugees are able to access mainstream benefits whether they are working or not. COSLA has recently done a lot of work with JobCentre Plus and Department for Work and Pensions to ensure that new refugees receive a National Insurance Number quickly so they can access benefits. Early reports suggest that this work has been successful, however refugees are still receiving significant delays in receiving Child Tax Credit administered by Her Majesty's Revenues and Customs. In some cases refugees have waited 16 weeks for these benefits to start. During this period their children are effectively unsupported and the family experiences destitution.

Rural Issues

40. Remote rural populations across Scotland experience higher than average costs of purchasing everyday items such as food, fuel and transport. Food, fuel and transport costs in the Outer Hebrides, for example, are 20% higher than average. In Argyll and Bute, almost 40% of the population live in settlements of less than 1,000 compared to the Scottish average of 12%. This has significant impact on transport and the range of services that are easily accessible and increases the cost of service delivery. Benefit uptake also tends to be lower in more isolated, inaccessible areas. Even though the unemployment rate in Argyll and Bute and Highland is lower than the national average, these areas have a relatively low average gross household income and wage level. Employment by no means always equates to wealth.

41. The lack of employment opportunities within rural areas dictates the dependence of individuals on seasonal work such as low wage tourism and service sectors which only require staff for peak periods. The lack of permanent positions can also lead to an inability to attract people in to the area and to retain an area's young people, which in turn leads to demographic decline experienced in many rural areas.

URBAN ISSUES

42. While the key feature of rural poverty and deprivation is often its dispersed, "hidden" nature, in more urban areas, it can be the intensity of poverty across whole neighbourhoods which is particularly distinctive in Scotland's cities and towns. This intensity and the inherent generational factors, present continuing challenges in addressing structural issues such as benefits traps, employability, and health inequalities. Numbers of people in receipt of incapacity benefits in urban areas of Scotland, for example, remain high. Indeed, one-fifth of the 100 Westminster constituencies with the highest numbers of people in receipt of incapacity benefits are Scottish seats.

CONCLUSION

43. There are very particular circumstances in Scotland—for example, climate, rural scarcity, and fuel costs—which impact on poverty. There are also unique and innovative responses, many of them delivered through strong local partnerships within the framework of Community Planning.

44. Local government will play an increasingly important role in ensuring that communities and individuals are lifted out of poverty and, in particular, in ensuring that there is congruence between the UK-wide, Scotland-wide and local approaches and policies. Local government in Scotland also has a key role in ensuring that communities and individuals are at the heart of anti-poverty policies which are appropriate, flexible and locally- and individually-responsive. In responding to the deep-seated, structural causes and effects of poverty in Scotland, however, UK-wide, Scotland-wide and local government must take shared accountability and work collaboratively if we are to bring about lasting, long-term change for the better.

Fiona Bradley
COSLA, Policy Officer

November 2007

Memorandum submitted by the Scottish Executive

I am taking this opportunity to write to you with regards to the Committee's forthcoming inquiry into Poverty in Scotland, to provide you and the Committee with information and statistics on the level of poverty in Scotland, and the measures that the Scottish Executive is taking to combat poverty and disadvantage within our communities.

Annex A to this letter provides you with official statistics about poverty and deprivation in Scotland, taken from the Households Below Average Income publication published in March this year. Further details of the official statistics on poverty in Scotland can be obtained at http://www.scotland.gov.uk/Publications/2006/03/08155404/0.

The Executive is very much aware that poverty and disadvantage blights the lives of far too many people in Scotland, and acknowledges that much more needs to be done on all levels to combat the destructive negative effects that living in poverty and with disadvantage can have on both individuals and groups across our society. The Executive is fully aware of the problems being faced by many Scottish households as a result of them living on a low income. This is, for many people, the definition of poverty. However, poverty is only partly about low income; it also encompasses a lack of opportunity, facing barriers to participating in social and economic life, and access to appropriate and affordable public services.

For families living on low income the effects can be far reaching; from affecting children's education to creating barriers to employability, and from not being able to properly heat homes to impacting negatively upon health and well-being.

The Executive's "Closing the Opportunity Gap" (CtOG) approach therefore looks to tackle the worst effects of low income and disadvantage through a series of measures which it can directly influence, using it's own resources and efforts to bring about long-lasting changes to people's lives.

The overall aims of CtOG are:

— to prevent individuals or families falling into poverty;

— to provide routes out of poverty for individuals and families; and

— to sustain individuals and families in a lifestyle free from poverty.

Through a series of six high level objectives and 10 detailed targets the Executive is focusing the efforts of all it's Departments and Agencies to help people overcome the various barriers they face to increasing their income and to accessing opportunities to enter into and sustain themselves in the labour market.

The CtOG targets are aimed at reducing the inequalities which still exist in our society—at tackling poverty and deprivation, addressing health inequalities, improving access to high quality services for all, and assisting community regeneration in our most disadvantaged neighbourhoods—both urban and rural. Annex B to this letter details the 10 CtOG targets.

Children & Young People

The Scottish Executive shares the UK Government's target to eradicate child poverty by 2020. Scotland has significantly exceeded the PSA target of reducing child poverty by a quarter between 1998–99 and 2004–05. We have lifted 100,000 children out of relative low income. This is a reduction of 34%.

Moreover, the Executive is committed to securing the best start for all our children and to providing a strong foundation for their future development. Good quality early education and childcare services are vital in helping children to develop and grow, whilst improving their educational attainment and skills levels is vital for moving them into and sustaining employment, training or education. By targeting more specialized support (eg, the Sure Start Scotland Programme) we are helping to meet particular needs, especially for the most vulnerable or disadvantaged children, in services such as childcare, health and pre-school provision.

In 2005, the Executive introduced the requirement for local authorities to produce integrated children's services plans. The aim of the plans is to rationalise existing planning processes and focus activity on the delivery of effective child-centred services, through drawing together previously separate planning requirements for the different facets of children's services, including plans for children in need, youth justice strategies, education improvement objectives and local health plans, into one single integrated plan, to be produced by local authorities jointly with NHS Boards and other local partners.

We are currently working towards an Integrated Strategy for the Early Years, setting out a framework which draws together all of its existing policies to deliver services to children and families in a more joined-up and effective way. Of particular concern to the Executive are those young people aged between 16 and 19 years who are outwith education, employment or training—the so called NEET group. At any one time this group represents around 35,000 young people in Scotland, about 13.7% —or one in seven—of Scotland's young people.

Scotland performs poorly by international comparison in the employment rates of 16–24 age group, and the longer a young person remains NEET the higher the potential that they encounter persistent problems of worklessness—or low paid low skilled work—and social exclusion in later life. Tackling these issues is of vital importance to the Executive and the NEET group is a major priority in the context of Workforce Plus, see below, alongside which it was published earlier in the year, while at the same time ensuring the key messages from the NEET strategy were embedded in the overall approach set out by the Framework.

The NEET Strategy will develop more client-centred approaches and the need for local partners to work together in joining up services and providing specialist services, whilst examining the effect of the local labour markets on the numbers of NEET young people and the advantages of targeting geographical areas.

Working Age Adults

The Executive believes that employment provides the best route out of poverty. However, there is a need to improve the employment prospects of some people, helping bring them closer to the labour market, as well as to enter, and remain in, employment. This is an under-pinning theme to the CtOG approach. We also want to reduce the number of people who are dependent upon benefits for their income. That is why it has worked alongside other agencies and providers to implement the Pathways to Work pilot that helps people who can work to move from Incapacity Benefit back into employment.

Workforce Plus: an Employability Framework for Scotland was launched on 12 June 2006 and has been developed from the work of the Cabinet Delivery Group on CtOG which aims to tackle poverty and disadvantage in Scotland. The Framework provides us with an opportunity to look at what measures and interventions are already in place, and to identify with partners the changes we need to make to support an individual's employability.

The aim of *Workforce Plus* is to give everyone who wants to work, including those who face multiple barriers, the opportunity to have a job. We need to make sure that they have the right skills and knowledge to take up employment opportunities in their area and to sustain their employment by building on their skills and knowledge.

It is important however to recognize that the development of Workforce Plus is taking place in the context of Scotland currently having one of the highest employment rates in Europe (74.8%) (April–June 2006), above even that for the UK, and the highest employment rate since records began. This is complemented by one of the lowest claimant rates for a generation (3.3% in July 2006).

Health & Well-being

Of course, one of the major indicators as to the quality of life experienced by Scots is their health. The Executive acknowledges without reservation that too many Scots are dying too young because of ill-health and poor well-being. The prevalence of Cancer, Coronary Heart Disease and Stroke remains higher here than in most other Western countries. Furthermore, much of Scotland's ill-health has preventable causes.

Ill-health and poor well-being is highest, and is concentrated, in our deprived communities denying many Scots the opportunities and life chances afforded to the more affluent in society. Poor health is both a cause and a consequence of living on low-income and the Executive is determined to tackle health inequalities and to improve the health of the Scottish nation as a whole.

Our Prevention 2010 approach will look to find effective means of reaching and engaging with those in deprived communities and with particularly "hard to reach" populations. Prevention 2010 will be piloted initially in five Community Health Partnerships covering areas of high deprivation. Staff will identify, contact and offer health checks and risk assessments to adults who are most at risk. This programme will be extended in 2007, learning what works best before rolling out across Scotland.

Older People

Helping older people in society to live with dignity, security and independence is important to the Executive. Along with measures introduced by the UK Government to help maximize pensioner's incomes, the Executive has introduced free personal care for the elderly and free national bus travel. The Executive also intends to publish a Strategy for a Scotland with an Ageing Population by the end of 2006.

I hope that this is useful to the Committee during their deliberations, and I would be happy to provide oral evidence to the Committee in due course if they felt that this might be beneficial to the enquiry.

Malcolm Chisholm MSP
Minister for Communities, Scottish Executive

30 September 2006

Annex A

OFFICIAL STATISTICS ON POVERTY (LOW INCOME) IN SCOTLAND 2004–05

Children

The number of individuals in relative low income households before housing costs fell by 21%, from 1,010,000 in 1996–97 to 800,000 in 2004–05, a fall of 210,000.

After housing costs numbers fell by 26%, from 1,230,000 in 1996–97 to 910,000 in 2004–05, a fall of 320,000.

The number of children in relative low income households before housing costs has fallen by 41%, from 320,000 in 1996–97 to 190,000 in 2004–05 (19% of all children), a fall of 130,000.

HM Treasury (HMT)/Department for Work and Pensions' (DWP) target to reduce the number of children in low-income households in Great Britain by at least a quarter between 1998–99 and 2004–05 is measured using relative low income households before housing costs. In Scotland, since 1998–99, there has been a 34% decrease.

After housing costs the number has fallen by 35% from 370,000 in 1996–97 to 240,000 in 2004–05 (23% of all children), a fall of 130,000.

240,000 children have been lifted from absolute poverty since 1997, reducing absolute child poverty from 33% to 13%—a reduction of 65% (after housing costs).

Working Age Adults

The number of working age adults in relative low income households before housing costs has remained steady, from 470,000 in 1996–97 to 440,000 in 2004–05 (15% of all working age adults).

After housing costs the number again has remained fairly steady, from 600,000 in 1996–97 to 540,000 in 2004–05 (18% of all working age adults).

240,000 working age adults have been lifted from absolute poverty since 1997 (after housing costs), reducing absolute working age poverty from 20% to 12%—a reduction of 39%.

Pensioners

The number of pensioners in relative low income households before housing costs has fallen by 23%, from 220,000 in 1996–97 to 170,000 in 2004–05 (18% of all pensioners), a fall of 50,000.

After housing costs the number has fallen by 46% from 260,000 in 1996–97 to 140,000 in 2004–05 (16% of all pensioners), a fall of 120,000.

200,000 pensioners have been lifted from absolute poverty since 1997 (after housing costs), reducing absolute pensioner poverty from 30% to 6%—a reduction of 77%.

What is the Measure of Low Income?

Individuals are defined as living in low income if their adjusted net disposable household income is below 60% of the GB median. We publish low income estimates on a "before housing costs" (BHC) and "after housing costs" (AHC) basis.

The median is the income value which divides a population, when ranked by income, into two equal-sized groups. This measure is most commonly used because the mean (average) can be skewed by households with very high incomes. We use household income rather than individual income as the living standard of an individual may depend on the income of other members of the household. For example, a non-working person may live with a high earning partner; so both will have a high standard of living. This assumes that all individuals in the household benefit equally from the combined income of the household.

What is the Difference Between Relative and Absolute Low Income?

We use two headline measures—relative and absolute low income households—to define and measure those living in low income over time

The *relative* low income measure compares household income against the GB median in the same year. Changes in relative low-income indicators depend on how changing incomes at the lower end of the distribution compare with income growth for the rest of the population.

The *absolute* measure compares against the median in the baseline year, 1996–97, adjusted to remove the effects of inflation. The new child poverty measure uses a 1998–99 baseline.

Relative low-income counts fall if income growth at the lower end outstrips overall income growth. Where reductions are reported for relative low-income indicators, these are on a smaller scale to those seen for the absolute indicators, as a large part of the income growth at the lower end of the distribution is absorbed in keeping up with the population as a whole.

Annex B

THE CLOSING THE OPPORTUNITY GAP APPROACH TO TACKLING POVERTY AND DISADVANTAGE

Our Aims

Our Partnership Agreement (Partnership for A Better Scotland) committed us to Closing the Opportunity Gap. Working across all Departments and portfolios we aim:

- To prevent individuals or families from falling into poverty;
- To provide routes out of poverty for individuals and families; and
- To sustain individuals or families in a lifestyle free from poverty.

Our Objectives

The 6 Closing the Opportunity Gap Objectives were announced on 12 July 2004. They are:

- Increasing the chances of sustained employment for vulnerable and disadvantaged groups—in order to lift them permanently out of poverty;
- Improving the confidence and skills of the most disadvantaged children and young people—in order to provide them with the greatest chance of avoiding poverty when they leave school;
- Reducing the vulnerability of low income families to financial exclusion and multiple debts—in order to prevent them becoming over-indebted and/or to lift them out of poverty;
- Regenerating the most disadvantaged neighbourhoods—in order that people living there can take advantage of job opportunities and improve their quality of life;
- Increasing the rate of improvement of the health status of people living in the most deprived communities—in order to improve their quality of life, including their employability prospects; and
- Improving access to high quality services for the most disadvantaged groups and individuals in rural communities—in order to improve their quality of life and enhance their access to opportunity.

OUR TARGETS

The 10 Closing the Opportunity Gap Targets were announced on 9 December 2004. They are:

Target A:	Reduce the number of workless people dependent on DWP benefits in Glasgow, North & South Lanarkshire, Renfrewshire & Inverclyde, Dundee, and West{Dunbartonshire by 2007 and further by 2010.
Target B:	Reduce the proportion of 16–19 year olds who are not in education training or employment by 2008.
Target C:	Public sector and large employers to tackle aspects of in-work poverty by providing employees with the opportunity to develop skills and progress in their career. NHSScotland will set an example by providing 1,000 job opportunities, with support for training and progression once in post, between 2004 and 2006 to people who are currently economically inactive or unemployed.
Target D:	To reduce health inequalities by increasing the rate of improvement for under 75 Coronary Heart Disease mortality and under 75 cancer mortality (1995–2003) for the most deprived communities by 15% by 2008.
Target E:	By 2008, ensure that children and young people who need it have an integrated package of appropriate health, care and education support.
Target F:	Increase the average tariff score of the lowest attaining 20% of S4 pupils by 5% by 2008.
Target G:	By 2007 ensure that at least 50% of all "looked after" young people leaving care have entered education, employment or training.
Target H:	By 2008, improve service delivery in rural areas so that agreed improvements to accessibility and quality are achieved for key services in remote and disadvantaged communities.
Target J:	To promote community regeneration of the most deprived neighbourhoods, through improvements by 2008 in employability, education, health, access to local services, and quality of the local environment.
Target K:	By 2008 increase the availability of appropriate financial services and money advice to disadvantaged communities to reduce their vulnerability to financial exclusion and multiple debts.

Further information on the objectives, targets, and delivery plans is available at www.scotland.gov.uk/closingtheopportunitygap

---

Memorandum submitted by the Scottish Executive

Thank you for your letter of 2 July regarding your Committee's on-going inquiry into poverty in Scotland. As you can appreciate, much has happened since the then Communities Minister, Malcolm Chisholm MSP, wrote to you in September last year, least of all the change in Administration here in Scotland, so I am only too happy to provide you with an update of the written evidence submitted by Mr Chisholm.

Annex A to this letter provides you with updated and revised official statistics about poverty and deprivation in Scotland, as derived from the revised Households Below Average Income (HBAI) 2005–06 publication published at the end of May this year by the Department for Work and Pensions (DWP). Further details of the official revised statistics on poverty in Scotland can be obtained at http://www.scotland.gov.uk/Resource/Doc/178539/0050827.pdf

The Scottish Government is only too well aware of the widening inequalities in our society as well as the fact that we have been failing individuals and families living in poverty for too many years. This Government is determined to right this wrong, and to rectify a situation that condemns far too many of our citizens to a life they simply don't deserve.

In seeking not just a wealthier but also a fairer Scotland, it is of vital importance that we strive to improve the life chances of all people and target the causes of poverty by providing greater access to jobs and nursery provision, enhancement of skills and better health and public services. Tackling these inequalities will undoubtedly be a massive challenge, but that is one challenge the Scottish Government is determined to deliver on. That is why we have committed ourselves to sharing the UK Government's{long term target to eradicate child poverty by 2020.

In Scotland, as you know, the 2005 target was achieved ahead of the rest of the UK, one quarter of the journey complete. But with one in four children in Scotland still living in poverty we know that there is much more to do. This Government then is determined to continue efforts to tackle poverty by investing in and supporting deprived and vulnerable children and their families. That is why we have moved quickly to set out our determination to tackle all of these issues and make "early years" a national priority. We want every young person to be healthy, safe, achieving, nurtured, and active.

The Scottish Government is aware that poverty is about more than a lack of decent income but very much also about wellbeing—ill health, educational achievement, access to services, and maximizing opportunities in the labour market for parents. Policies across the Government work together therefore not just on improving incomes but on addressing all aspects of wellbeing across our society and we will continue to work to maximize the impact that these policies have and ensure they are effectively joined up at national and local level. By developing policies that reflect our overarching strategic principles of making Scotland a Wealthier and Fairer, Healthier, Safer, Smarter and Greener nation, we will be taking meaningful steps towards tackling poverty and deprivation.

We will, for example, develop an Early Years Strategy to inform our work on strengthening the focus on improved outcomes for children and we are also piloting a scheme to provide universal free school meals. Moreover, we will deliver a new Skills Strategy and have already established a Ministerial Task Force on Health Inequalities to agree priorities for cross-cutting Government activity that will achieve measurable outcomes in reducing health inequalities. Practical measures will be identified to reduce the most significant and widening health inequalities in Scotland. Furthermore, we are currently reviewing our existing policy commitments in the area of poverty and deprivation and will make clear what our priorities are in the coming months.

I shall, of course, be happy to provide oral evidence to the Committee in due course and provide more detail about these policy development if you think this would be useful to your deliberations.

Nicola Sturgeon MSP
Deputy First Minister & Cabinet Secretary for Health and Wellbeing

7 August 2007

Annex A

OFFICIAL STATISTICS ON POVERTY (LOW INCOME) IN SCOTLAND 2005–06

All

The number of individuals in relative low income households before housing costs fell by 11%, from 980,000 in 1998–99 to 880,000 in 2005–06, a fall of 100,000.

After housing costs numbers fell by 13%, from 1,130,000 in 1998–99 to 990,000 in 2005–06, a fall of 140,000.

Children

The number of children in relative low income households before housing costs has fallen from 300,000 in 1998–99 to 210,000 in 2005–06 (21% of all children), a fall of 90,000.

After housing costs the number has fallen by 26% from 330,000 in 1998–99 to 250,000 in 2005–06 a fall of 80,000.

190,000 children have been lifted from absolute poverty since 1998–99 (330,000 to 140,000), reducing absolute child poverty by 57% (after housing costs).

Working age adults

The number of working age adults in relative low income households has increased by 4% since 1998–99, from 450,000 to 470,000 in 2005/06—before housing costs.

After housing costs the number again has increased by 3%, from 570,000 in 1998–99 to 590,000 in 2005–06 (19% of all working age adults).

170,000 working age adults have been lifted from absolute poverty since 1998–99 (after housing costs) (570,000 to 400,000), reducing absolute working age poverty from 19% to 13%—a reduction of 29%.

Pensioners

The number of pensioners in relative low income households before housing costs has fallen by 17%, from 230,000 in 1998–99 to 190,000 in 2005–06 (20% of all pensioners), a fall of 40,000.

After housing costs the number has fallen by 34% from 230,000 in 1998–99 to 150,000 in 2005–06 (16% of all pensioners), a fall of 80,000.

170,000 pensioners have been lifted from absolute poverty since 1998/99 (after housing costs), reducing absolute pensioner poverty from 27% to 6%—a reduction of 75%.

What is the measure of low income?

Individuals are defined as living in low income if their adjusted net disposable household income is below 60% of the GB median. We publish low income estimates on a "before housing costs" (BHC) and "after housing costs" (AHC) basis.

The median is the income value which divides a population, when ranked by income, into two equal sized groups. This measure is most commonly used because the mean (average) can be skewed by households with very high incomes. We use household income rather than individual income as the living standard of an individual may depend on the income of other members of the household. For example, a non-working person may live with a high earning partner; so both will have a high standard of living. This assumes that all individuals in the household benefit equally from the combined income of the household.

What is the difference between relative and absolute low income?

We use two headline measures—relative and absolute low income households—to define and measure those living in low income over time.

The relative low income measure compares household income against the GB median in the same year. Changes in relative low-income indicators depend on how changing incomes at the lower end of the distribution compare with income growth for the rest of the population.

The absolute measure compares against the median in the baseline year, 1996–97, adjusted to remove the effects of inflation. The new child poverty measure uses a 1998–99 baseline.

Relative low-income counts fall if income growth at the lower end outstrips overall income growth. Where reductions are reported for relative low-income indicators, these are on a smaller scale to those seen for the absolute indicators, as a large part of the income growth at the lower end of the distribution is absorbed in keeping up with the population as a whole.

Witnesses: **Councillor Harry McGuigan**, Spokesperson on Community Safety and Well Being, COSLA; **Mr Jon Harris**, Strategic Director, COSLA; **Mr Richard Cairns**, Head of Economic & Social Initiatives, Glasgow City Council; **Mr Brian Barker**, Policy and Strategy Manager, Argyll and Bute Council; **Mr Jim McCrossan**, Community Learning and Regeneration Manager, Argyll and Bute Council; and **Mr Matthew Crighton**, Job Strategy Manager at the Capital City Partnership, gave evidence.

Q769 Chairman: Good afternoon and welcome to our session on poverty in Scotland. Could you please introduce yourselves for the record?

Councillor McGuigan: Thank you for that welcome. If I could introduce myself, I am Harry McGuigan. I will be acting as chair for the team of people who are with me here today. What I would like to say before we start as part of my introduction to you is that it is a great opportunity and pleasure for us to come along here and be able to assist you in the important work that you are undertaking in your review of poverty. It is a persistent, pervasive problem in the UK and Scotland here, so we appreciate that. We are anxious to stress that we see the role of ourselves as being part of a tripartite initiative between Westminster, the UK Government, the Scottish Government and local government and we are anxious to stress, as we did in our submission to you, Chairman, the importance of flexibility and the importance of recognising that the strategies which are most effective in dealing with poverty, the problems that accompany poverty in our communities and the way it impacts our communities are best solved in the local areas where there is that flexibility to tackle the real issues. I have said enough there and I will leave my colleagues, moving from the left, to introduce yourselves.

Mr Barker: I am Brian Barker, Policy and Strategy Manager at Argyll and Bute Council and I head up the Council's corporate policy department.

Mr McCrossan: I am Jim McCrossan, Community Learning and Regeneration Manager for Argyll and Bute Council.

Mr Crighton: My name is Matthew Crighton, the Job Strategy Manager at the Capital City Partnership, which is a social inclusion partnership for Edinburgh where I am responsible for the Edinburgh City Jobs Strategy, one of the Department for Work and Pensions Pathfinders.

Mr Harris: Jon Harris, Strategic Director at COSLA.

Mr Cairns: Richard Cairns, Head of Economic and Social Initiatives at Glasgow City Council.

Q770 Chairman: Obviously there has been over the years some reduction in the number of people living in poverty in Scotland, but still it is very high when we have almost one million people and a quarter of a million children still living in poverty. Obviously we need a strategy where—you are absolutely right—we need to make sure local government, the Scottish Executive and the British Government all work together. Could you please tell us what is the role of local government in tackling poverty and disadvantage?

Councillor McGuigan: I think the absolutely crucial role of local government in tackling problems is, first of all, to listen to the people in its community, understanding what the issues are that prevent them from being able to escape from the poverty traps which are there. Many of those poverty traps are not things that occur because of the particular location, many of them are, but it is not necessarily because of the particular location. In many circumstances the poverty trap, the thing that keeps people trapped in

poverty, is the inflexibility of some of the arrangements that are there as far as benefits, tax credit systems, employment and routes out of poverty are concerned. I think the role of the local authority is to identify not in isolation but along with the community planning partners, the other key public agencies and the private sector too the best ways of ensuring that programmes, initiatives, opportunities, training, social facilities and housing for our people are all put in place to ensure that our communities are able to be better equipped to solve some of their own problems, but they cannot solve these problems on their own. Local authorities are quite naturally the agency for enabling that kind of diverse approach to dealing with poverty and poverty-related matters.

Q771 Chairman: You see there are different services within local government, as you mentioned, health and education. How best can local government co-ordinate between these services to form an anti-poverty strategy, because that seems to be the big issue? I was a councillor before becoming an MP and this is one of the issues, that social work, education and all these departments are not working in coherence or have a strategy together to tackle these issues.

Councillor McGuigan: I think there is growing evidence and, as you said, in the last ten years it is a 25% decrease in child poverty, for pensioners it is one third of a decrease, so we are having some impact. It is important to understand that much of that is due to sensible strategic leadership at a UK level, but a lot of it has been very, very much as a result of the structure approach which has been established between partners in the local areas where they are able to identify the opportunities that are there, the needs which have to be met and the resources to tackle that. I think there is considerable evidence that is working and working very well.

Q772 Chairman: Do you think there is anything more that the Scottish Executive and the British Parliament could be doing to support local government to tackle poverty?

Councillor McGuigan: I think some of the things—and I will bring in Richard in a minute on this one—that do have to happen there is we do have to look at greater flexibility in terms of the benefits and tax credit situation. There has to be, I think, an appreciation that sometimes you will not help people out of poverty by having some national blueprint that applies across the whole of the UK or the whole of Scotland, it has to be tailored to meet the needs of the area and, indeed, to meet the needs of individuals. I get frustrated very often, Chairman, when I see situations where people are required to fit into the system that we think is best for them as opposed to tailoring the support arrangements around the individual and that is crucial as far as the poverty agenda is concerned.

Mr Cairns: I think the points that we would make would be as follows. First, poverty manifests itself at a local level and local authorities are in the frontline of addressing the consequences of that poverty by and large, not in every case, but in many of the instances where poverty demonstrates itself, the problem first presents itself to local authorities and then has to be addressed by them with the support of others. Poverty is not inevitable and we should never accept that it ought to be, but the key to eradicating poverty is to link opportunity and need. One of the other areas for local authorities to play a pivotal role is in creating the connections between economic growth and the opportunity that has presented and enabling those in poverty to take advantage of that growth, either by accessing work directly themselves, someone in their family accessing work or by some other mechanism, sharing the economic benefits that accrue. In respect of what you would ask national government to do to help us to deal with that, I think there are probably—I will not list them because that is always a hazardous thing to do, let us just imagine—first, to continue to ensure that economic growth and stability happen is clearly paramount because unless you have that you cannot address poverty, you can address relative poverty but you will not address absolute poverty without that. That is the first thing. The second is a recognition that because local authorities are in the frontline for these things, they have to be adequately resourced to address the problems of poverty because until you address the problems, you cannot then help people to progress beyond that. Finally, what they have to do is to give local authorities the power to create those connections or, where that is not the appropriate thing to do, to have other national organisations behave in a locally responsive fashion. In relation to poverty, particularly in relation to poverty of work, the most significant of those is the DWP and Jobcentre Plus, and to give that organisation the ability to act in a more locally responsive fashion because the last point I would make is remember that poverty gets addressed locally as well because opportunity and need both occur at a local level. People who are local and in poverty find local jobs by and large. People who have got health poverty address the services.

Q773 Mr Devine: I totally agree with what you are saying, Richard. In my previous existence I was a full-time officer with UNISON and we were part of the Joint Future agenda. I certainly agree about local authorities, but I am sure you also agree that health boards, for example, have a big role as well. On the job creation front we are picking up poverty and one of the things that we still have today, as an MP, when I was in UNISON—and I actually worked in a GP practice—you had scenarios where a health visitor would be in at nine o'clock, a district nurse would be in at ten o'clock, a social worker would be in at 11 o'clock and a home help would be in at two o'clock looking at the family. It never seemed to me that everybody met up and in a Joint Future agenda I was obviously looking, as a trade union official, quite rightly about protected terms and conditions for my members. One of the things that struck me was if you were dealing with a blank

sheet of paper, the logic would be that you would have coterminous local authorities and health boards and you would also look at a job, recognising all the issues about pensions and such like, but you would have a flexible job that could move between health boards and local authorities to provide the type of service I think we are both talking about. I wonder what your views are? Harry, you are nodding there.

Councillor McGuigan: I was going to bring Jon in, but could I say one thing. Once again there has been a lot of evidence as far as health service is concerned and local authorities working together and the Joint Future agenda, there has been great success there, the single shared assessment is an absolute excellent manifestation, but the single shared assessment should not stop at two partners necessarily. You are quite right, you get a whole tribe of people visiting a particular client to assess. We need to be looking at the kind of financial advice, the financial information that is being given to people, the financial assessment, the social inclusion assessment needs to be carried out alongside those other assessments which are taking place.

Q774 Mr Devine: Who do you see doing that? I do not disagree with you.

Councillor McGuigan: I think there would need to be a willingness on the part of the DWP in regard to some of these matters and that is where we do have to shake things up a little bit. We talk about silos and everything else, the most obvious silos can be the highly centralised mentalities that sometimes exist in places like the DWP.

Mr Harris: I think the whole focus in terms of public service reform over that past few years in Scotland has been to make services much more citizen, client orientated and to get the public sector to work across organisational and professional boundaries. I think there has been some success, we have got Joint Future, that is extending across adult, older people services, you have got integrated children services, community safety partnerships and so forth. One of the things we are doing now is linking that to a much more outcome focus and we are developing jointly with the Scottish Government what we call "a single outcome agreement" which will be between each council and the community planning partnership and the Scottish Government. That will bring all the players together in terms of delivering those outcomes. You will probably find from the Minister this afternoon that we are looking again at the poverty strategy and seeing how that fits in with that approach. We are looking again at how we measure poverty and see if we can be a bit more ambitious in terms of what we are going to achieve but that particular initiative, the single outcome agreement, will be developed towards the end of this financial year but will be put into place from April next year. We think it will take at least two years to put into place, to have robust outcome agreements, but we feel that is a journey worth having.

Councillor McGuigan: Could I ask Matthew to come in on tax credits.

Mr Crighton: The original question is, how do you get the organisations that are necessary for delivering these services to work together. I would applaud the initiative of the Department for Work and Pensions in setting up the City Strategy Pathfinders because effectively what we are tasked to do in relation to helping people into work and helping people recovering from sickness into work is to sit around the table, the health board as well as the council, Jobcentre Plus and Scottish Enterprise to work out solutions to that. The only significant point I would add to what has been said here is that does require every partner around the table has equal capacity to operate flexibly locally. It means the health board representative, the council representative and, dare I say, the Jobcentre Plus representative can all say, "Yes, I will deploy my resources in a joint plan". That is the issue that I am suggesting the DWP needs to think through because, as part of what some people have said, the way they contract for services is run very nationally, the contracts are held and managed somewhere far, far away from the locality. It is something which I think in terms of what they call "devolution" they need to think through how they empower their local staff to be part of this joint collective activity which we have all been talking about.

Q775 Chairman: Does anybody else want to add on the role of local government?

Mr Barker: I think there is a particular point from the Argyll and Bute experience of changing the health service that maybe helps illustrate some of the points there about the local responsiveness but also the point you made about coterminosity. Previously when we linked to NHS Argyll and Clyde, Argyll and Bute was on the edge of a very urban-focused health board but the changes, now being part of NHS Highland, having the relationships there and the understanding about local circumstances have helped in terms of relationships. A significant improvement has also been around the creation of community health partnerships because the relationships there are now focused on the common geographic area. You can see a change coming from that common area, you have got common issues to tackle but also the bodies that are more distant, because NHS Highland is more distant from Argyll and Bute, but they have some of the common understanding as well. That influences the way the relationship is developing. I think things are moving closer together in that respect.

Q776 Chairman: The Committee is taking evidence from the DWP, in fact, tomorrow morning and the financial secretary, Rt Hon Jane Kennedy, and Caroline Flint from the DWP. If you have any suggestions or there is anything you think we should be raising with the Minister of State, please email the clerk and we will be happy to raise those concerns and those issues with the Minister of State.

Councillor McGuigan: Thank you for that.

Q777 David Mundell: What do you think needs to be different in Scotland, if anything, from the policies that are being pursued across the rest of the UK?
Councillor McGuigan: It is a hard question, I suppose, to answer in that I do not know the full picture across the UK, but I would imagine that the aspirations of local government across the UK would be shared with what we have here in Scotland. We very often talk about different agencies working together than the necessity of that. I think for a long time some people have said that there needs to be closer working together between the political agencies, the centres of government, Westminster, the Scottish Parliament and local government. I think that is important, that a dialogue is established and an agenda is understood and we work towards that common agenda. There are some things that are specific to the Scottish scene here in regard to poverty, and disabled people and poverty is a matter that causes us very serious concern. Fuel poverty in Scotland is a specific issue, transportation issues, the cost of food, all of these things in rural areas, health, as you have said, are absolutely crucial. We do not think that we can deal with poverty in isolation from each other. Premature death in Scotland is three times higher than it is in other parts of the UK. These are very worrying things as far as health is concerned, but it is not just health personnel and people that should be involved in that.
Mr Cairns: If I could, I think the question was what needs to be different in Scotland from the rest of the UK. My view on this would be that poverty needs to be understood at a level below the UK, it is not necessarily a Scottish level and an English, Welsh, Irish level. It is about the fact that poverty manifests itself in lots of ways, but it is fundamentally economic and you will know that the economy of the UK is not what one would describe as a flat, featureless plain. The economic conditions that pertain in the South East of England are radically different from the North East of England and radically different again from Scotland. The manner in which one addresses these things has to be considered at a more appropriate spatial geography than necessarily the UK or, indeed, Scotland. I would go back to a point made earlier which is that—and this has been recently recognised by the Scottish Government—local authorities have a fundamentally important role to play in that in terms of ensuring the local services are configured to address these problems, so the education services are configured in a certain way and social work and health services are configured in certain ways. I appreciate local authorities do not run health, but that is a proxy for understanding how that is done. The important thing is that there is a recognition that one manages this and seeks to capitalise on whatever the opportunities are and address the depths of the problems which are different in different parts of the country. It is not Scotland or the UK, if you will forgive me.

Q778 David Mundell: What level do you see it at? We visited the Highlands and Dundee where, if you take the Highland or rural example, you have often got really a mix of poverty and affluence very closely together, whereas perhaps in the city you have got more focused areas of poverty. Where do you see then the spatial level that you are talking about being?
Mr Cairns: I think in the Scottish context—and others might take issue with this—it probably is managed at the local authority area and slightly above, but there are certain aspects of policy and certain aspects of government spending that are devolved and certain others that are not, so we have to be able to manage a relationship with the Scottish Government in respect of this too. It is probably local authority and a bit above in my opinion.
Mr Barker: I think there is an element in terms of where the local knowledge comes in so you can get some of that fine-grained detail because there is a challenge from Scotland in terms of poverty in that you have the most diversity in terms of the circumstances of individuals and the measures that we have for identifying deprivation tend to work best in urban areas. In a rural context it becomes very difficult because, as you say, you have the affluent and people in poorer circumstances very close together, quite often you are measuring across areas that are not physically connected and so there is an element there of needing that local knowledge. In terms of complementing quantitative information with some of the qualitative local knowledge, you can start to identify solutions that are best targeted for those areas. It is a very different mix, but I think the local authority area is probably as good as any as a starting point and then there will be some things if you have got larger urban areas where you have to work larger than that, but certainly within some areas you might have to take a more local focus.

Q779 David Mundell: I think from what you are saying in answer to those questions and previous questions there is an acceptance that local authorities have a very important part to play along with the devolved administration in Scotland and the UK Government. As Scottish local government, you do not really have a mechanism for a direct relationship with the UK Government, or do you, compared to, say, your equivalents in England? It would appear that your relationship is with the Scottish Government, if I am allowed to call it that.
Councillor McGuigan: Certainly not as far as poverty is concerned, that is an absolute necessity that a relationship is established with the Scottish Parliament and with Westminster in regard to matters like that. We have mentioned—and I hate to keep on emphasising this—that the DWP is one example of that. If you look locally at a situation, I think you have to be careful about assuming even over a kind of large local authority zone like my own in North Lanarkshire that you do not try and impose a template that says, "That will fit in every part of North Lanarkshire", because it does not. Sometimes when you aggregate issues across a whole

area like that, you miss the important areas of focus that really do need to be addressed. An example of that is in housing. There are many examples, but I can give you one in my own local authority in North Lanarkshire. The issue is not about social housing shortage right across the whole of North Lanarkshire but it is an acute and very, very serious problem in the Cumbernauld area. When you aggregate that up it would suggest to you that North Lanarkshire is pretty comfortable as far as social housing is concerned. There is that type of thing.

Q780 David Mundell: What I was getting at is how can COSLA and local government in Scotland influence the UK Government, because there is a suggestion that what is needed is a tripartite relationship, it is the coming together of local government, the devolved government and the UK Government, but I do not see the mechanisms to do that.

Councillor McGuigan: I will ask Jon to come in but more regular meetings of this type, a more regular review of issues like this I think help us to be able to communicate that via yourself to the UK Parliament.

Q781 Mr Devine: Would you like a formal structure, Harry?

Councillor McGuigan: Yes, I would certainly like to see something more formal than the kind of random thing that happens.

Q782 David Mundell: It seems to me, without diverging off the point, that it is essential there is some form of conduit from Scottish local government to the UK Government that is not just about going through the Scottish Parliament system.

Mr Harris: I think one of the issues we would have liked to extend is the idea of a memorandum of understanding to cover joint work between the local government and the Scottish Government, particularly in relation to community planning partnerships. We have some very, very good relationships with parts of the DWP and one-stop shops in Scotland, but our engagement with the Whitehall department is less effective. We did have a Scottish committee which was hosted by the DWP some time ago which was local government, the voluntary sector and so forth but that was abolished. They did a survey of people who said, "Was it a good idea or not?" All the people in Scotland said it was a good idea, but all the people from the DWP felt it was not.

Q783 Mr Devine: We will ask that question tomorrow.

Mr Harris: We have had a recent meeting with the DWP. They are going to launch a consultation paper on supported employment in December and they made that effort to come up to Edinburgh and meet us. To me, that is how it should be, but it has been rather hit and miss. Whilst there are some very good local relationships, we would like to still see some link in with the DWP nationally. There is still a group that exists which liaises with local government, but the local government representation on that tends to be the local government association in London and it is a bit inaccessible if you have to go to London. It is expensive for us, but it is even more expensive if you are a voluntary sector body.

Mr Crighton: If I could add on that point, I have been going to quite a few meetings in England with DWP officials and it is apparent to me that, on the whole, people in England do not understand how distinctive the arrangements for Scottish local government in the Scottish Government are. I think there is a danger that they will think about how they roll out their programmes across the UK without taking into account the distinctiveness of the Scottish arrangements, for example the arrangements under which targets are set for local government. For some years now in England there have been the local area agreements under which local authorities have had a direct negotiating arrangement with central government departments, including the DWP, which is not obviously something that has been rolled out here. I am certainly very conscious that dialogue with DWP officials was quite common to folk in England, but at a local level in Scotland we were not ever encountering that. From my point of view and from Richard's point of view, with being part of the Pathfinder for DWP that has changed, but for most local authorities in Scotland it is a very remote relationship that exists at all, or access through Jon at COSLA.

Mr Cairns: Could I make two very small points in relation to that. The first is that a lot of the tools and levers that are available to address poverty are reserved matters and the clue is in the word "reserved". As a consequence of that, there is not the same sense of a role to be played by local authorities and particularly Scottish local authorities in some of these things. I suspect that is more of an unconscious thing, I do not think it is an overt thing. Also, if I pick up Matthew's point, if the DWP looks at the areas where benefits claimants are highest and finds that is cities, as it did, and it therefore concludes that there should be particular strategies to address this in cities and then concludes because of that, the larger cities in Scotland should be part of this, if you follow the same thought process through logically, then it follows that if you wish to combat poverty, the involvement of the organisations seeking to address poverty should be sought regardless of the scale and the concentration. The principle of City Strategies, whilst it is valid in one sense for dealing with particularly high levels of concentration, the principle of involvement of those we are trying to deal with should hold true regardless of the concentration. The thinking has been right, I would argue it has not gone as far as it might.

Mr McCrossan: Just really implicitly on what Richard was saying, there are issues about diversity again in Scotland. We have got probably the worst urban deprivation, but we are also the most rural part of the United Kingdom. Certainly in rural areas

where I am working we do have issues about identification and measurement of poverty and deprivation, where the main instrument is the Scottish Index of Multiple Deprivation which is really designed to pick up concentrations, so we work on the basis of the worst 15%. We have that kind of deprivation within Argyll and Bute as well, but it is on a very small scale in the towns, it is really peripheral housing schemes; it is urban deprivation in miniature. But we also have remote fragile communities that are not getting picked up in these measures at all. We also have quite a lot of poverty outside these areas. Income deprived in Argyll and Bute, there are 20% in these recognised areas of deprivation and 80% outwith there. We need to take an approach that does look at the small area deprivation because it is still there, looks at the fragile communities but also looks at a more thematic approach that is going to pick up individual groups with difficulties, whether it is mental health, health difficulties or homeless young people. It is not a one size fits all and I think that is a characteristic of Scotland. We are really saying the issues are more diverse.

Q784 Chairman: Since many issues relating to poverty are linked with the British Parliament, do you think after the establishment of the Scottish Parliament the link between Scottish local government and the British Government has weakened? How can we strengthen it?
Councillor McGuigan: I do not know if it is weakened. In my own experience there has been a fairly strong contact between the politicians at Westminster and the politicians in my own area. I think it can always be improved and it is important that kind of dialogue takes place in the local areas, constituencies, local authority areas and so on, but in terms of dealing with some of the big national agencies it is extremely difficult, I think, for local authorities here in Scotland to feel confident that they are being treated as mature partners to any kind of protocols. That is certainly my reading of it.
Mr Harris: I used to look after all the parliamentary business before devolution so I was quite often down in London two, three days a week. I now go down to London maybe once a year. As soon as devolution came there was an element where you got invited to a meeting, but you could only attend a pre-meeting and then you flew back home.

Q785 Chairman: There has been a gap.
Mr Harris: There has been a gap and I think we need to work at how we can meet that and, in part, it is structures and that comes to the idea of extending the memorandum of understanding. You are key partners to help us deliver on poverty, just as it would be in terms of your relationship with Wales or the North of England.

Q786 David Mundell: That is right. To me, Scottish local government is a separate entity, it is not a subgroup of the Scottish Parliament, if I can put it that way. You cannot have a tripartite relationship with only two legs on the stool and to expect everything from Scottish local government to be channelled to the UK Government through the Scottish Government is not the way forward, I do not think.
Mr Barker: I am not sure whether there is a factor in here in terms of the number of local authorities in Scotland dealing with these issues and the number of local authorities in England, in that you have a much smaller proportion of local authorities which deal with some benefits-type arrangements when you are looking at the proportion of the population. I am not sure whether there is a disproportionate view from the DWP that it is 32 local authorities out of several hundred, but actually it is 10% of the UK population, and whether there is a factor there that is influencing the way that relationship works.
Councillor McGuigan: Could I say to you, I think you are absolutely right there does have to be realisation among the collectives of local authorities that they are not simply involved in a business of dealing with one particular other unit of that tripartite, there has to be a realisation that their relationship with Westminster, the UK Government, has got to continue to grow and to strengthen the opportunities for local government working with the Scottish Parliament to effectively tackle it. I think you will have an interest in making sure and overseeing just how well we are impacting upon areas like poverty, are we achieving the outcomes that we agreed.

Q787 David Mundell: Could I turn now to some of the evidence COSLA provided to the Committee in which it was suggested that a more localised approach to tax credits and benefits would be desirable. I wonder if anyone is able to give us an example of how that might reduce poverty.
Mr Crighton: The aspiration with which we set off within Edinburgh when we set up our strategy, Joined Up for Jobs, was that in looking at the resources needed to help the harder to help people into work, if we could demonstrate a reduction in the benefits claim in our city, we would be able to draw on some of the resources saved by reducing the benefits bill in order to re-invest back into the systems which train people and upskill them. That was an aspiration we put to the DWP quite a few years ago, I think it was in 2004, and that was also the aspiration we took into the City Strategy Pathfinder. It is seen in the employment zones, which is an experimental process, whereby what you call the "programme money" which goes to people is bundled up and available to help them into work. That is what we have put forward in our bid to be a Pathfinder as what they call "an enabling measure". It has not actually come to fruition yet, but essentially, as part of that request, which is that the locality sorts out its plans and draws to it the resources available to help people into work, we were saying, "Include the savings we can make on the benefits bill so that we can invest at least a share of that into helping more people into work". That was the aspiration and the Department for Work

and Pensions, shall we say, are still considering part of that request because I think it is one of the ones they find hardest to deal with, primarily because it is not entirely within their gift. It would have to be within the gift of the Treasury as well as the DWP to say that you can mix those funding streams.

Q788 David Mundell: You are confident that could genuinely be done more efficiently and would not end up costing more?
Mr Crighton: I think it is a very good challenge. A locality would not obviously be able to claim any increased use of those resources if it was not generating the benefit which would come from more people being in work, but I do think we were modelling that on the Government's own experiment within the employment zones which had this idea of a personal job account for the individual that did demonstrate you can get higher returns of people into work by a more flexible approach. The aspiration is that could be routinely rolled out to increase the amount of resources which can be managed locally and helping primarily the hardest to help groups of people back into work.

Q789 David Mundell: Obviously there is a group of people, primarily often asylum seekers or refugees, who are not entitled to benefits. How are local authorities managing that issue?
Mr Cairns: I think there are two elements to this. There are something between 5,000 and 6,000 asylum seekers in Glasgow at any given time. The first point I would make categorically is that the issue around whether or not somebody is given refugee status is a matter for the Home Office, it is not a matter for local authorities and it is important that is quite clear in everyone's mind. The challenge for the local authorities, though, as with so many other things, is that this problem then manifests itself locally. The problem of asylum seekers manifests itself very locally, in Glasgow it manifests itself in a very small part of the city. Even when people have got leave to remain and have refugee status, then the problem manifests itself in very particular pockets in the city. There are certain challenges for local authorities around responding to that and, in effect, responding to a problem—"problem" is possibly unfair—responding to a situation where they do not control the mechanisms and the decisions of the Home Office. Once you get beyond that, you then have to recognise, as local authorities do, that the circumstances of asylum seekers are difficult for a whole range of reasons, typically because they cannot access the same range of benefits and they are harder to provide services to in the first instance. From that to people who have refugee status who have a different but equally challenging set of problems around their access to housing, access to the labour market, the accreditation of which skills and experience or qualifications they might have accrued in their country of origin, all of which we somehow have to take into account if these people are going to be assimilated into the labour market and into their communities. The best way to explain this is the numerical scale of this problem compared with the overall poverty issue is relatively small; the complexity and the intractability of it is far in excess of that number and, therefore, we have to find better ways of dealing with it. I suppose the last point I would make also is that you will know that it brings with it a whole range of emotive and not terribly well thought through reactions that also have to be addressed and, again, they manifest themselves locally.

Q790 Mr Devine: On that point, the point was made earlier on about the need for a direct link with the DWP and such like. Do you think a council like Glasgow needs a direct link with the Home Office or do you have that?
Mr Cairns: I believe we do have it. I would have to check, though, to be honest, because it is one of the areas of responsibility that is not directly mine. I am attempting to answer for, as Mr Sarwar knows, a rather large local authority.

Q791 Mr Devine: He tells us it is the best.
Mr Cairns: He is right of course. We do have a direct link to the Home Office, but whether or not that link, as Jon probably wants to say, works as effectively in allowing us to manage some of the knock-on issues is another question.
Mr Harris: Having been on various groups involving all the regions in the United Kingdom on this, my judgment is we probably work better than most in terms of our strategic migration partnership, but there are huge issues in terms of joining up the funding, for example there is funding made available to the police authorities in England and to local authorities to build cohesion which we do not as yet have access to, so there are issues there but in terms of a working relationship, it is probably better than most.

Q792 Chairman: On these asylum issues, obviously we recognise the importance of this and the difficulties, local government and the Home Office, at least we are making an effort to resolve these issues, but there are people in Glasgow, for example in my constituency, who are Poles and Slovakians and they do not have any benefits like the asylum seekers have, benefits in housing, they do not have the capacity to get a job and they are living in overcrowded houses there. I know as a matter of fact that in two-bedroom flats there are eight to 10 people living in my constituency. How are we going to tackle that?
Mr Cairns: How are we going to tackle it?

Q793 Chairman: They cannot speak English as well, it is very difficult for us even to communicate with them. This is the first time I have in my time in Westminster in my constituency that white community members and Asians are ganging up together against Poles and Slovakians. It is very unfortunate, but the issue is there.

Mr Cairns: The issue is there. The issue manifests itself in MPs' surgeries, MSPs' surgeries and the surgeries of locally elected members, that is where these things are brought to a head in the first instance. We have also got to grasp the reality of this, which is that economic migration is a fact. The UK is probably the most open labour market in Europe, if not in the world, certainly one of the most open labour markets, and because we are experiencing economic growth we will inevitably attract labour. From one perspective that is not necessarily a bad thing. If you take the houses of multi-occupancy question, for instance, again I would not profess to be an expert, but the business of attempting to regulate this rests with the local authority and the finances available to help address it rests with the local authority. There is inevitably a challenge between addressing the needs of that group of people and the fact that across the entire country there is probably a deficit in social housing generally. You can see how we are constantly trying to juggle these different forces at the same time.

Mr Harris: I think in terms of the migrants, as was said, they are mainly economically active individuals who either come on their own or without children, therefore the impact is generally overall positive. There are issues in terms of exploitation because of the wages and the amount of access to affordable housing, but these things have to be put in the context that overall, from a Scottish perspective, we are looking to build our population, particularly in terms of people who are economically active. I think there are possibly issues that we need to consider in the longer term and how we assimilate because if I was looking at the impact, there are certain concentrations where the impact on public services is quite significant. It is not just in the cities, in particular Edinburgh and Glasgow, but even in our rural communities you can suddenly get a situation where the number of languages in a primary school has increased from maybe two to six. I know in one school in Edinburgh in one school year the number of languages they were dealing with increased from two to ten. It does have an impact in terms of how you deal with that upfront and I do not think we have always got that done as we should.

Mr McCrossan: On rural areas, to reinforce that point, I think it is generally seen as a positive because there are economic issues and particularly in the building trade and hospitality—it is difficult to get the statistics—there has been a huge influx, probably much more so in rural areas than people realise. There are issues beginning to emerge. Ultimately, there is an issue about cohesion because the pattern does appear to be people come expecting not to stay long and then change their minds. That is already emerging as a trend, that the majority saw themselves coming on a temporary basis and a much higher proportion than that are now beginning to stay longer. We have seen in the initial stages in things like English as a second language, a huge rise in demand but also it is manifesting itself in schools in terms of children coming in with different languages and fairly inadequate additional support for that. In the longer term I think it is a real cohesion issue and we have to start thinking about that now and have a much more highly developed strategy than we have got.

Q794 Mr Devine: The Government has got a laudable aim of eradicating child poverty by 2020 and in Scotland the 2005 target was actually met. I am just wondering what specific role local authorities see in targeting child poverty and what assistance the Westminster Government can be to any strategies that you are running?

Councillor McGuigan: I think there is a number of issues there. They have met the target and the target that is now being aimed at is a very admirable and proper one. I think what local authorities will have to continue to do is to look in a number of areas. Education is an absolutely key area where we have to see young people succeeding as far as their attainment is concerned. If you take standard grades here in Scotland, there has been almost a continuous improvement over the last ten years, but if you take the bottom fifth among those, then their position has not changed at all over the last ten years and that is a very worrying thing. There are things there that local authorities have to be looking at much more seriously to find out why it is that they are unable to make a difference at that particular cohort. Housing is another area where we have a major problem as far as socially rented housing is concerned. We have overcrowding in some of these houses and that, again, disadvantages young people, that exacerbates child poverty. Those are certainly areas that I think local authorities have to ensure they are working determinedly to improve the situation there.

Q795 Mr Devine: What do you think of the Government's strategy of basically saying people stay on in school until they are 18—there is an increase in apprenticeships; unless they have gone for apprenticeships—exactly what you are talking about? India is producing more graduates a year than the whole of Europe put together and China is clearly going to be a big player in the world economy in the next five or ten years. I am just wondering what we need to do in education and do you agree with the Government's strategy in that direction?

Councillor McGuigan: I do not think we should be afraid of requiring young people to give a commitment to the role they play within our society and if that means they can best be equipped to play that role by staying on at college or school or participating in training, then that is absolutely necessary, and I think it is quite right and correct. It is not unusual, this happens right across Europe, Germany is an example of that. We have to be careful, though, that we do not become obsessed with a paper chase that has been going on in this country for maybe the last 25 years, that the qualifications that you got was more important to get into university to pursue a degree. We forgot that we need people who have other skills and other competencies and I hope that we will start to give a shift of emphasis to that. That is not in any way to

put a lid on people's aspirations to achieve their maximum potential educationally, but it is also to applaud and recognise that there are people, perhaps, who are not going to be academically the most gifted and talented people but they are absolutely necessary for a successful economy. Those are areas that I think we have to be looking at.

Mr Cairns: Could I pick up a number of points in relation that. Others might disagree again, it is not whether or not people stay on in education at 24 or 18, it is what they do while they are there that matters. The key to getting people out of poverty in most cases is for them to be in well remunerated work. If you look at the future labour market demand statistics, again I have Glasgow level figures—the Scotland level figures would probably not be much different—at the moment in a city like Glasgow the percentage of jobs requiring no qualifications whatsoever, zero skilled jobs, is 20 plus per cent in the current labour force. Within ten years, the percentage of labour force requiring zero qualifications will fall to 9%. There are two things that follow from that. One is unless a good percentage of those people acquire qualifications, then they will either not work or be trapped in very low skilled jobs. The consequence of that would be higher poverty and the more chilling consequence, if we do not do this, is that we will not provide the labour to meet demand in terms of skills, therefore the country will not be competitive and therefore the general situation of more of us will become poorer. You asked a couple of questions on lone parents, I want to try and zero in very quickly on child poverty. You asked questions about child poverty. One of the problems about child poverty is that it tends to manifest itself to a greater extent among single-parent families and, again, the most preferential route out of poverty for those people is well remunerated work, not just any work but well remunerated work. That requires that people again can acquire the skills to do that and they can access provision to child or dependant care in the right places at the right time and at the right price, because if you can do those things and you make it possible for somebody to work and also make it possible for them to acquire skills, if you have sufficient flexibility around the benefits system to allow people to do that, they will acquire skills which will allow them to progress in the labour market. That moves the whole economy up the value chain and will lift families and children out of poverty. It sounds glib, but it really is that fundamentally simple.

Mr Crighton: Could I add one point to something which you were saying there. This information you gave about the changing demand for skills and the number of people who have not got skills in the labour market, to reinforce that, I think the research shows that for quite a lot of young people whose parents have not got any skills either, they continue to aspire to the same kinds of jobs that their parents are either doing or have done. Certainly in Edinburgh we are seeing the vanishing of the manufacturing industry but, just like in Glasgow, the number of jobs where you do not need skills and qualifications is contracting but there is a layer of people who still aspire to a manual and unskilled job. I think there is a lot to be done in schools to connect to the actual labour market and to change the aspirations. It is not just to say, "There won't be that kind of job for you, I'm afraid", but, "You are quite capable of doing this new kind of job". It means that we follow that through in a way you build up people's aspirations and help them think that a job in a shop or a hotel is not a thing which your dad would not have done it, so "I'm not going to do it". I believe there is a lot to be done within the schools, particularly in secondary school, about building up vocational options which allow people to embrace those opportunities.

Q796 Mr Devine: Jim, you seemed hell bent earlier on that there should be a different approach in urban areas to the rural communities. Would that apply as well to tackling strategies in child poverty?

Mr McCrossan: In a sense, I mentioned earlier, for instance, that even though we have identified areas of deprivation, the worst 15%, we have 80% of income-deprived people living outwith those areas so it is just more complex to target that. What we find, though, that has worked, and this has been a theme through the session today, is partnership, working between agencies with child poverty or issues which I am more directly concerned with literacy and numeracy. There is rarely one problem operating in isolation, so that is often the key to taking a more holistic approach, probably even more so in a rural area where you are working less with spatial concentrations.

Q797 Mr Devine: Again, is it fair to say that here is the Government with its target of reducing child poverty by 2020 up there and in your areas that you are talking about, like the rural areas, Argyll and Clyde, do you feel the Government are there at that level? Obviously health is there, local authorities are there, various others, but are we there?

Mr McCrossan: I think the links are more tenuous, and this has been touched upon earlier. It is in relation to reserved matters, but the key ones, these ones we are talking about, those are not. It is not across the board or a generalised problem, I think it is quite a specific problem in these key areas.

Q798 Chairman: Do you agree that in urban areas poverty is visible? If you go and see housing conditions, graffiti and other things, you can say, "Right, this is a poverty-stricken area", but when you visit rural areas it seems to be nice. When I go for a holiday or a day out to Inverness, I never feel that the poverty issue does exist there because it seems to be nice, reasonable houses, but when they want to buy a loaf of bread or pint of milk they do not have the transport, and if they have a car, fuel is very expensive. How can we deal with that issue?

Mr McCrossan: It is really based on what I am saying. They used to say you cannot eat the scenery and, in actual fact, a lot of it goes to conceal the problems because you can have—and we touched

upon this earlier—communities where there is affluence and poverty side by side in rural areas and it is less visible and people are often less willing to identify themselves in that category too. There is not a simple solution. As I said before, what we have found that works is working more closely with our partners who deal with different aspects of the problem and that is really the only way forward in terms of identification and supporting people.

Q799 Chairman: Something which was really worrying after taking evidence in Inverness was they do not have any data or information on what percentage of people and who are the people living in poverty in those areas.

Mr McCrossan: There is some. As I mentioned earlier, 80% of income deprived people in Argyll and Bute are outwith the recognised areas of deprivation, which are quite small anyway. The Scottish average is, I think, 64%, so there is a problem of visibility but it is about targeting particular themes. As I said before, you find looking at people's literacy problems, not always but they may well have drug issues, mental health problems, whatever, so we have to work with colleagues who are working with people with a range of problems because you find it is often the same people and that is the way to identify, locate and target the work.

Q800 Mr Davidson: Could I apologise, first of all, for missing the beginning of evidence, I had something in my constituency. Could I pick up the question of rural areas. My experience was that the rural areas were making political choices about the level of services, particularly those where they were run by independents, or Tories pretending to be independents, and they were always deliberately choosing to have low council tax or low charges and they were willing to accept the fact that meant there was low service provision and, therefore, there was not the Take Up campaigns, the communities work staff or payments for bus routes and so on. To some extent the fact that poverty is not being tackled in the rural areas is as a result of the political choices that have been made. Therefore, in a sense, it is difficult to see how we can intervene in something like that.

Mr McCrossan: I think, first, I would say that is obviously a political question, I am here as an officer. To make the issue a bit clearer because certainly in Argyll and Bute there was a kind of overhang from the Strathclyde days, as I am sure you will be aware yourself, of a level of services, it was undoubtedly higher in the level of services that were there in county days. That is pretty well maintained now, I would have said, but we are now moving into an area where a lot of the ring-fenced funding that underpinned a lot of that is disappearing under the new local government set-up with the Scottish Government and it will be interesting to keep an eye on that issue to see if that begins to change. I think it is also important to say, though, there are some things that are ineradicably much more expensive and it is harder to target viable services because of numbers, there are genuine underlying problems about that. At the end of the day, you are absolutely right, there are issues about what you are prepared to spend on.

Councillor McGuigan: I want to say that we have to bear in mind there are these high costs as far as the rural situation is concerned and it is there simply because of the nature of the thing, but it could be argued, of course, that the political representation has not been robust enough over the years. Those unique types of costs cannot really be met by the people living in the particular area. We cannot say to them, "Patient, help yourself", but maybe there should have been a bigger recognition from central government in allocating resources to alleviate some of the difficulties and problems that are faced there.

Q801 Mr Davidson: I cannot remember offhand what the product of a premium council tax is for, say, Argyll and Bute and what the difference is between the level of council tax at the moment between Glasgow and Argyll. If Argyll's tax was at the same level as Glasgow's, how much extra money would you have to spend on these things and, therefore, to what extent are you in a pit that you have dug yourselves?

Mr McCrossan: I am not sure what the difference is. I would be surprised if it was a huge difference, to be honest, but I do not know.

Mr Barker: I think there is an element of where you have deprivation that is more concentrated in urban areas, then the action to address that is going to be more visible. Where you have got distributed deprivation you are not going to have drop-in centres, particular initiatives in particular areas, it is much more dispersed activity that quite often is in conjunction with other service provision. In terms of the services that Jim is responsible for, there is a range of things that will be addressed and quite often you are targeting individuals within communities rather than groups as communities as a whole, so there is the activity there, but the targeting is much harder because you are dealing with a distributed population, whereas if you have got a concentrated population it is easier in terms of the targeting and the action that is being taken is more visible.

Mr McCrossan: There is no argument about the scale of the problems in Glasgow, for instance. I do not think you will find people from rural areas coming and saying, "You shouldn't be spending that money there, you should be spending it on us". It is just different.

Q802 Mr Davidson: I remember when Strathclyde was established that we had things like Take Up campaigns for benefits and so on in some of the cities and Argyll never did that because they were not basically willing to pay for it, and there were rural parts of Lanarkshire that had the same sort of reality difficulties but, because there was a difference of control, they were willing to pay for it. I am wondering the extent to which some of these issues are simply just hangovers from the days of miserable councils and whether or not there is a mechanism actually there to deal with them, but there is not a

will to deal with them. If that is the position, then it is difficult for us to see how we ought to be addressing these questions and it seems in many ways that is not something that we ought to be getting involved in, that is really for a council to be dealing with.

Mr Harris: I understand what you are saying. Certainly, in terms of welfare benefits, there was a particular issue in terms of rural areas where people were maybe not so willing to come forward where they felt they would be known and they did not really want to share that situation, the same as I have seen children in difficult situations because of domestic abuse. If you are living in an island in the Western Isles, how would you get access to services? There are particular issues there which sometimes inhibit people coming forward.

Mr McCrossan: There has been a big investment in benefits uptake in the last ten, 12 years.

Q803 Mr Davidson: Could I ask a point about fuel poverty, and that is the extent to which local authorities can play a role in eradicating fuel poverty?

Councillor McGuigan: I think one of the things that local authorities can and will continue to do is to make the case for local authorities to get back into the business of building good housing for our people, houses that are well insulated and efficient as far as heat loss is concerned, that is crucial. It is also important to educate our people to make our people more conscious about the whole issue of fuel poverty. A lady that came to my surgery just a few weeks ago was telling me—her case was very serious—she does not use the cooker, she brings in cooked food. That is a scathing criticism of fuel poverty and that is fuel poverty that is associated with the costs of utilities, gas and electricity. She can only afford to put the washing machine on twice a week; there are clearly hygiene issues. I think we have to get in about that, as local authorities trying to ensure we provide the support arrangements so the housing stock we have is housing stock which does assist in meeting all the needs of our people. It is important that we identify those particular groups within our communities that have got specific needs, the elderly who can be extremely vulnerable to cold and so on, and, sadly, we still have not escaped from the fuel poverty that, maybe, was quite common in the 1950s and 1960s. I think Billy Connolly made the comment about the coat being over the bed and the coat was there to keep the "wains" warm at night. That is still a reality there. There are big, big issues that need to be tackled and I think local authorities have to continue working, as they are at the moment, to tackle it. There has got to be a responsibility also on social landlords to make sure that they play a role in that, that it is not simply left to the local authority. That is the way we have got to work, as a set of agencies trying to deal with a problem but communities have to also play a role in this, they have got to flag up the issues as they see as being deficient, either for them collectively or for particular individuals. That is something we are not very good at, listening to the voice of the communities themselves.

Q804 Mr Davidson: In terms of the councils, it is mainly a housing stock issue. That is an issue really for the Scottish Parliament rather than for us directly, is it not? Where we might have controlled housing once, we do not control it now.

Mr Barker: I think there might be an issue in terms of the energy markets and things like that, because in rural areas, in Argyll and Bute, less than half the population live in a town, so the other half of the population either heat their house with electricity, oil or solid fuel and the choices are not there. The circumstances in which the housing is are usually more exposed, you do not have the sort of heat island effect of urban areas so the amount of heat required is more and the fuel that you are using costs more. There are things that relate to particular circumstances, but there are things like the energy markets.

Q805 Mr Davidson: Is that local energy markets as distinct from the national market?

Mr Barker: In terms of heating my house with oil it is linked straight into the markets. The fact that locally you pay a bit more per litre of fuel because there are extra transport costs involved is a factor, but there is still an issue in terms of how energy policy works at a UK level.

Mr Cairns: Could I make a number of points around this, some of them on behalf of my rural colleagues and they may correct me if I get any of this wrong because, as you know, I am not from a rural area. Despite global warming, the more remote parts of the country tend to be colder and, therefore, the fuel requirement over any given calendar year is likely to be higher. The cheapest source of heating is probably natural gas and there are large parts of rural communities that are not on the gas grid and, as a consequence of that, they are then forced to use more expensive sources of fuel. The other area where I think we have to be aware of how poverty acts in an unequal manner in the fuel market is that most of the means of charging for energy are regressive. Those of us who have relatively high disposable incomes and regular incomes can afford to enter into charging arrangements with utility suppliers that cost us less than the same fuel purchased by a relatively poor person. Power cards and other arrangements of this nature are much more expensive per unit of energy than the kind of arrangements that some of us might enjoy. There is therefore a role for local authorities around the whole financial inclusion, financial awareness and financial competence agenda to help people to recognise what those additional charges are and look at mechanisms whereby we help those on the lowest incomes, who ironically are paying the highest prices in real terms and by far the highest proportion of disposable income for fuel, and try and get them into arrangements where there is a much more equitable means of them buying their

energy. That is an area where local authorities are doing some exemplary work and need encouragement and support to do more.

Q806 Mr Davidson: Are any of those issues where you are being held back from doing things you would want to do as a result of anything that we have done nationally? I need you to tell me, "If only you changed the rules on X, we would be able to do A, B, C." There is nothing you are consciously aware of that you would ask us, given this opportunity, to do in relation to fuel poverty?

Councillor McGuigan: I think one of the things you possibly can do is to encourage your banking colleagues to make arrangements available to people on very low incomes to enable them to access the very type of opportunities and facilities that Richard has been referring to. I do not know what mechanism can be used to do that, it is certainly something that may be looked at.

Mr Cairns: There is a couple of things arising out of what I said earlier. I am not an expert on the energy markets, but I would imagine if one were to scrutinise how the energy markets are regulated in this country, the level of capital investment that utilities companies are required to make and how inclusive they are required to be about the access to particularly the gas grid, that may be worthy of explanation. That explanation might conclude that there is no case to answer or no change required, but I think it may be worthy of explanation. The extent to which there are additional benefits payments and cold weather allowances for particular parts of the country might merit some examination. Again, I do not know enough about the subject to be confident there is a concrete issue, but it might merit examination. The final one would be around looking at whether the financial information and financial inclusion processes that we are currently trying to put in place are receiving sufficient national government support. Again, I would not want to say definitively that they are not, but I think there is a question to be posed there and examination worthy of some effort.

Q807 Mr Devine: I wonder if you share my concern about the Scottish Government initiative with regards to replacing heating systems. There are just under 11,000 pensioners at the moment whose heating systems have been condemned. I have got a few constituents who have no heating, no hot water, no cooking facilities. Scottish Gas have come in, condemned their system, written to my constituents in September to tell them that they are not going to get their replacement until April and I now have another constituent who I saw a few weeks ago who has now been told that she will not get a replacement until June. Effectively, we are looking at potentially 11,000 pensioners, some couples, who are going to face the winter without any heating. I know the Scottish Government committed seven million in the last week, but I wonder if you have had this highlighted in your surgeries?

Councillor McGuigan: It has certainly been brought to my attention over the last two or three years and it is a very real problem, there is no question about it. It is about identifying and releasing the resources to enable us to tackle that.

Q808 Mr Devine: Is this being shared by all?

Mr Cairns: I have heard it anecdotally and I have also heard anecdotally that it is, again, the poorer communities that are lagging further behind. My colleagues from Argyll and Bute might have a view to add to this, but I would also imagine that if you are a gas contractor—because this work is being done by contractors—and you have targets to meet for the refurbishment of central heating systems, that contractor is going to meet more of those targets which are geographically closer together and he is going to find it harder and more expensive to meet those targets where they are geographically more distributed. You do the maths.

Q809 Mr Devine: We will obviously ask the Minister, but astonishingly I heard that priorities are being given to the islands but it may obviously not be the case, I do not know.

Mr Barker: There is an issue in terms of island communities in terms of the cost of fuel, but also the cost of any improvements that certainly are much higher than you would get in terms of any equivalent in an urban area. It is because of the nature of the fuel and the costs of any work involved in those sorts of areas.

Q810 Chairman: Irresponsible lending and debt is a major contributory factor to poverty. Citizens Advice Bureaux witnesses told us that one in five cases they are dealing with are directly connected to debt. You probably will be aware that our financial institutions, banks and unauthorised lending agencies are charging up to 300% interest rates to the people they advertise they are going to sort out all their financial problems and then people borrow the money from them, sometimes they borrow £1,000 and they end up paying £10,000 or even £15,000 and in some cases they are put in the position where they have to sell their belongings and houses. What do you think the Government should be doing to tackle these greedy institutions?

Councillor McGuigan: I think there is legislation in place that can tackle that and there needs to be enforcement of some of that legislation to ensure that, because for many people who are below the poverty line, the only relief that sometimes they can get—and it is a short-term relief—is by going to unscrupulous money lenders. It provides relief for a short period of time and then, of course, you get the aggressive creditor coming and that creates even greater pressure on that household and that family. I think we should always be reviewing legislation as it relates to that and we should be seeking to tighten up in every way that we can and ensuring the enforcement actions which are necessary follow.

Q811 Chairman: It is hard to believe that when the base rate in the country is 6%, five and a half per cent, the financial institutions will be charging 40% and 50% interest rates, and unscrupulous money lenders are charging up to 300%, I do not know. Do you have any view on how we should be tackling it so we can have a real grip on them?
Mr Cairns: I have a long answer and a short answer. The short answer is I would at some point like to enter into the record or provide the Committee with information about the Glasgow advice and information network in a project called "Scot Cash", which you may or may not be familiar with.

Q812 Chairman: We have had a meeting with them.
Mr Cairns: That is excellent. The Scot Cash project has, in effect, created a community development financial institution, a community bank, which is designed to provide access to banking facilities for people who are referred to as "the unbanked". As a consequence of that access to banking facilities and, aligned with that, a financial advice service which ensures people access loans where appropriate and other forms of finance where appropriate by wrapping these things together, in effect what you put in the market place is an alternative to the very easily accessible but very, very expensive, less conventional means of credit. Even the legal shopper check, Provident-type model, is prohibitively expensive but is seductively accessible in poor communities. It is marketed in exactly that way, leaving aside the loan sharking mechanism. I think if there is anything that you could do, one would be to enter this kind of project into the record and note how successful it appears to be. I am going to give you some facts on how successful it appears to be thus far, but we have to look at the extent to which the Government is able to provide further backing for this kind of thing as an alternative, particularly as an alternative to loan sharking which is clearly an illegal activity. In relation to Scot Cash—and I checked this morning because I thought you might be interested in this—amongst other interesting things the project has raised £800,000 of its capital from the Royal Bank, which is commendable in itself. We have made progress in getting the conventional banking sector to engage in this process. The project also enjoys what is called "trusted partner status" with the Royal Bank, somebody on low or almost no income can go to a Scot Cash branch and with assistance from them for the first time in their lives often can open a bank account there with the Royal Bank, they do not have to go into the Royal Bank or premises of that nature. When they do that they receive customised financial advice, unlike opening an account at a bank they get a one-to-one consultation with somebody who looks at their overall financial circumstances and helps them work out the best means of managing whatever income they have. Since February 2007, Scot Cash has opened 116 bank accounts for people who previously had no banking arrangement whatsoever, that is 116 people who potentially, therefore, have slipped out of the grasp of less preferable forms of finance and 65 people in addition to that have now opened savings accounts with credit unions. There is progress here and good practice here. Again, it might be an area for examination to see what the Government can do to support and extend that kind of good practice.

Q813 Chairman: Could I thank the witnesses for their attendance this afternoon. Before I close the meeting, would you like to say anything in conclusion, perhaps on an area that we have not covered in our questions?
Councillor McGuigan: I would like to thank you, Chairman. It has been a very interesting experience for myself and I am sure for others here and it is good to have been subjected to the very searching questions that have been put to us. I re-emphasise again I do hope that we will see a closer relationship coming into operation between central government, the Scottish Government and local government. It is not necessarily a panacea but the way in which we should all be aspiring to deliver a better Scotland.
Chairman: Thank you very much once again. I am sure your evidence will be very helpful to us when we compile our report. Certainly we will send you a copy of the report when it is ready to be published. Thank you very much.

Witnesses: **Mr Stewart Maxwell** MSP, Minister for Communities and Sport, **Mr Jamie Hamilton**, Social Housing Division; **Mr Mike Palmer**, Social Inclusion Division; and **Mr Neil Langhorn**, Head of the Antipoverty Strategy Team in the Social Inclusion Division; Scottish Executive gave evidence.

Q814 Chairman: Good afternoon. I would like to welcome Mr Maxwell and other witnesses to our session on poverty in Scotland. Before we start on the detailed questions, would you like to make any opening remarks?
Mr Maxwell: Thank you very much, Chairman. It is a pleasure to be here today. I am told I am the first Scottish Government minister to appear before a Westminster committee so it is a pleasure to be the first and I am sure I will not be the last. I look forward to this committee session. I think there are a lot of areas of work that both the UK Government and the Scottish Government share in terms of tackling poverty and in particular child poverty and, as you will be aware, we certainly support the UK Government's targets in terms of halving by 2010 and eradicating by 2020. With those few remarks I look forward to hearing your questions and hopefully answering them as well as I can.

Q815 Chairman: What is the current status of the Scottish Executive's Closing The Opportunity Gap programme?

Mr Maxwell: Clearly, it is still the current position that the Government has the Closing The Opportunity Gap targets in place. They are ongoing at the moment. The new Government is reviewing those particular targets and that programme for a number of reasons. First, some of the targets, we think, will be met, some might be met and there are a few that clearly will not be met. It is timeous that we should review them at this time in terms of whether or not that is the way we want to go. I think over and above that, obviously with the new overarching strategic objectives that the Government has and national outcome indicators, this takes us on to new ground and new territory. Again, in those circumstances it is appropriate that we review the Closing The Opportunity Gap programme and any decisions about the future of that programme or any changes or replacements to it will be announced in the near future.

Q816 Chairman: Thank you, Mr Maxwell. Before I ask the next question, perhaps the other witnesses could introduce themselves.
Mr Langhorn: My name is Neil Langhorn, Head of the Antipoverty Strategy Team in the Social Inclusion Division in the Scottish Government.
Mr Palmer: I am Mike Palmer and I head up the Social Inclusion Division.
Mr Hamilton: I am Jamie Hamilton. I am from the Social Housing Division with responsibility for fuel poverty.

Q817 Chairman: How has the Scottish Executive policy on poverty changed since the change of administration in Scotland? Can you see any visible difference from the previous administration in your policies in tackling poverty?
Mr Maxwell: I would say two things on that, Chairman. First, we want to build on the work of the previous administrations. Over the past eight years we have been very supportive of, much of the work that was done by the two previous administrations. I think there is a shared agenda on much of the work in terms of poverty across the Parliament, so there is no radical difference in terms of a sudden change, if that is the nature of your question. The second point I would want to make is it is very early days. We have only been in power for approximately five and a half, six months. We are reviewing a number of the programmes, we are looking at some of the new evidence and statistics that are coming forward at this time and, as I have said, in terms of the Closing The Opportunity Gap, for instance, we are reviewing that and we will make an announcement on that soon in terms of how we want to take that forward. There is no radical departure from the previous administration. It is more of a continuity and building on the work that has already been done.

Q818 Chairman: Obviously there is a big gap between the rich and poor. What is your strategy to narrow the gap between the rich and poor in Scotland?

Mr Maxwell: There are a number of strands to that clearly, not just in terms of straight financial differences between rich and poor but more importantly I think almost is the impact that difference has in terms of health inequalities, for example. We have established a ministerial task force on health inequalities because clearly the differences in healthy life expectancy between the richest in our society and the poorest have been growing over recent years and we are very concerned about that particular problem. We want to reduce health inequalities and that is why we have set up that cross-ministerial group to look at that. It has only been established now a couple of months so it is early days. There are a number of areas, though, that we are working on. We are looking to update the Index of Multiple Deprivation in terms of funding. We have just announced that we have launched a single deprivation fund on tackling poverty which amounts to £145 million of spend a year directly into the areas of most difficulty of deprivation in our communities. I think there are a number of areas. We also fund work on financial inclusion, we also work closely with the DWP in terms of work, benefits and getting people back into work and certainly one of our main focuses is getting people back into work and onto a sustainable career rather than just a job, because we believe fundamentally it is only through growing the economy and providing more work for our citizens that people will find a path out of poverty in the long term.

Q819 Mr Davidson: Could I pick up the point about inequality and, in particular, the point about people moving into work. One of the issues that was raised with us on a number of occasions, particularly in the Highlands, was the importance of the national minimum wage for those who were working in industries that were unorganised by unions and particularly, again, in rural areas. Has that been your view, as a Scottish Executive, because we are interested in exploring ways in which we can help people into work, but there is no point in getting them into work if the wages are poor and they remain in poverty. It has seemed to us from the evidence we have had that moving up the national minimum wage is one of the most important ways of doing that. I wonder whether you supported that or you had an alternative perspective?
Mr Maxwell: To be honest, no, I would agree that the national minimum wage is a very important factor in establishing a safety net for many people who otherwise would have wages much below what is acceptable. I think there is obviously a debate and an argument about where that level is set in terms of the minimum wage and, clearly, we would like to see people not only to get on to jobs which are minimum wage jobs but effectively sustained jobs which give them the opportunity to grow their own wages in terms of career progression. One of the biggest problems that many of the groups in Scotland who operate here have come to me with is the "working poor", that phrase which I think describes, unfortunately, many people who have never been

unemployed, who have been employed their whole lives, but still find themselves in poverty. Clearly, that is a very difficult group to tackle. I think the major ways to tackle that are through the tax and benefits system which are reserved to the UK Government.

Q820 Mr Devine: Stewart, I am surprised you never mentioned in your introduction local income tax as a factor in closing the gap of inequality, from your party's position. In my by-election one of the candidates who apparently heavily supports local income tax stated that a nurse and a fireman living together were rich and could afford to pay the additional cost the local income tax could generate. Do you agree with that?
Mr Maxwell: Clearly, I am not aware of any such statement. I was not present, so I will not comment on any alleged statements by people or otherwise in a by-election some time ago, Jim. From our point of view, we think the council tax is iniquitous and unfair. We think the council tax hits those who are poor in our community, particularly older people, and we firmly believe a taxation system based on ability to pay is clearly a major step forward in terms of a fair taxation system. If it is good and right to do that for income tax, to have a system based on ability to pay, it seems entirely reasonable to also have a local taxation system that is based on the ability to pay so we absolutely believe that is a major plank within the limited powers we have that we wish to take forward.

Q821 David Mundell: The UK Government, Stewart, has told us that they work closely with the Scottish Government on poverty reduction. What does that mean in practice, and is that your interpretation?
Mr Maxwell: It is certainly our aim to work closely with the UK Government in those areas where it is both a reserved and devolved dimension. Clearly, it is our intention to work in the interests of the people of Scotland and that is what we will do. We and government ministers have had meetings with their UK counterparts, for instance Fiona Hislop, the Cabinet Secretary for Education, has met with Caroline Flint in the DWP. There are ongoing meetings that take place at ministerial level as well as meetings between officials in each of the departments, so clearly that work is ongoing, but we also liaise closely with departments in the UK Government. I will give a hypothetical example. If we want to carry a programme that deals with devolved areas but will have an impact on one of the departments in the UK Government, we would liaise with them to make sure they were not caught unawares, that the timing of that programme meant they were geared up and ready, in case it made any changes to the number of applicants they had for a particular programme. Effectively, we do work closely and liaise with them to make sure that there are no unexpected downsides to any campaigns that we are doing so, yes, that work does carry on and it does go on in co-operation.

Q822 David Mundell: Are you currently lobbying for any distinctive approach in Scotland compared with how the UK Government might be approaching some of these issues in other parts of the United Kingdom?
Mr Maxwell: We are always lobbying for a distinctive Scottish approach and to make sure the Scottish dimension is taken into account—it is not always unfortunately—so we are making sure as best we can that the UK Government is aware of the differences in Scotland, not just in terms of government policy but also in terms of the legal system and the other impacts which sometimes some legislation has. We are having meetings, as I said, at ministerial level to talk about some of the issues, particularly the recent Green Paper that the DWP launched. I think there are issues there where we have opinions which may differ from the UK Government's current stance in terms of lone parents and the impact that some of the policies may have on them so we have some issues, some concerns, and the Cabinet Secretary has expressed those concerns directly to the UK minister.

Q823 David Mundell: Perhaps your support team is in a better position to answer this question maybe than yourself, but is there a perception there has been any change in those working relationships since the change in administration?
Mr Maxwell: I was not here before so I cannot do a direct comparison. I do not know if it is appropriate for officials to answer that question.

Q824 Mr Devine: We used to let them speak!
Mr Maxwell: I am quite happy for them to speak. All I would say is, clearly, there has been a change in personnel, a change in the way that we view the relationship between ourselves and the UK Government. How that has affected the individual relationships between officials, I will let officials answer.
Mr Palmer: From my point of view, I would say that consistently we have had pretty close and intimate relationships with our DWP colleagues. I would say perhaps that the change which has taken place is that we are now keener from our point of view, from our end, to be more proactive at an earlier stage in the policy development cycle than perhaps we were previously. One of the things, for example, that we have done is to propose the establishment of an official level four-country forum on poverty so that officials from across the four UK administrations, Northern Ireland, the UK Government, Wales and Scotland, can meet on a regular basis to look at various issues around policy development for child poverty and really get under the skin of some of those issues in a sleeves rolled up-type fashion and have some discussions earlier on in the policy cycle than perhaps we had sometimes in the past. I would say that relationships have always been cordial between us.

Q825 Mr Davidson: Following that, for example, the City Strategy covering Glasgow in particular, which is an interest of mine, are you satisfied that the

observations you want to make about matters of fact, so to speak, have been adequately taken on board? There will be occasions when clearly different parties will have different policy directions and I think we accept that is going to be different, but there are going to be observations you are going to want to make, such as if you want to do such and such you ought to be aware of X, Y and Z. Are you happy that the observations you make are, at least, being listened to, if not necessarily accepted, because presumably people have the right to disagree with you? The relationship therefore in those sorts of circumstances you think is working well? Is that correct?

Mr Palmer: I should caveat my response by saying that I do not have the policy lead for the City Strategy work, so I am not at the front end of dealing with the DWP on that particular area, although I know something about it. From what I know about the work that is going on there with our colleagues on the City Strategy and employability, I think there are very, very good working relationships at an operational local level. In the three cities where the City Strategies are being taken forward in Scotland, certainly between the Jobcentre Plus leads, the other leads in those areas and the Scottish Government policy leads the relationships are good. I think there is a confidence and an assurance among Scottish Government officials that when they voice an issue or a concern, that is getting passed back up the line. As you rightly said, that will not always result in a flexing of the DWP's policy and one cannot necessarily expect that to happen, but there does seem to be a fairly open channel of communication. I guess the one thing I would say is what we do sometimes detect—and I think the DWP would concede this readily themselves—is a tension between the ethos of the City Strategies, which is to create local partnerships that are responsive to local circumstances that are quite flexible in that way and can respond to local devolved partners, the tension between that and some of the UK-wide standardised policy frameworks that come out from the DWP. That is a difficult tension to fix. It is not anybody's particular fault but that simply exists there so, for example, around some of the contracting proposals that are coming through from the DWP, there might be some tensions between big block contracts that are looked at from the UK perspective and some of the dynamics that are around the local City Strategies which are very much about responding to the local partnerships.

Mr Davidson: One of the issues that I think we have not quite resolved, either yourselves or ourselves, is balancing a need for flexibility and so on in a local area and avoiding the equivalent of postcode prescribing because if you are giving flexibility to people to do things differently, and they do things differently you then get people complaining, "I can do X in such and such an area and but I can't do it in the other". I am not quite sure that we have resolved this and not quite sure if you are serious about devolving things yourselves further you would be able to deal with that. Chairman, I have been at a CPP meeting this morning where unanimously the elected members and the community all wanted to do one thing and the officials were telling us, "No, no, you cannot do that. It is the rules. It is more than my job's worth". That is a constant difficulty really, is it not?

Q826 Chairman: The people of Scotland obviously expect that their elected representatives in local government, the Scottish Executive and, of course, the British Government work together in co-operation, harmony.

Mr Maxwell: I am not sure they expect harmony, Chairman, to be absolutely honest, but co-operation possibly.

Q827 Chairman: Certainly, and to work together to tackle all the issues facing Scotland, including poverty issues. You have stated yourselves that this is the aim of the Scottish administration, to work together in the interest of these Scottish people. How would you define the Scottish Executive relationship with the British Government? Very good, good, reasonable or poor?

Mr Maxwell: I think we have a good working relationship. I think at both ministerial and official level people are focused on the issues. Clearly we have a difference of opinion in terms of party political preferences, but there is a determination to try and work together on many of these issues, so I genuinely think there is a good relationship. There are differences of opinion about some of the policies that the UK Government may wish to pursue about who should control many of these powers, because many of the powers in this area, in particular, are still reserved and, clearly, we wish to see the devolvement of powers, for example, over tax and benefits to the Scottish Parliament. We believe that if we had those powers here, we could do so much more than we can do at the moment. I do not think that will come as a surprise to you or any members of your Committee but, putting that aside for one moment, we work as closely as we can with the UK Government because there is a determination to try and tackle child poverty and poverty in general. That is something which both of us surely can work together on.

Q828 Mr Devine: Mike, this may be an unfair question. We were both dealing with the Department of Health in a previous life. Is the relationship easier where you are now than what it was in Department of Health south of the border? Or is it comparable?

Mr Palmer: I would say the relationship is pretty much the same.

Q829 Mr Devine: I can remember a war zone!

Mr Palmer: As the Minister said, although we would always expect to work in full co-operation and very closely, we would not always expect to work in total harmony. As when I worked in the health arena, we sometimes had our issues and debates and we voiced our opinions to the health department in England, so we do sometimes with the DWP. What I would say is that the DWP do listen, they respond to us and

we work things through. I think what is absolutely key about this particular policy arena is that there is a very unified objective, which is the eradication of child poverty, and in a way in health it was not quite so clear because you could go in a number of different directions on health, whereas in terms of child poverty everybody is absolutely committed and agreed on the goal we are trying to reach. That helps in a way.

Q830 Mr Davidson: Following up that point about all being agreed and the common goal, one of the issues that the National Audit Office have been asked on a number of occasions by the Committee of Public Accounts to look at is a comparison of Scotland, Wales, Northern Ireland with what is happening in different parts of England and so on and so forth to make sure we are picking up best practices. You mentioned that you were reviewing what had been done by the previous regime. Were there any examples of particularly good practice that you think ought to be picked up by ourselves for possibly rolling out across the UK, or whether or not there was anything you think did not work at all where it is different? We have asked the National Audit Office to look, for example, at education for us and see whether or not your results are improving better than the UK's as a whole or vice versa and different ages and so on. I think that would be helpful. Are there any things you could particularly draw attention to where you have done very well and others where you would re-cast them in the light of what happens elsewhere?
Mr Maxwell: That is particularly a very difficult question to answer, I think. I suppose if you look at the facts of the progress in terms of the targets that were set for Closing The Opportunity Gap, the ones effectively that looked to be on track were targets on worklessness, health inequalities and improving rural service. If you want to try and establish why those particular ones were doing so well, obviously there has been some good work there and it is clear that a difference is being made. Other ones, such as working with young people who are not in education, employment or training, the NEET group, particularly looked after children, clearly there is virtually no progress whatsoever in that area, so whatever was being tried with the previous administration, for whatever reason, was not having the impact that was desired when that project started.

Q831 Mr Davidson: Do you know whether or not other places did better or less well than that? If nobody anywhere made any progress, then that tells you what you were trying was not any worse, but if other people were going backwards and you stayed the same, then you have comparatively done better. I was wondering whether or not you had compared your experience here with, say, Northern Ireland, Wales or parts of England?
Mr Maxwell: I cannot tell you specifically on those ones. One of the projects that I certainly visited during the summer was a project, which I do not think you have down south, the Working for Families Fund which has made quite a considerable impact on individuals' lives. Approximately 20,000 people have gone through that programme, of which 15,000 have had very positive outcomes in terms of moving towards work or gaining employment. These are exceptionally good figures from the Working for Families Fund. I know that people from England, Wales and elsewhere in the UK have begun to take an interest in those particular projects, so perhaps that is a good example. I do not know whether or not Mike has any others.
Mr Palmer: Yes, I think that is an excellent example. That is something that we would like to disseminate as far as possible. We have been down to Birmingham, Wales and so on and spoken about it and the DWP, I know, are interested in it as a programme. The other example that I would pick out, I guess, is work that we have done around one of our targets on Closing The Opportunity Gap which is around pre-employment programmes for entry level jobs into the NHS. Jim might know something about these health service academies where we have NHS boards that are running programmes for people who have been particularly hard to reach in terms of getting them into the labour market and then looking upon the NHS as one of the biggest employers in Scotland and saying, "We can actually do something as a major employer to help employability here by bringing people into entry level jobs". As the Minister said, once you have got them into the NHS, they are into a good career structure, so they are getting into a job that is going to give them quality help.

Q832 Mr Davidson: Are you happy for the mechanisms that exist for good practice, which you have identified, to be disseminated elsewhere within the UK and vice versa? I do not know whether or not people have drawn to your attention things that have worked, say, in Birmingham, Manchester, Wales or Northern Ireland, and you have then looked at those and said, "This is a possibility"?
Mr Palmer: Yes, we have had those mechanisms. Some of it has been fairly loose in terms of conferences and so on that we will attend and then pick up on things that have been going on, but some of it has been more structured. For example, through the British-Irish Council, Scotland joint leads on the social inclusion strand of that. We are actually looking in the British-Irish Council at the moment at child poverty. I jointly chair the official level group of the British-Irish Council on that strand. Each time we meet, which is about three or four times a year, we look at various things that are going on across not only the UK administrations, but also Southern Ireland and the smaller islands in the British isles, so that structure has existed. As I said, what we are doing now is setting up a tighter four-country structure which—this is not to denigrate the British-Irish Council at all—has a more focused view on those four countries which are all committed and signed up to the eradication of the child poverty target and will be able to say, as a forum across the UK, "What are the joint contributions that we can make to that target?"

Q833 David Mundell: A final question in terms of the relationships. In our previous evidence session with COSLA I think there was agreement that it was effectively a tripartite approach of the local government, the Scottish Government, the UK Government, but one of the things that was identified, I think, in that session was the diminishing relationship between Scottish local government and the UK Government. I presume that is something you would support in terms of re-building that relationship so in terms of UK Government initiatives, Scottish local government can play a full part in shaping those.

Mr Maxwell: I think Scottish local government has to play a full part in these initiatives because, clearly, for the most part it is the delivery mechanism for many of the programmes and projects that we fund or the UK Government funds so the tripartite-type of arrangement that you intimated, I think, is crucial in terms of the role that local government has to have in that relationship. Certainly since May we have tried to build up a very strong relationship with COSLA and individual local authorities, because we certainly take the view that local government has to be an equal and strong partner with the Scottish Government in terms of delivering not only our national priorities but also delivering locally for people in their own communities. I think there is a partnership which perhaps can be strengthened over the next few years because, without effective local government, many of the things we all want to do would have some difficulty in actually being achieved if local government was not fully signed up to some of the things we are trying to do.

Q834 David Mundell: One of the issues which has been promoted is a more localised approach—and by that I do not mean necessarily Scottish, I mean more localised within Scotland or different parts of the United Kingdom—to benefits and administration of benefits and tax credits, in particular. Is that something that you would support?

Mr Maxwell: I think I would have to have some more detail on that before I would commit ourselves to any particular programme. Clearly, we think that taxation and benefits should be organised at a Scottish level. How the administration of that within local authorities took place, I think that would be a matter for discussion and debate, but without any detail on that, to be honest, David, I am not sure I could say at this stage.

Q835 David Mundell: I think the point was being made that Scotland or the UK as a whole is not the right "spatial level", which was the expression being used, on which to administer these things most effectively.

Mr Maxwell: I think it would depend on the programmes we are talking about. To be honest, I do not think I could give you an answer which said yes or no because, frankly, it would depend on the administration and programmes individually we are talking about. I think it would vary from programme to programme or from area to area. In terms of the principle should things be delivered locally where they can be delivered locally, yes, they should, but it would not necessarily apply one size fits all across the board. Clearly, even in terms of local authorities they vary in size enormously, some of them can carry out some of the work very easily, some of them maybe would have some difficulty or it would take some time for them to gear up to deliver some of these sorts of things. There is not a straight yes or no answer.

Q836 Mr Davidson: The targets for reducing child poverty were met in Scotland over the last period but not in the UK as a whole. Do you have any explanations for that? Is there anything you think that we could draw from that which would be helpful to us?

Mr Maxwell: I think many of the children who were taken out of poverty over the last few years are those children whose families have been just below the borderline effectively and many have moved from just below to just above, there has been a marginal increase in their conditions. I have to say most of that has been down to changes in the tax and benefits system at the UK level. I am not aware of why that should have necessarily impacted more in Scotland than the rest of the UK. Beyond that, though, clearly there has been cross-party unity in terms of tackling child poverty over the last eight and a half years. A lot of effort has gone into routes back into employment too in Scotland, we talked about the Working for Families Fund which recently I think has had a very positive impact. There has been substantial resource put into child poverty. I cannot tell you exactly what the comparisons would be.

Q837 Mr Davidson: There is a lot of shared ground in this and there is no reason to have a row just for the sake of it but, given in this geographical area things have done better comparatively, I was just wondering whether you or one of your officials had done an analysis of why that was.

Mr Langhorn: We did do some analysis of this following the 2004–05 figures when it was showing that we had reached the target. Part of it is essentially that Scotland started from a worse figure, it was worse than the UK average, and we have essentially caught up with the UK average, which has meant there has been a proportionally greater decrease. Part of that, as the Minister said, was that essentially there were more families—because we started from a higher base—eligible for the tax and benefits changes which came in at a UK level and that would certainly explain a large chunk of why Scotland did better. What also appears to be the case is that Scotland has been more successful at getting parents into work and, in particular, getting the second earner, or the sole earner in a household in terms of lone parent households, into employment because the stats are better for Scotland for that. As to why we have been more successful at getting people into work, I think it is partly a case of both our efforts, the efforts of Jobcentre Plus have combined well with things like Working for Families and other Scottish Executive support programmes around

employability. Essentially, it is partly a case of where we started from, we started from a worse position, therefore more families were eligible, but we have also been better at getting people into work.

Q838 Mr Davidson: Could I be clear, though, you are saying to us that the tax and benefits changes that the Government introduced disproportionately benefited Scotland because we were already worse off? Is that comparing Scotland with the whole of England?
Mr Langhorn: That is true.

Q839 Mr Davidson: Given a lot of these difficulties are predominantly, say, West Central Scotland issues, how would that compare with, say, the equivalent Liverpool or Manchester? I want to be clear whether or not we are comparing like with like.
Mr Langhorn: It works if you compare both Scotland with the UK average, and Scotland with individual other regions of the UK. Wales and Northern Ireland would have been in the same position that they started from or a worse place than the UK regional average and now Scotland is about the UK regional average, it is about the same as the average English region.

Q840 Mr Davidson: Are Wales and Northern Ireland then also worse?
Mr Langhorn: Wales has also had a better than average decrease but not quite as good as Scotland. I could not honestly tell you the reasons why that is.

Q841 Chairman: When you say we started from the worst, you mean during the Conservative years and after Labour changing things?
Mr Langhorn: From the 1998–99 baseline Scotland was worse than the UK average, as was Wales, as was Northern Ireland.

Q842 Mr Davidson: Goodness me, that is worth repeating, Scotland was worse off under the Tories, but then the changes Labour introduced, and that is coming from the Scottish Executive. I think that is particularly welcome today and we can all agree on that. Do not spoil it!
Mr Maxwell: You would know this as well as we do, historically there have been levels of poverty in Scotland which have exceeded many of the areas, but by no means all the areas in England and clearly those changes had an impact, there is no denying it, it is just a fact.

Q843 Mr Devine: Stewart, we have heard a few calls in particular from representatives from Argyll and Clyde and they were very clear there should be a different strategy between urban deprivation and rural poverty; I am sure you would agree with that. I am wondering if you assessed the effectiveness of the Rural Services Priority Area programme and what you have found with regards to that and do you intend to continue with it?
Mr Maxwell: I understand the argument that is being made, many of the local authorities in rural areas have made the same argument. Much of the concern has been expressed around the Index of Multiple Deprivation. I have to say, generally speaking, there has been a slight misunderstanding about the purpose of the Index of Multiple Deprivation.

Q844 Mr Devine: Basically, your colleagues in the Scottish Government are wrong, those who represent rural areas?
Mr Maxwell: No, not at all. The purpose of the Index of Multiple Deprivation, of course, was to do what it says on the tin, to tackle areas of multiple deprivation. In rural areas, clearly, at the local area level, it does not identify that because it is individual spots of deprivation as opposed to multiple deprivation in concentrated areas. The other thing I would say about the Index of Multiple Deprivation, of course, is that it accounts for less than 1% of GAE, for example. There is a lot of money going in in terms of local authority spend and local health spending, et cetera, which is not in any way affected by the Index. The other thing, of course, is, though, having said that, clearly we do accept there is deprivation in rural areas and many people are as poor in rural areas as urban areas. We take that on board. That is why the Cabinet Secretary for Finance, John Swinney, met with a number of island and highland leaders around 28 October to discuss some of these problems and we were just at the beginning, post that meeting, of looking at the possibility of establishing a complementary mechanism for looking at rural poverty.

Q845 Mr Devine: You are adopting a different approach?
Mr Maxwell: We are saying that effectively we think the Index of Multiple Deprivation is quite right to use in the way that it serves a very useful purpose in identifying areas of multiple deprivation but I accept the argument—and we do accept the argument—that we also have to look at the problems in rural areas so we are beginning to look at some complementary method of identifying the problems in rural areas. I do recognise the difficulties that rural areas face but we are at the very early stages of that.

Q846 Mr Davidson: Could I pick up on a point about the rural poverty, if you do not mind, just following that up. When we were speaking to the previous people from COSLA, one of the points that we raised with them was, to some extent, poverty of service in rural areas is because many of them when they had a political choice between keeping the rates low or improving the services, they chose to keep the rates low and, therefore, services were impoverished. Therefore, to what extent is the fact that services in rural areas are poor as a result of the political choices that were previously made by, presumably, Tories pretending to be independents rather than anything else as distinct from the difficulties of being in rural areas themselves? Very often there is grant allocation additional to rural areas to take account of the difficult factors they have got.

Mr Maxwell: Certainly your final point is correct, there are number of rural-specific grants which are there to try and deal with some of the transport and housing difficulties which rural areas and, particularly, remotely rural areas find themselves at, that is certainly true. It is a combination of both really, choices made by local authorities because, clearly, different local authorities have that freedom of choice as to how they invest in local services or they keep local taxation at a particular level, that is a choice that local government has at the moment. I think how big an impact that has and what the balance is between that and just the problems of rurality itself, I am not sure I can answer here today, but both influence the outcome that many of the rural communities find themselves in.

Q847 Mr Davidson: You have frozen council tax but that has frozen the inequalities. If you move on to a universal charge or, as I understand, it the local income tax set across Scotland as a whole, presumably those authorities that have got low incomes at the moment, if it is evened up, might end up getting more money from their own taxpayers. Presumably, in those circumstances that might allow them to overcome some of these difficulties without direct action from either yourselves or us. Does that seem a fair possibility?
Mr Maxwell: That is speculation, I am not sure. Without seeing the figures I think we would have to wait and see how it came out but, clearly, if a local authority gained a substantial amount of extra money, then it would have more opportunity to invest in local services. Whether or not that is the case we will have to wait and see. The Bill has yet to be introduced in terms of changing from council tax to local income tax.

Q848 Mr Davidson: You have not modelled any of this, have you?
Mr Maxwell: You would have to ask the Cabinet Secretary for Finance in terms of that kind of modelling.

Q849 Mr Davidson: He is not here, you see. That is why I am asking you.
Mr Maxwell: I know that, I appreciate he is not here. He is the government minister responsible for the introduction of that particular piece of legislation.

Q850 Mr Davidson: I am reasoning it in the context of the impact that it would have on local services in rural areas to deal with poverty. It is a reasonable point in these circumstances.
Mr Maxwell: Yes, but we have made clear that local authorities and local government will not lose out in a change from council tax to local income tax, so I see no reason to suspect it would have any negative impact. What kind of positive impact it might have in some areas, as I say, we will have to wait and see.

Q851 Chairman: Let us say, for example, in Glasgow we collect the business rates and council tax and out of that I think £60 million goes to subsidise other councils in Scotland. You have a policy of local income tax, if there is going to be a surplus amount there because more rich people live in that area, would you use that money in other councils or would it be strictly within those local government areas?
Mr Maxwell: I am not saying anything of the sort at the moment. Clearly, the Bill has not yet been introduced to Parliament, the consultation has not started on those proposals and in its progress through Parliament I am sure many of these areas will be debated and discussed. The Cabinet Secretary for Finance will lay out our proposals when he publishes the Bill.

Q852 Mr Devine: As you are aware, Stewart, fuel poverty is defined basically as spending more than 10% of your income on heating for your house. I wonder what progress has been made towards the target of eradicating fuel poverty by 2016?
Mr Maxwell: It is an extremely challenging target. I think, to be fair, the target is to eradicate fuel poverty by 2016 wherever practicable because, clearly, there are a number of properties where it is very, very difficult because of the design and the age of the property. It is not possible, for instance, to put cavity wall insulation in some properties because of solid wall construction. There are a number of difficulties surrounding some of the design of some of the properties we have. The progress towards 2016 in terms of eradicating fuel poverty unfortunately, here again, it is out of our hands in many ways because the power over energy prices and actual income levels—again we go back to the tax and benefits system—is a reserved power of the UK Government. Effectively, the amount of money you earn and the price of the fuel you buy are the big determinants in terms of whether or not you fall within fuel poverty and we do not have power over those. We are doing everything we can in terms of the programmes, the central heating programme, the Warm Deal programme and benefits advice, things like that, but effectively it is about income levels and about the price of fuel.
Mr Devine: Could I talk to you about the central heating programme, I know you would share my concern. Four weeks ago the waiting list for pensioners in Scotland was 10,850, one was a constituent of mine who had no hot water, no heating, no cooking facilities. The system was condemned by Scottish Gas at the end of August. He was written to and told that he will not have the system replaced until April next year. Another one of my constituents in a relatively similar situation three weeks ago was given a letter from Scottish Gas saying that she will not have the system replaced until June. What we are talking about in a vast majority of these cases is pensioners, nearly 11,000, possibly two pensioners in a house, going right through the winter without any heating, any hot water, any cooking facilities. We are putting these people's lives at risk and I know you will agree with that. I would be interested in what is the total budget for this system. I know you put an extra £7 million into it last week, but I have seen from your budget that what you have talked about when asked what the delivery is in the next three years is a standstill

budget. For the next three years what we are talking about in real terms is a cut in a budget that is actually not delivering at the moment. I was wondering if there was any discussion at the Scottish Government level saying, "If Scottish Gas cannot deliver, we cannot allow basically this potential tragedy that we all know could happen over the winter to take place". Can we bring in a different company? Can we be given guidance to people who are on this waiting list that, for example, if they go and get a local plumber or whoever to come in and install the system that a bill can be sent to you or can we write to these people saying there is a maximum here that you can spend with your local supplier, because I can see us potentially facing a disaster?

Q853 Mr Davidson: Yes or no?
Mr Maxwell: That was a lot of questions in there. Effectively, I will try and go back to the start on that, the central heating programme has consistently since it was introduced had a waiting list of around about six months. In fact, it was eight months at the start for the first couple of years and then it dropped to about six. It has been between five and six months on average since those first couple of years. The position is the same today as it has been in the last few years.

Q854 Mr Devine: No.
Mr Maxwell: Yes.

Q855 Mr Devine: I will come back to you.
Mr Maxwell: The second thing I would say is that the programme was never an emergency replacement system, it never was a system that was designed to immediately replace your central heating when it broke down, that was not the programme under the previous administration nor is it the current programme. In terms of the situation we have at the moment, clearly we inherited a problem which is really quite extensive in terms of the number of people who are waiting. I have a great deal of sympathy for the example you gave and the example many members have written to me about, both MPs and MSPs, about people who are suffering because their system has been condemned. The one thing I would say about that is—and people have asked me—Scottish Gas should not condemn the system until they get a new one in, but there are health and safety regulations about this. There is no way we could have a situation where a Corgi-registered inspector went in and found the system was unsafe to leave it unsafe for however long it takes to get a new system in. That is just unacceptable, so the condemning of a system is purely on the grounds that it is unfit for purpose and unsafe. That is entirely right and proper. In terms of what we have done this year, the original installation rate for 2007–08 was 12,000 systems. I took a decision early on within the first month or so of taking up this job to increase that to 13,500 systems in 2007–08 to try to tackle some of the backlog.[1] Clearly, there is a problem as we near winter, when people get very worried about relatives, I can understand that entirely. We have taken a recent decision, as you mentioned, to put another £7 million into this year's programme to try and bring forward many of the people who are waiting to get their systems as quickly as possible. Many of them will get it before Christmas, I am glad to say. However, I really do not think it would be either sensible or financially sustainable for us to say to people, "Just go out and get a system and then send us the bill". One, the costs would be uncontrollable for a start and, two, we want to make sure that the systems that are put in place are of a sufficient standard for the people who are getting these systems and, therefore, we make very stringent rules about the standard of systems that are put in place. We would lose control over that if we did as you suggested. I think, frankly, it would be very, very difficult to sustain an argument which said we should just let people put in the systems they want because, clearly, that would allow people who had enough money to put in a system now to go ahead and do it and those who did not have enough money would be left again. We do not do it on that basis, we do it on a basis of when you apply you are on a list and you will be taken in order, with a few exceptions, in particular medical problems and if you have evidence of that, you can be dealt with sooner. What we have done in terms of the extra money is to try and help those who are in particular difficulty, the one you mentioned for example, because some people have no heating but they have got hot water, but there are others who have no heating or hot water or cooking facilities, as you mentioned. Scottish Gas have told us that they have much of the information that will allow us to identify those particular individuals and bring them forward on the waiting list but without pushing other people further back. That is what the additional money is there to do and that will lead to us putting in place, as I said, just over 15,000 systems in the current year. I have also said, and I said it when I appeared before the Local Government and Communities Committee in the Scottish Parliament, that we are reviewing the system, we are looking at the system because, given from day one there has always been this huge waiting list and that every single winter there are the same problems, complaints and difficulties. Of course it is clear that fuel poverty is not declining in Scotland, in fact recent evidence is suggesting it is on the rise. Therefore, we have to review that programme to see whether we can make sure that it is delivering in terms of fuel poverty, make sure it does not disadvantage particular groups and make sure, hopefully, we can reduce waiting lists rather than make them longer. Those are very difficult questions. No previous administration so far has come up with an answer to that, we will do our best to try and resolve this particular problem. It is very difficult. In terms of the budget, in a very, very tight budget settlement we have managed to maintain the budget over the next three years for these particular programmes.

Q856 Mr Devine: There is no increase, it is a standstill budget.

[1] August 2007

Mr Maxwell: It is a standstill budget for three years, we published those figures recently. It is a very, very tight settlement, I have to say, and in the light of that clearly there are very difficult decisions we have to take. We have managed to maintain that budget over the three years and I think in terms of what we do in the future, that is what the review is about and we will take decisions in light of that review about where we go with it.

Q857 Mr Devine: If you are now saying you have upped this to 15,000 a year, that is 1,300 a month, max, we are still set with 10,800, I understand there are 500 a month getting added to it, so by Christmas we are maybe down to 10,000, so there are potentially around 10,000 pensioners sitting with condemned heating systems in Scotland for Christmas. You mentioned the fact about the previous administration, the highest of the previous administration was at, I understand, 4,300 and the waiting list was four months.
Mr Maxwell: That is not correct, Jim.

Q858 Mr Devine: I do not think we should argue about the past. Collectively what we need to be recognising is that we have a major problem here and I do not want to make a cheap political point, but it is how we sort this, how do I go back to my constituents and say, "I met with the minister today and I think we have solution"? We need to put our heads together to get a solution because, if we do not, quite frankly pensioners' lives are going to be at risk.
Mr Maxwell: Jim, I am not going to argue about the past either, but the fact remains that the waiting lists have been between six and eight months for the entire period of the programme and this waiting list did not suddenly mysteriously appear on 3 May. It was there and we inherited it, that is just a fact. In terms of the figures, we intend to do 15,000 this year, so we are tackling it in terms of making sure that we get more through this year and as many possible through before the worst onset of winter. We are doing our best to try and cope with the situation we have inherited. There is also, of course, a question of capacity. Almost irrespective of how much money you threw at it, you would not necessarily have the capacity to deliver in terms of central heating systems. The point about 500 additional a month, I think you said, that is 500 applications which do not necessarily mean an additional 500 people are on the list. Is that correct?
Mr Hamilton: Certainly an application does not always mean a system is installed.

Q859 Mr Devine: Is it fair to say that we are still talking coming up to Christmas about around 10,000 pensioners in this situation, even being generous with your figures?
Mr Maxwell: As I have said to you several times, Jim, the situation we inherited is a particularly difficult one. We have twice invested additional money this particular year to take it from the original estimate from the previous administration, 12,000, up to over 15,000 so we are going to be installing around about an extra 3,000 in the current year over what was planned by the previous administration. I think that is a good news story. It does not mean that people will get a central heating system tomorrow if it breaks down today. It never was intended or planned that way. We will do everything in our power to speed up the whole process and, as I say, we are targeting those in most difficulty without delaying those who are currently on the waiting list. I think that is a positive move and has been welcomed by most of the groups that work in this area.

Q860 Chairman: We will move on. Debt and irresponsible lending is one of the major factors contributing towards poverty. We took evidence from Citizens Advice Bureaux representatives and were told that one in five cases they are dealing with are directly connected to debt. Obviously you will be aware that loan sharks and these legal and illegal lenders are charging up to 200% and 300% interest rates which are bringing misery to the people and they are coming to a situation where they have to sell their belongings and even their homes. Can you tell us what the Scottish Executive is doing to tackle this issue?
Mr Maxwell: Clearly again, as you will be only too well aware, Chairman, many of these areas are reserved to the UK Government and, therefore, as is so often the case, we operate with one hand tied behind our back, but in terms of what the Scottish Government is doing, we are investing in areas such as Money Advice. Clearly, we are trying to help those who are at risk of going to the illegal money lenders that you mentioned. We have invested a large amount of money in terms of Money Advice and, in fact, the current figures which are from a report carried out in July 2006 showed that government was funding 130 full-time equivalent Money Advice posts, which is around half of all the advice posts in Scotland. That is one thing we are doing. The other thing we are doing is making sure that the Curriculum for Excellence which comes in 2008–09 will have Money Advice as part of the curriculum to try and help many of our young people to understand how to deal with and tackle their financial situation. We also fund a number of areas in which Citizens Advice is involved, national helplines to help people who have debt problems and we also help with areas such as the Greater Easterhouse Money Advice project in Glasgow and the Young Scot InfoLine, so there are a number of areas which we get involved in. These are particularly areas of advice because, clearly, that is roughly the area where we can operate in in terms of the powers we have. We also spend £5 million on Money Advice approximately, but we also want to make sure that we assist credit unions where we can and we have spent money in terms of helping credit unions grow their capacity, replace their IT systems and get involved in training for staff, so we have invested money in those areas as well. Clearly, this area is predominantly regulations and laws set by the UK Government.

Q861 Mr Davidson: I think that is right, the regulations and laws are clearly ours but the provision of phonelines and the like, I think you mentioned that you were funding approximately half of the numbers. Could I clarify who is funding the other half? Is that local authorities?
Mr Maxwell: Local authorities, yes.

Q862 Mr Davidson: I thought that was what it was. Could I ask whether or not you are looking at expanding this drastically because one of things that has struck me recently is that this is one of the areas where there is an enormous unmet need, in particular in rural areas where telephone helplines can help overcome not only the difficulties of distance but also the question of anonymity, people ringing in could be ringing in from anywhere and so on. Is this something that you have looked at best practice elsewhere to see whether or not there are lessons you could learn from what has been happening in any of the other devolved administrations or geographical areas? My understanding is that there are particular examples of good practice in CABs and advice lines elsewhere in the UK.
Mr Maxwell: The simple answer is yes. We have seen some of the excellent work that has been done elsewhere in terms of the telephone helplines and we do help fund the UK helpline, which is the National Debtline, so we partially fund that but, in particular, in Scotland this year we are funding Citizens Advice Direct which is clearly intended to help in this area. Personally, I think that is a very worthwhile project and certainly something that could be rolled out and expanded.

Q863 Mr Davidson: Could I pick up a final point, Chairman, before you ask your final question. Certainly in areas like mine and a number of poor areas, one of the issues is the question of poverty of ambition and also poverty of capacity. I am conscious that the previous regime had CIPS, and now CPPs are rolling forward. I wonder whether or not you are considering re-examining some of the practices there to try and make sure that they become less of a bureaucratic monstrosity. There is a major difficulty when you have a mix of local people with a certain lack of knowledge and expertise in manipulating committees and some pretty high-powered officials who know how to get what they want. The local people are just outgunned and they then end up in a process of disillusionment and feel disempowered and that alienates. It is completely the opposite direction from what I know is generally suggested as being the scheme, it was about empowering local people rather than disempowering and alienating them. I wonder whether or not that is something you would be prepared to re-consider further in the light of experience?
Mr Maxwell: Far be it for me to say something about the ability to manipulate committees.

Q864 Mr Davidson: Thank you.
Mr Maxwell: I am sure that there are others who are more expert at that than I am. One of the things we do recognise in terms of Community Planning Partnerships in particular was the fact that there was an issue of, we feel, a cluttered landscape in terms of bureaucracy and the number of bodies and individuals involved in these areas. It is one of the reasons we announced the abolition of Communities Scotland and, in fact, in terms of the abolition of Communities Scotland and the role of community regeneration, we will no longer be involved in that. We will withdraw completely from that and leave local government and Community Planning Partnerships to take that forward in collaboration with local people. I think many of the complaints about that particular model were from local government and local people saying that Communities Scotland were a block on some of the processes. I know others take a different view, but we accept that there is no necessity for us to be involved in that particular process. We will deliver the funding to these bodies, and these bodies can take the decisions about how to implement that best locally. I think that is a positive move in terms of allowing them to get on and do the job on the ground and deliver for local people. In terms of community regeneration, the money is going to CPPs, Communities Scotland used to be involved, those staff used to be involved, that is all disappearing as of next year and local bodies are allowed to get on with it. As I said, it is a positive move.

Q865 Chairman: Could I thank the witnesses for their attendance. Before I declare the meeting closed, would you like to say anything in conclusion perhaps on an area we did not cover during our questions?
Mr Maxwell: I think we covered quite a lot, Chairman, in that short space of time. I would like to thank you on behalf of myself and the Scottish Government for the invitation to come along here today and I look forward to reciprocal arrangements where UK Government ministers come before Scottish Parliament committees.
Chairman: Thank you very much. Your evidence will be very helpful to us when we compile our report.

Taken before the Scottish Affairs Committee

on Tuesday 27 November 2007

Members present

Mr Mohammad Sarwar, in the Chair

Danny Alexander	Mr Jim Devine
Ms Katy Clark	Mr Ben Wallace

Memorandum submitted by the Scotland Office

Introduction

1. The Government welcomes the opportunity to contribute to the Committee's Inquiry into poverty in Scotland.

2. Since 1997, one of the Government's key objectives has been to achieve high and stable levels of employment so everyone can share in growing living standards. The aim is to give everyone, irrespective of where they live, the opportunity to work and encourage those who are able to work to do so. The Government believes that helping more people to find work and reducing the number of workless households is a key element in reducing poverty during working life for individuals and their children. Giving people the choice to work up to and beyond State Pension Age is also providing them with the opportunity to work and save longer towards a financially secure retirement.

3. The latest statistics showing the Government's progress in tackling poverty in Scotland are attached at Annex 1. These show that the number of individuals in absolute low income in Scotland has more than halved and the number of Scottish children in poverty has fallen by well over 100,000 since 1997.

4. A number of Departments across Government are responsible for addressing poverty and its impact. Her Majesty's Revenue & Customs has responsibility for Child Benefit payments and Tax Credits for families with children. The Department of Trade & Industry has an interest in helping tackle over-indebtedness. The Department for Work and Pensions is leading the Government's efforts to tackle poverty across four key areas:

- Welfare to work.
- The child poverty strategy.
- Improving child support.
- Tackling pensioner poverty.

5. UK Government Departments work closely with the Scottish Executive, who use their devolved powers to tackle particular aspects of poverty and social inclusion, through the Closing the Opportunity Gap initiative. This looks to tackle the worst effects of low income and disadvantage through a series of measures which it can directly influence, using its own resources and efforts to bring about long-lasting changes to people's lives. The overall aims of CtOG are:

- to **prevent** individuals or families falling into poverty;
- to provide **routes** out of poverty for individuals and families; and
- to **sustain** individuals and families in a lifestyle free from poverty.

Welfare to Work

6. Over the last 10 years the UK has established one of the strongest labour markets in the world. There are now more people in work than ever before and the UK has the best combination of employment and unemployment of any major economy. The numbers of people dependant on out-of-work benefits are down by around one million since 1997, and the number on incapacity benefits is now falling after decades of strong growth—down by over 25,000 in Scotland since 1997. The employment rate in Scotland has moved from 2.1% below the GB average in 1997 to around 0.5% above the average in 2005, with the majority of these new jobs in the private sector.

7. The launch of the New Deal programmes in 1997 was the first major step in helping people to move from dependence on benefits to independence through work. These programmes have now helped hundreds of thousands of people to move into work.

8. The second stage of reform was the creation of Jobcentre Plus in 2001, which brought together the Employment Service and the non-pension parts of the Benefits Agency to create a single point of delivery for benefits and welfare to work support. The creation of Jobcentre Plus has enabled the Government to further extend welfare to work and the New Deal approach to other groups of benefit claimants apart from just Job Seekers Allowance (JSA) claimants. For example, the support on offer to lone parents has been improved through mandatory work-focused interviews, specialist adviser support and pilots including the Work Search Premium and In Work Credit.

9. The next stage is to further extend welfare reform to people who need more help and to support the most disadvantaged in our communities back into the labour market. This is already underway. Work-focused interviews for lone parents were extended by the introduction of quarterly interviews for lone parents with a youngest child aged 14 or over and strengthened by the introduction of mandatory action plans in October 2005. The rollout of Pathways to Work continues, it will be available to around 40% of Incapacity Benefit claimants by December 2006 and will be extended across the UK by April 2008. The Jobseekers' Allowance intervention regime has also been strengthened to ensure that jobseekers do more to find work, maintaining the record of progress on tackling unemployment.

10. The Government published *A new deal for welfare: Empowering people to work*[1] in January 2006. This set out a range of proposals, many of which are currently being taken through Parliament as part of the Welfare Reform Bill.

11. In April 2006 a revised Public Service Agreement (PSA) target was introduced to increase the employment rate in the 903 Local Authority Wards with the poorest initial labour market position, taking into account the economic cycle. This reflects the fact that policies need to target these smaller concentrations of worklessness, and that resource needs to be more efficiently targeted to those areas with greatest need.

12. A need to tackle the problem of these deprived wards has led to the development of the Government's Cities Strategy. The aim is to bring together the public, private and voluntary sectors into a consortium to improve the way support for individual jobless people (particularly the most disadvantaged) is co-ordinated and delivered on the ground.

13. Fifteen City Strategy Pathfinders have been chosen (including Dundee, Edinburgh and Glasgow in Scotland). The Government is currently working closely with the pathfinder areas to develop a more detailed understanding of their requests, to assist them with any further analysis, and to work up more detailed responses.

14. This approach aligns closely with *Workforce Plus,*[2] the Scottish Executive's employability framework published in June 2006, which aims for more effective local partnerships pooling funds to help more people into work.

15. A range of Scottish Executive policies and funding streams will contribute to the City Strategy: in particular, Community Planning and the Community Regeneration Fund, Education and Skills funding, and Working for Families Fund. Scottish Executive officials are working closely with DWP and the local consortia in Scotland to ensure that devolved policy areas can contribute fully at a local level to the Strategy.

16. Within the Pathfinder area each consortium is currently preparing a business plan and all three areas in Scotland have indicated that they will be focussing heavily on "economically inactive" clients, either in receipt of Income Support or health related benefits such as Incapacity Benefit.

17. The ongoing results of DWP's welfare to work programmes are published regularly on the Department's website.[3] The number of people moving into work through each of the New Deals in Scotland and the trends in employment and benefit claimants are shown at Annex 2.

Working for Families

18. The Scottish Executive have allocated funding of £50 million between 2004–08 to the Working for Families (WFF) programme. Funding has been allocated to a number of Scottish local authorities and is aimed at tackling family and household disadvantage and exclusion. It is based around the numbers of children in households dependent on key benefits as childcare is by far the biggest barrier to improving parents' employability. Parents in three main groups are given targeted employability support: parents on a low income, lone parents and parents with other household stresses.

[1] http://www.dwp.gov.uk/welfarereform/legislation_green_paper.asp
[2] http://www.scotland.gov.uk/Publications/2006/06/12094904/0
[3] www.dwp.gov.uk/resourcecentre/research_analysis_stats.asp

The Child Poverty Strategy

19. In the mid to late 1990's, the UK suffered higher child poverty than nearly all other industrialised nations. Over a period of 20 years, the proportion of children in relative low-income households had more than doubled, one in five families had no one in work and one in every three children was living in poverty.

20. The Prime Minister responded to this in March 1999 by making a pledge to eradicate child poverty within a generation. The Government has set challenging targets to reduce child poverty by a quarter by 2004–05, to halve it by 2010–11 and eradicate it by 2020.

21. Since 2004–05 the Government has measured progress on child poverty using three indicators: absolute low income, relative low income and relative low income and material deprivation combined. The three tiered measure provides the right balance between clarity and comprehensiveness. This measure was the result of a year long consultation initiated by the DWP and has been recognised by UNICEF as transparent, credible and not too complicated to be useful.

22. Income will be measured using an internationally recognised equivalence scale which is used alongside income before housing costs: this is the international norm. The Government will continue to publish both Before Housing Costs (BHC) and After Housing Costs (AHC) data, within its Households Below Average Income (HBAI) series.

23. The material deprivation tier in the measure is designed to look specifically at living standards and includes measures of quality of housing; so this tier will capture directly the impact of housing costs on living standards. The precise construction of the material deprivation indicator is currently being analysed and the baseline will be set at a later date.

24. The Government's strategy for tackling child poverty is set out in *Opportunity for All*[4] and in the July 2004 *Child Poverty Review.*[5] The strategy consists of four key elements:

- To provide financial support for families with more help for those who need it most when they need it most.
- Provide employment opportunity for all with work for those who can and support for those who cannot.
- Tackle material deprivation through promoting financial inclusion and improving housing.
- Deliver excellent public services to improve children's life chances and break cycles of deprivation.

25. Between 1998–99 and 2004–05 (the latest data available) the number of children in relative low-income households has fallen by 700,000 both Before and After Housing Costs (BHC & AHC) or by 800,000 AHC since 1997.

Comparison of the number of children living in poverty in England, Scotland and Wales on a BHC basis (three-year rolling average)

Country	*1995–96 to 1997–98*		*2002–03 to 2004–05*	
	No.	*%*	*No.*	*%*
England	2.53m	23	2.18m	20
Scotland	0.31m	28	0.22m	21
Wales	0.19m	28	0.15m	23

26. DWP's work towards the 2010 poverty target is being revaluated in the light of missing the 2005 child poverty target. The 2005 target was expected to have been met by both ourselves and independent academics at the Institute of Fiscal Studies. The announcement published in March that we had missed this target means that we have further to go to meet the 2010 halving target. In Scotland, the Scottish Executive shares the UK Government's target to eradicate child poverty by 2020. However, Scotland has significantly exceeded the PSA Target set by the UK Government of reducing child poverty by a quarter between 1998–99 and 2004–05. Figures published in March 2006 show that in Scotland 100,000 children have been lifted out of relative low income—a reduction of 34%.

27. On 27 June 2006, Jim Murphy Minister of State for Employment and Welfare Reform announced the appointment of Lisa Harker, former Chair of the Daycare Trust, to review DWP policies and agencies to see what more can be done to achieve the 2010 target. Ms Harker's report "*Delivering on Child Poverty: what would it take?*"[6] was published in November 2006. It focused in particular on family, skills and second earners.

[4] http://www.dwp.gov.uk/ofa/background/
[5] http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_childpoverty.cfm
[6] http://www.dwp.gov.uk/publications/dwp/2006/harker/

28. Ministers have warmly welcomed the Harker report which is considered a challenging but constructive critique of DWP current child poverty strategy. The report also provides clear recommendations for future policy development. The Department is currently considering Ms Harker's recommendations in detail to see how it can build on the significant progress already made. The Department recognises that to sustain progress it needs to:

- continue to help lone parents into work;
- do more to help couple families by looking at new ways of encouraging potential second earners into work;
- review and refocus the help we offer to partners of benefit recipients based on the recent evaluation of the WFIP and NDP;
- continue to ensure that people will be better off in work than on benefit, and do more to improve skills and progression in the labour market; and
- do more to help some of the more at risk families at greater risk of poverty, like those with a disabled parent or child, larger families from black and ethnic minority groups.

29. The Department of Work & Pension is currently reviewing its child poverty strategy. The refreshed strategy will be announced in the New Year.

Tax Credits and Child Benefit

30. Tax Credits and Child Benefit are administered by HM Revenue & Customs and provide support to low-income households and many families with children within the UK.

31. Tax Credit aims to tackle poverty by keeping people in work and supporting families. It provide support to 20 million people, including six million families and over 10 million children. In Scotland at December 2006 it provided support for over 400,000 families and nearly 600,000 children. Working parents in receipt of Working Tax Credit can claim support with the cost of registered childcare. For those on lower incomes, this can provide assistance of up to 80% of approved childcare costs, helping parents enter or sustain employment.

32. Child Benefit is available to anyone bringing up a child or young person. Take up is estimated at around 98%. In Scotland, it provides support for 600,000 families and one million children.

Improving Child Support

33. Receipt of child maintenance currently helps to lift around 100,000 children out of poverty. By the end of September 2006, 455,000 cases were in receipt of maintenance, or had a Maintenance Direct arrangement in place. This equates to over 620,000 children. The value of maintenance collected by the Agency, or arranged via Maintenance Direct, totalled £855 million.[7]

34. In the Pre-Budget Report published on 6 December the Government announced that by the end of 2008 the £10 per week disregard of child maintenance will be extended to all parents on benefits who receive child maintenance. It is estimated that around 40,000 parents with care could benefit from this change and that 15,000 more children will receive the full amount of maintenance paid by the non-resident parent.

35. On 9 February 2006 the Secretary of State for Work and Pensions announced an Operational Improvement Plan to improve the Agency's performance, and a redesign of the child support system—to be led by Sir David Henshaw.

36. Sir David's report, *Recovering child support: routes to responsibility,*[8] was published on 24 July along with the Government's response *A fresh start: child support redesign—the Government's response to Sir David Henshaw.*[9].

37. The government believes that the approach set out by Sir David will meet the key objectives set for the child support system, which are to help tackle child poverty by ensuring that more parents pay child maintenance, to promote parental responsibility and to create a simple and transparent system which provides an efficient and accessible professional service for customers in the most cost effective way for the taxpayer.

38. Sir David concluded that the current child support system cannot provide the basis for the radical shift in business model which is needed to deliver the new system.

39. The Government agrees that there is a need for a clean break from the past to create a fresh start for child support arrangements and, as announced in the Queen's Speech, a Child Support Bill will be introduced to take forward the Government's proposals for improving the child support policy and delivery framework.

[7] Latest data: http://www.dwp.gov.uk/asd/asd1/child_support/csa_quarterly_sep06.asp
[8] http://www.dwp.gov.uk/childsupport/henshaw_report.asp
[9] http://www.dwp.gov.uk/childsupport/gov_response.asp

40. On 13 December the Government published a White Paper on Child Maintenance *A new system of child maintenance.*[10] This paper sets out proposals to establish a new and radically different organisation to administer child maintenance, underpinned by an entirely new approach that encourages parents to take responsibility for supporting their children financially backed up by a tough enforcement regime for cases where this does not happen.

41. The reforms will help the child maintenance system to achieve the important objectives of helping to tackle child poverty, to promote parental responsibility, to provide a cost-effective and professional service and to be simple and transparent.

42. The Government's key proposals for change are to:

- encourage parents to make their own arrangements by, improving information and guidance and by removing the requirement that all parents with care claiming benefit are treated as applying for child maintenance;
- significantly increase the disregard;
- simplify and streamline the child maintenance assessment process;
- improve the collection and enforcement processes sending out a clear signal that non-payment of maintenance will not be tolerated;
- increase efforts to collect and manage debt;
- establish a new Non Departmental Public Body with responsibility for all aspects of the new child maintenance system, including providing parents with information and guidance to help them make their own arrangements and the calculation, collection and enforcement of maintenance. The new body will replace the Child Support Agency. It will be known as the Child Maintenance and Enforcement Commission; and
- help wider Government policy on supporting families by moving to a position where both parents names are always registered on a birth certificate unless it would be unreasonable to do so. We will only do this once we are sure that effective and robust safeguards can be put in place to protect the welfare of children and vulnerable mothers. The Scottish Executive will play an active role in encouraging parents to jointly register the birth of their child but do not intend to move from a voluntary system to one of compulsion.

43. In the meantime the Child Support Agency's Operational Improvement Plan will continue to focus on improving the Agency by delivering a more efficient and effective service, with £120 million invested over the three years of the plan. All of this supplements the Governments determination that parents must fulfil their responsibility for maintaining their children.

Tackling Pensioner Poverty

44. The Government is committed to tackling pensioner poverty. The strategy since 1997 has been to target help on the poorest pensioners, those who need it most, whilst providing a solid foundation of support for all.

45. As at May 2006, 282,420 people in Scotland were receiving Pension Credit and in 2005–06 1,014,310 Winter Fuel Payments were paid in Scotland. Figures to show the level of Pensioner Poverty in Scotland and compared to other regions are shown in Annex 3. They show that Scotland has the equal lowest rate of low-income for pensioners compared to other regions.

46. There is no "official" measure of pensioner poverty. The most commonly used measure for low-income is people in households below 60% of median equivalised income. The amount of income needed to keep a family above this low-income line depends on the household, but for a single person this equates to £100 after housing costs and for a couple £183. This measure is commonly used by international bodies such as EU institutions and OECD.

47. The Government usually uses the relative low-income measure after housing costs because relative low income shows whether poorer pensioners are getting better off in comparison with the rest of the population. After Housing Costs is better for pensioners because their housing costs are more likely to be fixed and they are increasingly likely to own their own homes.

48. The Government's first priority in 1997 was to tackle the iniquitous system which saw pensioners having to live on £69 a week. The first stage to tackling this was to introduce the Minimum Income Guarantee, which helped around two million of the poorest pensioners.

49. Pension Credit replaced the Minimum Income Guarantee in October 2003 and it is making a difference to the incomes of thousands of older people by targeting money to today's poorest pensioners. The poorest third of pensioners gain two-and a half-times as much as if the same resources simply had been spent on a higher basic state pension for all.

[10] http://www.dwp.gov.uk/childmaintenance/

50. Pension Credit means that no one aged 60 or over need live on an income of less than £114.05 a week (£174.05 for couples). People may be entitled to a higher guarantee level if they are severely disabled, have caring responsibilities or relevant housing costs.

51. For the first time, Pension Credit provides more money to people aged 65 and over who have made modest provision for their retirement, through savings or a second pension, for example. The savings credit can provide up to an extra £17.88 a week for single pensioners (£23.58 for couples). Because of this extra money, Pension Credit means that those who have saved above the savings credit threshold will be better off for having saved.

52. There are over 3.3 million individuals (2.7 million households) in Great Britain now receiving Pension Credit with an average weekly award of £46.75. (May 2006 figures)

53. The Pension Service has a network of pension centres across England, Scotland and Wales, providing a primarily telephone based service, In addition a local service, working closely with local partners, offers a range of services tailored to pension customers' needs. The Pension Service also provides an alternative local service visit for customers who are unable to use the phone.

54. Pensioners have also benefited from a number of policies over the last eight years:

— Above inflation increases in basic State Pension in 2001, 2002 and 2003.

— Winter Fuel Payments: worth £200 per household for those aged 60 to79 and £300 per household for those aged 80 or over.

— Free TV licences for around 3.5 million households with someone aged 75 or over.

— Free eye tests were restored for all pensioners in April 1999.

— The Warm Front Scheme in England provides for £300 million over three years to enable pensioners on Pension Credit to have central heating systems installed free of charge,{ and to provide a £300 discount on all central heating systems to all other pensioners{ who do not already have one. Its equivalent in Scotland—Home Heat and Central Heating Programme—helped almost 30,000 households in 2005–06.

— The "national concessionary travel scheme" which has provided free bus travel throughout Scotland for older and disabled people since April 2006.

— Free Personal Care introduced by the Scottish Executive in 2002

55. These measures have combined to reduce pensioner poverty. Between 1996/97 and 2004–05 number of pensioners in relative low income, measured after housing costs (AHC), have fallen by over a third from 2.8 million to 1.8 million (a fall from 28% to 17% of pensioners). The number in absolute low income, measured after housing costs, have fallen by two-thirds—2.8 million to 0.7 million—down from 28% to 7%.

56. For the first time in a period of sustained growth, pensioners are no more likely to be living in poverty than a person of working age (after housing costs). On average a pensioner household is £1,400 a year better off in 2006–07 because of tax and benefit changes than under the 1997 system. Those in the poorest third of households are £2,000 a year better off.

57. We have now turned our attention to a pensions solution for the next generation of pensioners while at the same time, we will continue to protect the poorest pensioners from poverty, and ensure that all pensioners share in the growing wealth of society. The Pensions Bill introduced in Parliament on 6 December,[11] sets out the Government's proposals for an affordable and sustainable pensions system which meets the needs of generations to come and encourages people to save for their retirement.

58. The reforms model a pension solution for the next generation of pensioners to meet the demographic challenges of the 21 century. This follows the thrust of the Pensions Commission's findings—that there is no current pensions crisis.

59. Proposals in the Bill will:

— make it easier for more people to save more for their retirement. Long term reform to State Second Pension and auto-enrolment in personal accounts will help low earners build up better pensions in their own right.

— make state pensions simpler and more generous, ensuring pensioners share in the rising national prosperity and providing a solid foundation for additional saving;

— make the State Pension fairer and more widely available;

— support and encourage extended working lives; and

— streamline the regulatory environment for private pensions.

60. For today's pensioners, the reform package delivers:

— Uprating of the Pension Credit guarantee credit by earnings from 2008ı securing all pensioners against poverty.

[11] http://www.dwp.gov.uk/pensionsreform/towards.asp

— Reforms to basic state pension coverage to accelerate improvements in women's entitlement—the proportion of women reaching State Pension age with full BSP increases from around half in 2010 under the current system, to around three quarters when qualifying years are reduced to 30.

— Earnings uprating of the basic state pension from 2012 or by the end of the next Parliament at the latest, subject to affordability and the fiscal position, which will benefit many of today's pensioners later on in their retirement. Over 11 million pensioners will gain from our commitment to uprate the basic state pension in line with earnings growth.

Tackling Fuel Poverty

62. The UK Government is working with the devolved administrations to tackle fuel poverty, defined as where a household has to spend more than 10% of its income on fuel to maintain an adequate standard of warmth. Recent rises in energy prices pose challenges in this area. However, the Government remains committed to working with stakeholders.

63. In Scotland fuel poverty more than halved between 1996 and 2002, down from 738,000 households to 286,000 households although indications are that rising energy prices are creating a slight rise in that number.

64. The Scottish Executive is working to ensure that all social sector housing in Scotland is required to meet the Scottish Housing Quality Standard which included effective insulation and central heating by 2015.

Winter Fuel Payments

65. This Government introduced Winter Fuel Payments in the winter of 1997–98 to provide help to pensioner households towards their heaviest winter fuel bill. The majority of payments were made to people over state pension age who were in receipt of one of the qualifying benefits—principally Retirement Pension. Payments were also made to people getting a pensioner premium—payable from age 60—with their Income Support or income-based Jobseeker's Allowance. Winter Fuel Payments are not taxable.

66. Around 1 million people aged 60 or over in over 700,000 households in Scotland benefit from Winter Fuel Payments.

Housing and Council Tax Benefit

67. Housing Benefit is important in helping people with low incomes to pay for rented accommodation whether they are in or out of work. In Scotland just under 0.5 million people receive benefit and just over 50% of claimants are local authority tenants.

68. The Government has embarked on a programme of reform of housing benefit, the central element of which is the introduction of a Local Housing Allowance (LHA). The LHA is being tested in eighteen local authorities—Pathfinder Authorities—across the country. Two are in Scotland, in Edinburgh and Argyll & Bute.

69. The fundamental aims of the LHA scheme are to promote:

— Fairness: LHA bases the maximum amount paid to tenants on the size, composition and location of the household. Therefore, two households in similar circumstances in the same area will be entitled to similar amount of benefits.

— Choice: tenants are able to take on greater responsibility and choose how to spend their income in a similar way to tenants who are not in receipt of benefits. Like other tenants they are able to choose whether to rent a larger property, or spend less on housing and increase their available income.

— Transparency: The current link between Housing Benefit and individual rents is complex and does not set out clearly what level of state support is available for people on low incomes. A clear and transparent set of allowance rates helps tenants (and landlords) know how much financial help is available from the state. Tenants are able to compare how much support is available towards their housing costs in different areas and for different property sizes.

— Personal responsibility: Empowering people to budget for and to pay their rent themselves, rather than having it paid for them, helps develop the skills unemployed tenants will need as they move back into work. Currently around 40% of Housing Benefit payments in the private rented sector are made to tenants, with the remainder paid straight to landlords. The Government believes that, where possible, local housing allowance should be paid to tenants, as are most other benefits and tax credits.

— Financial inclusion—Ideally, people should have their housing payments paid into a bank account and set up a standing order to pay the rent to their landlord. This has the advantage of being a safe and secure method of payment and provides certainty for landlords that rent will be paid.

— Improved administration and reduced barriers to work—For working age tenants, LHA provides a greater certainty about what help is available in and out of work. A simpler system also helps speed up administration of housing payments, giving tenants more confidence when starting a job that any in-work benefit will be paid quickly. A more transparent system may also improve the ability of individuals to move between areas and to take advantage of employment opportunities.

70. Council Tax Benefit is available to those on low incomes who are liable for council tax. Around one quarter of Scottish households receive this benefit, 78% of whom receive 100% of their council tax bill. Over half of all council tax benefit recipients are pensioner households. Average council tax increases in Scotland have been below 5% in each year since 1999–2000.

Tackling Overindebtedness & Financial Inclusion

71. The UK Government is well aware that for many low income households access to mainstream financial services which includes affordable credit and debt advice can be limited. The UK Government's strategy for financial inclusion has focussed on three priority areas:

— Access to banking;

— Access to affordable credit;

— Access to face to face money advice.

72. The Scottish Executive through its Financial Inclusion Action Plan has provided funding of over £10.6 million to the 11 most financially excluded local authorities in Scotland. The plan also encourages the growth of Credit Unions as well as promoting financial capability to help people to manage their finances better.

73. This action plan sends a clear message that credit unions have a role to play in tackling financial exclusion. Credit Unions provide personal financial services to their members- principally access to low cost flexible loans and secure savings. There are currently 131 credit unions across Scotland and, as at February 2006, 179,000 adults are now members, with total assets of the country's 131 unions standing at a record £185 million.

Illegal Money Lending Loan Sharks

74. The Illegal Money Lending pilot was set up in response to the 2001 Labour election manifesto commitment to tackle illegal money lending. Under the pilot, DTI is funding two better resourced and dedicated teams specifically investigating offences of illegal money lending. The teams are based in the Trading Standards Departments of Glasgow and Birmingham. The pilot was launched in autumn 2004 and is funded until March 2007.

75. Since inception the Scottish Illegal Money Lending Unit (based in Glasgow) has opened 115 cases. The Unit has reported 10 cases involving 18 individuals to the Procurator Fiscal and a total of 22 warrants have been executed. Two cases have been brought to court in Scotland and further cases are being prepared involving 12 individuals.

76. The Glasgow team's most successful prosecution was in August 2006. Following a tip-off to the Loan Shark Hotline and a three-month undercover operation, the defendant was sentenced to 10 months in prison and restraining orders were placed on around £150k worth of assets. He operated his business from within the Argosy Bar, Paisley Road West Glasgow and targeted those on benefits, single mothers and alcoholics over a 20-year period. The typical loan amount was £50. He charged interest at the rate of 25% per week, which equates to an APR of 11 million%. He had around 30 clients at the time that the Unit carried out their investigation.

77. The pilot has had a clear impact in identifying cases of illegal money lending, instituting proceedings against illegal money lenders, and securing prosecutions (with others expected to follow). Where illegal money lenders have been removed, the unit has worked to replace the money lender with appropriate money advice and signposting to other sources of credit. This has had an impact on the quality of life of the victims and in some cases on the entire community in which the lender operated.

78. The information available from the pilots has been supplemented by research commissioned by DTI. The aim of the research was to map the scope and extent of illegal money lending nationally, to classify the different types of illegal money lenders and their impact, and to identify the drivers behind illegal money lenders. The research has drawn on the findings of the pilot teams, as well as other sources, and will help to inform policy decisions about the future of the project.

79. DTI has commissioned research to map scope and extent of illegal. money lending in the UK and to examine some of the drivers behind the use of illegal lenders. It draws on the findings of the pilot teams, as well as other sources, and will help to inform policy decisions about the future of the project and related issues.

DEBT

80. The National Debtline (NDL) is a national telephone helpline for people with debt problems in England, Wales and Scotland. The service is free, confidential and independent. National Debtline is now part of the Money Advice Trust, a registered charity.

81. The Scottish Executive currently provides £100,000 per annum to the Helpline (this is the second year of a three year funding agreement.) Around 6% of National Debtline clients come from Scotland. The Money Advice Trust also runs a Business Debtline which was launched in Scotland at the beginning of 2006.

82. Citizens Advice Scotland is provided with funding by the Department of Trade and Industry and the Scottish Executive to assist people with queries relating to benefits and debt. In 2005–06, 17% of their enquiries to bureaux were about handling debt. There are 60 Citizens Advice bureaux across Scotland, with 76 offices and 146 service centres.

Scotland Office

January 2007

Annex 1

Table 1

ABSOLUTE LOW INCOME (BELOW 60% OF GB MEDIAN) IN SCOTTISH HOUSEHOLDS CURRENT METHODOLOGY (McCLEMENTS EQUIVALISATION AND 1996–97 BASE YEAR)

	All individuals				*Children*				*Working Age Adults*				*Pensioners*			
	Before housing costs		*After housing costs*		*Before housing costs*		*After housing costs*		*Before housing costs*		*After housing costs*		*Before housing costs*		*After housing costs*	
	%	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*
1994–95	22	1,080	25	1,240	28	310	31	340	18	540	20	620	26	230	32	280
1995–96	21	1,050	25	1,230	29	320	34	370	16	480	19	570	29	250	33	290
1996–97	20	1,010	25	1,230	29	320	33	370	16	470	20	600	26	220	30	260
1997–98	18	910	21	1,070	27	300	30	330	15	440	17	530	19	170	25	220
1998–99	17	850	21	1,030	25	270	29	310	14	420	17	530	18	160	22	200
1999–2000	16	790	20	980	22	230	26	280	13	390	17	520	19	160	21	180
2000–01	15	730	17	850	18	190	21	220	14	420	17	500	14	120	14	130
2001–02	11	540	13	650	14	150	17	170	10	300	13	390	11	90	9	80
2002–03	12	580	14	690	13	130	16	170	12	360	15	440	11	90	9	80
2003–04	10	490	12	600	11	110	15	160	10	300	13	380	9	80	8	70
2004–05	9	470	11	550	10	100	13	130	9	280	12	360	9	80	6	60

Source: Households Below Average Income, DWP.

Note: From 2005–06 the equivalisation scale used to calculate low income statistics will switch from the McClements to the modified OECD equivalisation scales.
The measure used in this table is defined as the number and proportion of individuals, children, working aged adults and pensioners whose (McClements) equivalised income is below 60% of inflation adjusted GB median income in 1996–97.
Due to rounding, the estimates for children, working age adults and pensioners may not sum to the total for all individuals.
Income used is equivalised net disposable household income.

Table 2

RELATIVE LOW INCOME (BELOW 60% OF GB MEDIAN) IN SCOTTISH HOUSEHOLDS CURRENT METHODOLOGY (McCLEMENTS EQUIVALISATION))

	All individuals				*Children*				*Working Age Adults*				*Pensioners*			
	Before housing costs		*After housing costs*		*Before housing costs*		*After housing costs*		*Before housing costs*		*After housing costs*		*Before housing costs*		*After housing costs*	
	%	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*	*%*	*(000s)*
1994–95	19	960	22	1,080	26	280	28	300	16	490	18	540	22	190	27	240
1995–96	18	920	22	1,120	26	290	32	350	14	430	17	530	24	210	27	230
1996–97	20	1,010	25	1,230	29	320	33	370	16	470	20	600	26	220	30	260
1997–98	19	940	22	1,090	29	310	30	330	15	460	18	530	19	170	25	220
1998–99	19	930	22	1,110	27	290	30	320	15	460	19	560	21	180	25	220
1999–2000	19	960	23	1,150	26	280	30	330	16	480	20	590	23	200	26	230
2000–01	19	940	23	1,140	24	250	29	310	17	510	21	630	20	180	23	210
2001–02	18	880	21	1,060	25	260	30	320	15	460	19	560	18	160	20	180
2002–03	19	940	22	1,070	23	240	26	280	17	520	20	610	21	180	21	190
2003–04	17	860	19	960	22	220	25	260	15	470	18	540	19	170	18	160
2004–05	16	800	18	910	19	190	23	240	15	440	18	540	18	170	16	140

Source: Households Below Average Income, DWP.

Note: From 2005–06 the equivalisation scale used to calculate low income statistics will switch from the McClements to the modified OECD equivalisation scales.
The measure used in this table is defined as the number and proportion of individuals, children, working aged adults and pensioners whose (McClements) equivalised income is below 60% of GB median income in the same year.
Due to rounding, the estimates for children, working age adults and pensioners may not sum to the total for all individuals.
The figures shown here for children in low income households before housing costs form the basis of the PSA target to reduce the number of children in low income households by a quarter between 1998–99 and 2004–05.
Income used is equivalised net disposable household income.

Annex 2

Labour Market Trends in Scotland since 1997

Table 3

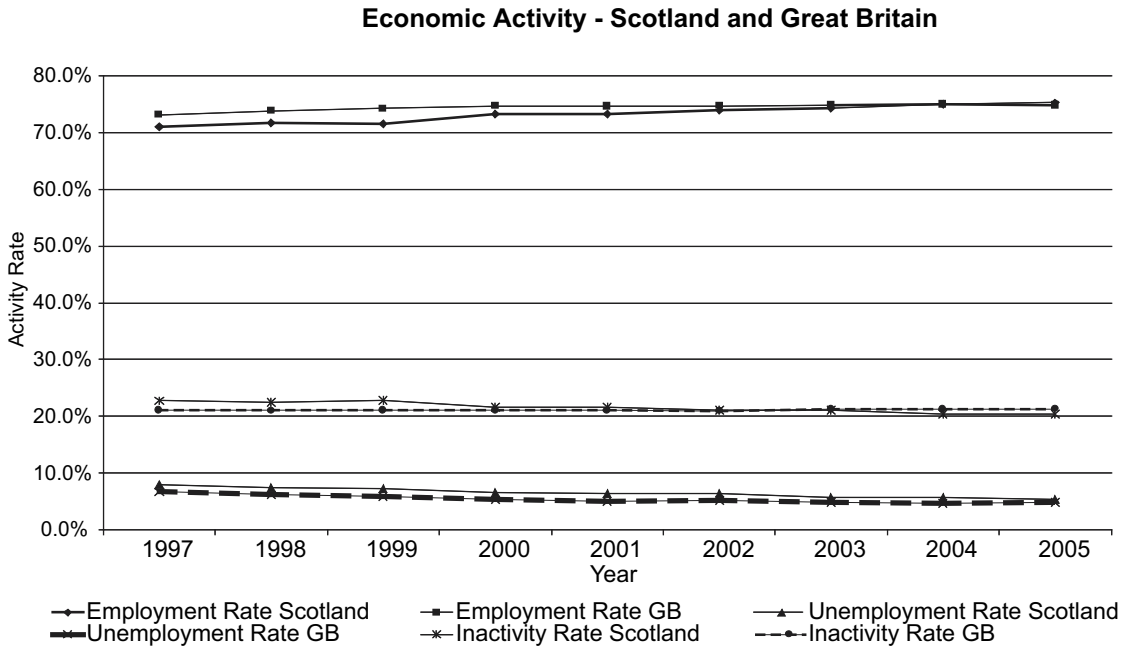
ECONOMIC ACTIVITY RATES

	Employment Rate		*Unemployment Rate*		*Inactivity Rate*	
	Scotland	*GB*	*Scotland*	*GB*	*Scotland*	*GB*
1997	71.0%	73.1%	8.0%	6.7%	22.8%	21.1%
1998	71.7%	73.8%	7.5%	6.2%	22.5%	21.1%
1999	71.5%	74.2%	7.3%	5.9%	22.8%	21.1%
2000	73.3%	74.7%	6.6%	5.3%	21.6%	21.1%
2001	73.2%	74.6%	6.4%	5.0%	21.7%	21.0%
2002	73.8%	74.6%	6.4%	5.2%	21.1%	20.9%
2003	74.3%	74.8%	5.7%	4.9%	21.1%	21.2%
2004	75.0%	75.0%	5.7%	4.7%	20.4%	21.3%
2005	75.2%	74.7%	5.4%	4.9%	20.4%	21.3%

Source: Labour Force Survey, 4-Quarter Average.

Chart 1

ECONOMIC ACTIVITY TRENDS



Source: Labour Force Survey, 4-Quarter Average.

Annex 2

Table 4

BENEFIT CLAIMANTS

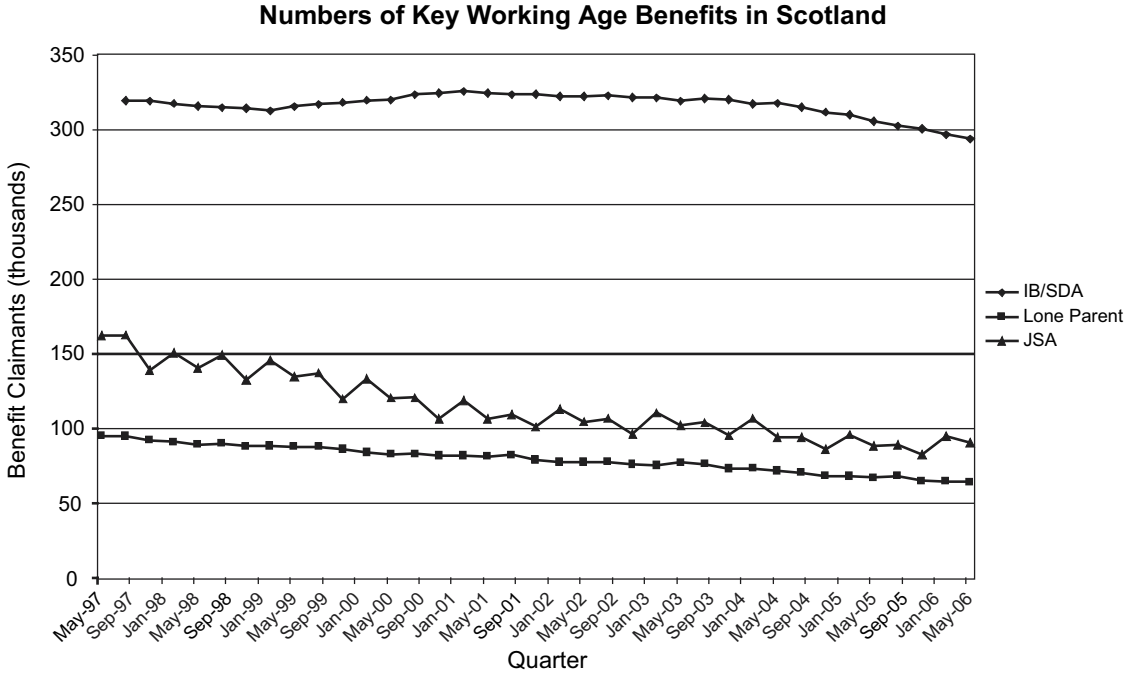
Quarter	*IB/SDA Caseload (Thousands)*	*IS for Lone Parents Caseload (Thousands)*	*JSA Caseload (Thousands)*
May–1997	N/A	95.2	162.3
August–1997	319.5	94.9	162.7
November–1997	319.2	92.3	139.4
February–1998	317.6	91.1	150.7
May–1998	315.7	89.5	140.5
August–1998	314.9	90.2	149.5
November–1998	314.6	88.2	132.8
February–1999	312.6	88.3	145.9
May–1999	315.5	87.9	134.7
August–1999	317	88.1	137.3
November–1999	318.3	86.2	120
February–2000	319.7	84.2	133.5
May–2000	319.8	83	120.6
August–2000	323.5	83.1	120.8
November–2000	324.5	81.8	106.4
February–2001	325.7	81.9	118.9
May–2001	324.5	81.5	106.7
August–2001	323.5	82.4	109.4
November–2001	323.8	79	101.2
February–2002	322.2	77.5	113.1
May–2002	322.3	77.6	104.7
August–2002	322.7	78	106.9
November–2002	321.5	76.2	96.6
February–2003	321.3	75.4	110.7
May–2003	319.2	77.4	102.4
August–2003	320.9	76.4	104.2
November–2003	320.3	73.3	95.4
February–2004	317.3	73.7	106.9
May–2004	317.7	71.7	94.5
August–2004	315	70.6	94.5
November–2004	311.9	68.5	86.1
February–2005	310.2	68	96.1
May–2005	305.6	67.2	88.5
August–2005	302.6	68.5	89.4
November–2005	300.6	65	82.8
February–2006	296.8	64.8	95.2
May–2006	293.9	64.3	90.8

Source: DWP Tabulation Tool, 5% benefit sample data.

Annex 2

Chart 2

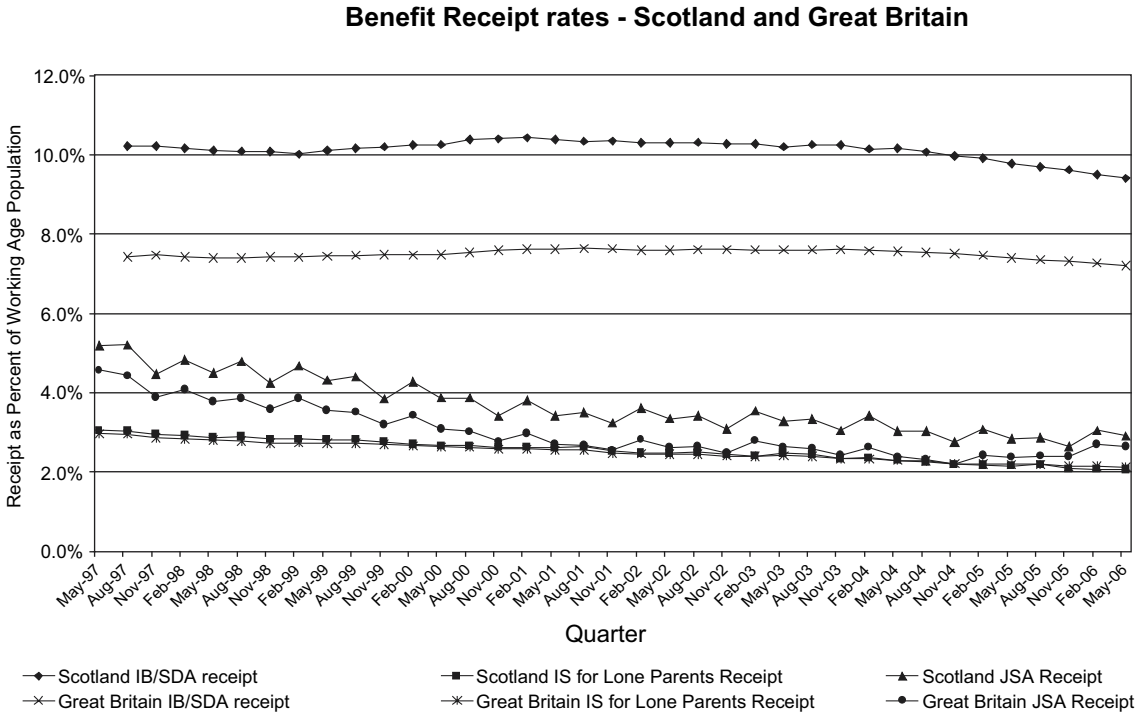
BENEFIT RECEIPT TRENDS



Source: DWP Tabulation Tool, 5% benefit sample data.

Chart 3

BENEFIT RECEIPT AS A PERCENTAGE OF THE WORKING AGE POPULATION



Source: DWP Tabulation Tool, 5% benefit sample data.

Annex 2

Table 5

BENEFIT RECEIPT AS A PERCENTAGE OF THE WORKING AGE POPULATION

	Scotland			*Great Britain*		
	IB/SDA receipt	*IS for Lone Parents Receipt*	*JSA Receipt*	*IB/SDA receipt*	*IS for Lone Parents Receipt*	*JSA Receipt*
May–1997		3.0%	5.2%		3.0%	4.6%
August–1997	10.2%	3.0%	5.2%	7.4%	3.0%	4.4%
November–1997	10.2%	3.0%	4.5%	7.5%	2.9%	3.9%
February–1998	10.2%	2.9%	4.8%	7.4%	2.8%	4.1%
May–1998	10.1%	2.9%	4.5%	7.4%	2.8%	3.8%
August–1998	10.1%	2.9%	4.8%	7.4%	2.8%	3.9%
November–1998	10.1%	2.8%	4.3%	7.4%	2.7%	3.6%
February–1999	10.0%	2.8%	4.7%	7.4%	2.7%	3.9%
May–1999	10.1%	2.8%	4.3%	7.4%	2.7%	3.6%
August–1999	10.2%	2.8%	4.4%	7.5%	2.7%	3.5%
November–1999	10.2%	2.8%	3.8%	7.5%	2.7%	3.2%
February–2000	10.3%	2.7%	4.3%	7.5%	2.7%	3.4%
May–2000	10.3%	2.7%	3.9%	7.5%	2.6%	3.1%
August–2000	10.4%	2.7%	3.9%	7.5%	2.6%	3.0%
November–2000	10.4%	2.6%	3.4%	7.6%	2.6%	2.8%
February–2001	10.4%	2.6%	3.8%	7.6%	2.6%	3.0%
May–2001	10.4%	2.6%	3.4%	7.6%	2.6%	2.7%
August–2001	10.3%	2.6%	3.5%	7.6%	2.6%	2.7%
November–2001	10.4%	2.5%	3.2%	7.6%	2.5%	2.6%
February–2002	10.3%	2.5%	3.6%	7.6%	2.5%	2.8%
May–2002	10.3%	2.5%	3.3%	7.6%	2.5%	2.6%
August–2002	10.3%	2.5%	3.4%	7.6%	2.5%	2.6%
November–2002	10.3%	2.4%	3.1%	7.6%	2.4%	2.5%
February–2003	10.3%	2.4%	3.5%	7.6%	2.4%	2.8%
May–2003	10.2%	2.5%	3.3%	7.6%	2.4%	2.6%
August–2003	10.3%	2.4%	3.3%	7.6%	2.4%	2.6%
November–2003	10.2%	2.3%	3.1%	7.6%	2.3%	2.4%
February–2004	10.2%	2.4%	3.4%	7.6%	2.3%	2.6%
May–2004	10.2%	2.3%	3.0%	7.6%	2.3%	2.4%
August–2004	10.1%	2.3%	3.0%	7.5%	2.3%	2.3%
November–2004	10.0%	2.2%	2.8%	7.5%	2.2%	2.2%
February–2005	9.9%	2.2%	3.1%	7.5%	2.2%	2.4%
May–2005	9.8%	2.2%	2.8%	7.4%	2.2%	2.4%
August–2005	9.7%	2.2%	2.9%	7.4%	2.2%	2.4%
November–2005	9.6%	2.1%	2.7%	7.3%	2.2%	2.4%
February–2006	9.5%	2.1%	3.0%	7.3%	2.1%	2.7%
May–2006	9.4%	2.1%	2.9%	7.2%	2.1%	2.6%

Source: DWP Tabulation Tool, 5% benefit sample data.

Annex 2

Table 6

THE NEW DEALS IN SCOTLAND

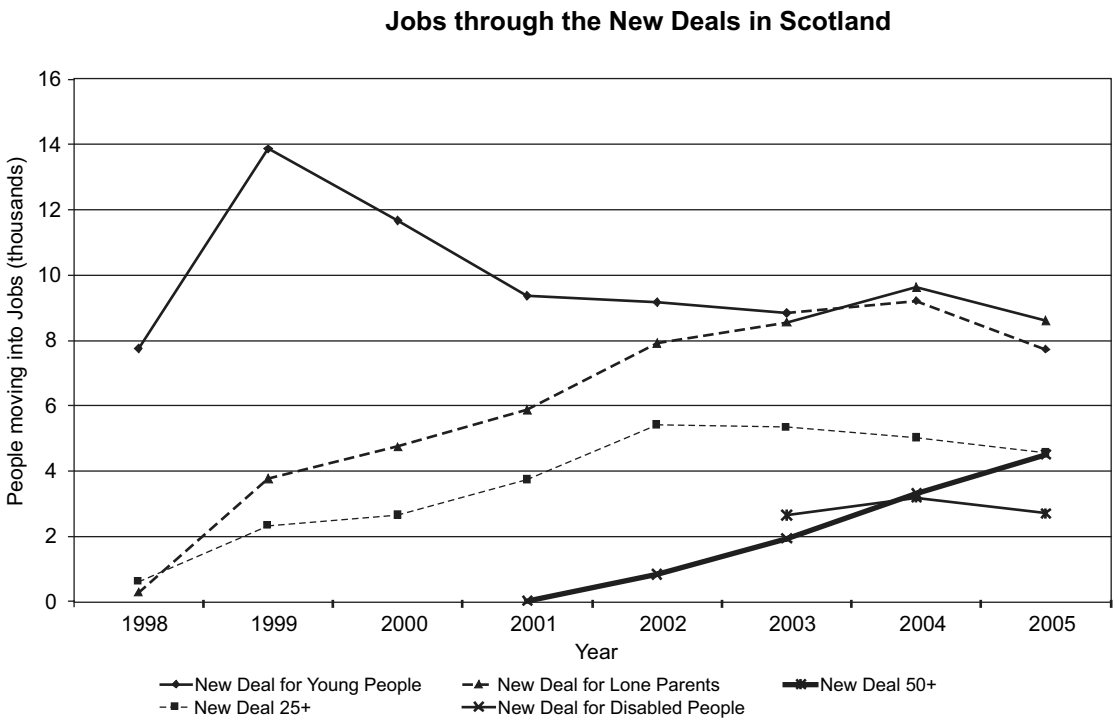
Number of people gaining a job (thousands)

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
New Deal for Young People	7.76	13.87	11.68	9.38	9.18	8.85	9.22	7.74
New Deal 25+	0.62	2.33	2.65	3.74	5.41	5.34	5.02	4.55
New Deal for Lone Parents	0.29	3.77	4.74	5.87	7.93	8.56	9.63	8.62
New Deal for Disabled People	—	—	—	0.03	0.84	1.94	3.31	4.51
New Deal 50+	—	—	—	—	—	2.64	3.19	2.7

Source: DWP Tabulation Tool.

Chart 4

NUMBERS ON THE NEW DEALS IN SCOTLAND



Source: DWP Tabulation Tool.

Annex 3

Pensioners in low-income in Scotland

The numbers and percentages of pensioners in households with low incomes, by Government Office Regions, Scotland and Wales over the period 1994–95 to 2004–05, are presented in Tables 1 and 2 below.

Table 7

NUMBER OF PENSIONERS IN LOW INCOME (IN MILLIONS)

Source: Family Resources Survey

	Three-year averages								
After Housing costs	*1994–95 to 1996–97*	*1995–96 to 1997–98*	*1996–97 to 1998–99*	*1997–98 to 1999–2000*	*1998–99 to 2000–01*	*1999–2000 to 2001–02*	*2000–01 to 2002–03*	*2001–02 to 2003–04*	*2002–03 to 2004–05*
North East	0.14	0.14	0.14	0.13	0.13	0.12	0.11	0.10	0.08
North West & Merseyside	0.31	0.32	0.33	0.32	0.30	0.28	0.27	0.26	0.24
Yorkshire & the Humber	0.25	0.26	0.27	0.27	0.26	0.24	0.21	0.19	0.17
East Midlands	0.19	0.20	0.20	0.20	0.20	0.19	0.19	0.18	0.17
West Midlands	0.22	0.25	0.26	0.25	0.25	0.24	0.25	0.23	0.21
Eastern	0.29	0.25	0.26	0.26	0.26	0.24	0.23	0.22	0.21
London	0.29	0.30	0.30	0.30	0.29	0.28	0.25	0.24	0.21
South East	0.34	0.34	0.34	0.34	0.33	0.31	0.30	0.29	0.27
South West	0.25	0.27	0.27	0.26	0.25	0.24	0.23	0.21	0.19
Wales	0.14	0.14	0.14	0.14	0.13	0.13	0.12	0.12	0.10
Scotland	0.24	0.24	0.24	0.22	0.22	0.21	0.19	0.18	0.17

Note:

1. Numbers are provided using a three-year moving average, as single-year estimates do not provide a robust guide to year-on-year changes. Hence, figures are not consistent with any previously published single-year estimates and there may be differences in changes over time. In circumstances such as a change in trend, moving averages will show less variation than single-year estimates.
2. Table shows number of pensioners in millions rounded to the nearest 10 thousand.
3. In this answer low income is determined for individuals as living in households with incomes below 60 per cent of the GB median.

Table 8

PERCENTAGE OF PENSIONERS IN LOW INCOME

Source: Family Resources Survey

	Three-year averages								
After Housing costs	*1994–95 to 1996–97*	*1995–96 to 1997–98*	*1996–97 to 1998–99*	*1997–98 to 1999–2000*	*1998–99 to 2000–01*	*1999–2000 to 2001–02*	*2000–01 to 2002–03*	*2001–02 to 2003–04*	*2002–03 to 2004–05*
North East	31	31	30	28	27	25	24	20	18
North West & Merseyside	26	26	27	26	25	24	23	21	20
Yorkshire & the Humber	29	29	31	30	29	27	24	22	19
East Midlands	26	28	28	28	27	26	25	23	22
West Midlands	27	27	28	27	27	26	26	24	22
Eastern	28	26	28	27	27	24	23	22	21
London	28	29	30	30	28	28	25	24	21
South East	25	24	24	24	23	22	21	20	18
South West	26	28	27	27	25	24	23	21	18
Wales	24	25	25	25	24	23	21	21	18
Scotland	28	27	27	26	25	23	22	20	18

Note:

1. Percentages are provided using a three-year moving average, as single-year estimates do not provide a robust guide to year-on-year changes. Hence, figures are not consistent with any previously published single-year estimates and there may be differences in changes over time. In circumstances such as a change in trend, moving averages will show less variation than single-year estimates.
2. In this answer low income is determined for individuals as living in households with incomes below 60% of the GB median.

Memorandum submitted by the Scotland Office

INQUIRY INTO POVERTY IN SCOTLAND
ADDENDUM: BUDGET 2007 AND POVERTY IN SCOTLAND

Introduction

1. This addendum notes the implications for poverty in Scotland as a result of measures set out in the Chancellor of the Exchequer's Budget in March 2007.

2. Budget 2007 was billed as Building Britain's long-term future: prosperity and fairness for families. The Budget reiterated the Government's commitment to promoting fairness alongside flexibility and enterprise to ensure that everyone can take advantage of opportunities to fulfil their potential. The Government has undertaken a comprehensive programme of reform to the tax and benefit system with the aims of encouraging work and saving, supporting families, and ensuring security for all in old age. This latest Budget announced the next stage of these reforms, including removing the 10 pence starting rate and cutting the basic rate of income tax from 22 pence to 20 pence in April 2008, alongside increases to the Child Tax Credit and the threshold for the Working Tax Credit. Particular measures targeting poverty are as described in the following paragraphs.

Employment Measures

3. The Budget provides further help to lone parents to stay in employment, by continuing to make In-Work Credit available to eligible lone parents in the current pilot areas until June 2008, which will continue to benefit around 7,400 eligible lone parents in the Edinburgh pilot area.

4. The Budget Introduces a four-week run-on in entitlement to Working Tax Credit from the day that a previously eligible claimant ceases to work 16 hours. This reflects the fact that claimants of Working Tax Credit are now subject to a mandatory four-week reporting period when they cease work (or experience other changes in circumstances).

5. The Chancellor outlined his intention to build on the success of the New Deal for young people (NDYP), to ensure that opportunities provided continue to match the demands of the labour market. The impact of measures aimed at improving New Deal education and training will be assessed. Further, in order to ensure a smooth transition to work, the Government will develop and test a set of measures targeted to provide in-work training through the Train to Gain service.

6. The Chancellor announced local employment partnerships with large retail employers (Asda, B&Q, Tesco, Sainsburys and M&S) working in partnership with Jobcentre Plus at a local level, to help the long-term unemployed and economically inactive back to work.

7. There will be further improvements to the administration of Housing Benefit, and the Budget sets out an intention to reform Housing Benefit subsidy for temporary accommodation.

8. Following the Low Pay Commission recommendations, the Chancellor announced a raising of the adult rate of the National Minimum Wage to £5.52 per hour (currently £5.35 per hour), the youth rate, for workers aged between 18–21, to £4.60 (currently £4.45 per hour) and the development rate, for 16 and 17-year olds, to £3.40 (currently £3.30 per hour); all from October 2007. Overall this should benefit around 110,000 people on the minimum wage in Scotland.

Tax and Benefit Reform

9. This Budget announced the removal of the starting rate of tax and cutting the basic rate of income tax from 22 pence to 20 pence in April 2008, creating a simpler structure of two rates: a 20 pence basic rate and a 40 pence higher rate. This will benefit around 2.3 million households in Scotland, with the average household being £100 better off. The basic rate changes need to be considered along with the increase in the child element of the Child Tax Credit and/or the increase in the Working Tax Credit threshold.

10. The Budget announced an increase in the higher personal allowances for those aged 65 or over by £1,180 above indexation in April 2008, removing 50,000 Scottish pensioners from paying tax. By April 2011, no pensioner aged 75 or over will pay any tax until their income reaches £10,000.

11. The Budget announced an increase in the child element of the Child Tax Credit by £150 a year above earnings indexation in April 2008, raising the child element to £2,080 a year. This will be of potential benefit to 222,000 families receiving Child Tax Credit in Scotland.

12. The Chancellor announced an increase in the threshold for Working Tax Credit by £1,200 to £6,420 in April 2008, further strengthening the incentives to work for families with children and low-income working households. 500,000 families in Scotland are benefiting from tax credits.

13. The withdrawal rate on tax credits will be raised by 2% to 39%, helping to retain the current focus of tax credits.

14. The Chancellor announced an increase in the weekly rate of Child Benefit for the eldest child to £20 in April 2010, providing support to all families in line with the principle of progressive universalism. This will benefit the 604,000 families in Scotland who receive Child Benefit.

15. The Chancellor announced an increase in the annual Individual Savings Accounts investment limit from April 2008 to £7,200, with an increase in the cash limit to £3,600, in order to further encourage saving.

Scotland Office

May 2007

Witnesses: **Caroline Flint MP**, Minister of State for Employment and Welfare Reform and **Mr Jonathan Portes**, Director, Child and Poverty Directorate, Department for Work and Pensions; **Rt Hon Jane Kennedy MP**, Financial Secretary to the Treasury, and **Mr Jonathan Athow**, Team Leader, Work Incentives and Poverty Analysis Team, HM Treasury, gave evidence.

Q866 Chairman: Good afternoon. I am glad we are starting this session three minutes before 11.15. I would like to welcome the Ministers and the witnesses to our session on *Poverty in Scotland*. Before we start on the detailed questions, do you have any opening remarks you would like to make?
Caroline Flint: No, I think we are ready to go to the questions.

Q867 Chairman: That is fine, so we can go straight to the questions.
Jane Kennedy: Cut to the chase.

Q868 Chairman: I am sure the Ministers are aware that there is a growing gap between the rich and the poor and inequalities in our society are on the increase. How does the Government intend to tackle these growing inequalities?
Jane Kennedy: We have been focused on assisting those we have been able to identify as being those most in poverty, pensioners at one end of the age range and particularly focusing on child poverty at the other end of the age range. If we do children first, our efforts have been very carefully focused on looking at what are the key factors that make the difference for families, particularly families with children, and what are the key factors that lift families out of poverty. All the research tells us that work is the significant factor that makes that difference, so a huge amount of the work that we have been doing has been focused upon enabling people to work, and Caroline can say more about that. I can certainly talk to you about what we have been doing in terms of helping raise the income of households and enabling work to pay, maximising the impact of wages for low income families, particularly low income families with children. There has been a very great deal of work done with pensioners too. If you want I could take you through some of the issues around child poverty and where we have focused a lot of effort on child poverty first. I did not have an opening statement, Chairman, because generally I come in prepared to make an opening statement and the Chairman has usually said, "Right, let's cut to the chase". You will know,

because I have seen the range and scale of the detail that you have entered into as part of this inquiry, that it is very useful for us as ministers to remind the Committee and the public where we were when we came into Government, particularly in terms of child poverty. We had the highest rate of relative poverty in the EU and between 1979 and 1997, when we came into Government, the proportion of children in relative poverty had more than doubled, so we were inheriting a problem that was not only a very great problem but had got worse over a period and the trends were all in the wrong direction. The efforts that we have made since 1997 to date have seen, again, the biggest child poverty reduction in Europe with over 600,000 children having been lifted out of poverty and the number of children living in absolute poverty has more than halved from 3.4 to 1.6 million; it is a fall of 1.8 million. The number of children in workless households has fallen by 400,000 since 1997. The lone parent employment rate has increased from 45.3% in 1997 to 57.2% in 2007. Those are the facts that I know you will already be aware of but it is the point that I think it is best we start from and say to you that notwithstanding that progress we are aware there is still a lot more to do in terms of child poverty. We are aware of the slip in the figures in the last year but, whilst we approach that slip in the figures with a degree of caution, nonetheless we are focused on making sure that we get back on track and the commitment from the Budget in 2007 and the further commitments in the Pre-Budget Report and the Comprehensive Spending Review have been focused on refocusing the Government and restating our absolute commitment to reaching our targets to get back on track with that. In terms of pensioner poverty, there has been a huge improvement in the position of pensioners in the UK. I do not want to go on too long, I want to know where the Committee would like to focus to be helpful to the Committee, but I can say that both of those areas are areas of major work that we have been engaged in. Caroline may want to say a word or two.

Caroline Flint: Just to mention a couple of things that may be specific to Scotland. We have seen the employment rate go up across the UK. We are seeing, I am pleased to say, the numbers of people who are claiming main unemployment benefits going down, including, pleasingly, for the last 11 quarters the numbers of people claiming Incapacity Benefit coming down and fewer new claims to a number of these benefits as well. In Scotland the progress in some of these areas has been faster than in the UK as a whole, and we will probably explore some of the factors for that in the questions that you are going to ask, both in relation to all individuals, in relation to child poverty and also pensioner poverty as well. For the first time ever in a period of sustained economic growth, pensioners are less likely to be in poverty than the population as a whole. These are very important shifts in terms of trend given what Jane was saying earlier about the fact that in 1997 we had seen a doubling of child poverty. In terms of the applicants to Incapacity Benefit, for example, they had been going up steadily for ten years before that and only when we got to around 2004 did we see a plateauing and then a tilt down. It is important to look at these trends, whilst accepting exactly what Jane said about some changes, and I would not want to trivialise it by saying blips because we should not trivialise it, in-year that affect some of this. Certainly in terms of child poverty, whilst there is a lot more to be done, what we have seen is a halt in the rise to arrest that and starting to see now an opportunity to see what more we can do. There are difficult issues here, Chairman. For example, in periods of recession the gap in terms of poverty is often not as stark as it is in periods of good economic stability and prosperity. That is quite a hard example to get but it is one of the reasons why we look at things like relative poverty, absolute poverty and we also look at issues around material deprivation to try and give us the best judgment we can about how we are making progress in these important areas.

Q869 Chairman: We accept that Government policies, particularly the Child Tax Credit and Pension Tax Credit, have positive effects and the number of pensioners and children in poverty has decreased, but in Scotland we still have 980,000 people and 250,000 children living in poverty. I believe that is a huge figure, but you think you are on target to meet the target by 2020.

Caroline Flint: You are absolutely right. I am not complacent and I do not think Jane is, or her Department, or for that matter other Government departments that have a role to play in this. Clearly issues around poverty are important in relation to the income people have and we can do that in terms of support for people who are completely on benefits and, of course, what HMT does in relation to those in work, but there are other factors too about improving housing. For example, we know amongst children that if we are going to look at the intergenerational poverty that is a factor, not just in Scotland but elsewhere in the UK, education is very important to children who may have been born into very poor families, the opportunity for them to aspire and get qualifications that their parents might not have got. As someone who is one of three children, two of whom left school at 16, I know what that is like. Education is really important to tackle the intergenerational aspects of opportunities too. I have to say we have had a focus definitely on work in the last ten years which has proved successful but now within the Department for Work and Pensions we are looking at how for those people on benefits, whether it is Incapacity Benefit, Income Support or Jobseeker's Allowance, we can have a much more personalised service that really tries to get to grips with individuals, their families and what they need. I hope the Committee will welcome the announcements yesterday, whilst we have to acknowledge that on the skills agenda that is a devolved issue for Scotland but that does not mean we cannot work together on this employment skills agenda to identify much earlier when people have a basic skills problem that is preventing them getting into work but, more importantly, when people are in

work making the progression for them to move on to higher wages that then help their family. That is why it is absolutely right ten years down the road, despite the success of New Deal Programmes, despite the high employment rate in Scotland and the successes, I have to say, of the combination of the Scottish Executive in the last five to six years working with us in Westminster so they can have added value and we can have added value working together on this, that we should refresh our policies and look to the next ten years.

Q870 Chairman: Since you have mentioned the devolved administration, it is very important that the British Government and, within the British Government, the Treasury, DWP, devolved administrations and local government have worked together in a coherent approach to tackle poverty. Do you think the change of administration in Scotland has had any effect on the close working relationships between the two Parliaments and the two Governments?

Jane Kennedy: For us it is business as usual. We are engaged in programmes of work within a well worked set of policies. There are high level policy objectives that the new administration has which are in step with ours and that work will continue. We are working from an agreed set of protocols which will not get in the way of the work that we are doing.

Q871 Mr Devine: So you are ignoring them!

Caroline Flint: No, I think Jane is right, it is business as usual. As with anything, not just in terms of Scotland, Wales and your colleagues in Northern Ireland, devolution and getting the administrations to work together, you have to work at it. It is about looking at added value. Certainly I am pleased that the new Employment and Skills Commission has the support of the devolved administrations. There will be a Commissioner for Scotland on that august body as well as for England, Northern Ireland and Wales. It is not without its challenges, but it is about working at it and, as I say, adding value. Within Scotland itself at an even more devolved level I am pleased to say that we are looking from DWP at what more support we can give to the City Strategy Pathfinders, for example. We have three in Scotland and 15 across the UK as a whole. That is where we are looking to think how we can devolve resource, flexibilities and decision-making in particular areas to much more localised areas as part of a partnership and consortium, some led by local authorities, some led by business, to address the worklessness and lack of employment opportunity in those communities. Some of this is national, some of it is UK, but some of it is very local as well.

Jane Kennedy: Just one extra thing on co-operation with the Scottish administration. If you wanted an indicator of how well or otherwise things are going, the fact that at the CSR we were able to negotiate successfully with the Scottish administration on PSAs, their draft spending plans that they published in November, as I said, do share high levels of strategic objectives, amongst others of delivering a wealthier and fairer Scotland, there is a whole range of other national outcomes that they have set for themselves which are in step with many that we would share. You can be encouraged by the fact that there is very clear demonstrable good working going on which will not get in the way of achieving our shared objectives.

Q872 Danny Alexander: I just want to go back to some of the statistics you quoted in your initial presentation. You made a couple of interesting points. The first was on relative measures of poverty and what you had seen over the last ten years was that Scotland had done slightly better than the rest of the UK. I just wondered what analysis you had done in your Departments as to why that is the case, whether there are particular policies that we have pursued in Scotland that are different that have led to better outcomes, and what lessons will you have drawn from that in terms of the policies that might be applied UK-wide. The second point was in relation to the child poverty statistics. Jane quite rightly made the point that in the last year the figures have gone up, and I do not want you to go too much into that, but I wondered what analysis you had done about why it was those figures went up in the last year and whether you expect that to be a new trend or whether you expect the figures to return to the downward trend that we have previously seen.

Caroline Flint: I will deal with the first part of that, some thoughts about why it is different in Scotland, and ask Jonathan to go into some more detail about the analysis we have done in the Department in terms of the changes in the last year. It is very difficult to pinpoint anything in particular but interestingly, and Jonathan can correct me if I am wrong on this, Scotland, like parts of England, for example, had had a much higher level of people proportionately on benefits and in poverty than other parts of the UK before we introduced a number of our different strategies. If I look at my own example in Yorkshire and Humber, for example, we have had particularly high levels of people who are reliant on benefits in one form or another, and I think parts of Wales have got that as well. Scotland started at a high base. What we have seen is that some of the policies we have introduced, both in terms of support for people who are on benefits but also the in-work support, and attached to that a number of different initiatives that look at deprivation in communities and targeting support to tackle some of the inequalities in those communities, looking at education, housing and what have you, looking at regeneration in terms of employment, a combination of that has partly contributed to a much quicker fall in those areas of higher disadvantage compared to when we look across the piece, which is good.

Q873 Danny Alexander: So because the problem was worse there was more low hanging fruit to be picked, as it were?

Caroline Flint: In some respects that is one way to describe it but, because our policies were directed at particular groups, if you have a community that is higher than average in that group they are going to

be disproportionately affected because there are more of them. That is absolutely right and why those targeted policies are important. That has had an effect. In Scotland too, and I am not saying this has not happened elsewhere in England, that combination of those overarching UK-wide policies, along with initiatives at a more local level, which I think the Scottish Executive has contributed to in the last five years, has been helpful as well. Not just in terms of looking at regeneration of employment but the healthier initiatives they have embarked on and so forth. A lot of these issues mesh into an overarching narrative which is about opportunity, aspirations for people, supporting people. That is one of the reasons why Scotland has moved ahead quicker than other parts of the UK. Where we are now is obviously sustainability but also how we need to refresh what we are doing in terms of some of the changes we have been consulting on this summer, as you know, but also some of the changes to that skills/job mix for sustainability and longer term outcomes. Can I ask Jonathan to talk about some of the more recent statistics.
Mr Portes: On Scotland I would agree with everything you have just said.
Mr Devine: That is very helpful.

Q874 Chairman: That is very noble of you!
Mr Portes: Scotland's economic performance has been pretty good overall for the last ten years and Scotland now has a higher employment rate than the UK as a whole and that has made a big contribution. It is also worth turning it around and saying Scotland has done well and one or two places have not done as well but if they had we would have met the Government's child poverty target overall, which we missed narrowly, the interim target.

Q875 Danny Alexander: If the whole country had done as well as Scotland we would have met the target?
Mr Portes: If the whole country had done as well as Scotland we would have met the target. If it had not been for London and the West Midlands we would have met the target, which reflects the particular difficulties we have had in London in particular, which is a topic for another day. On what happened last year, it is very difficult to disaggregate a fall of 100,000 which is just at the margin of what is statistically identifiable in the numbers. Our sense is that it is a combination at that point of when the figures were measured, which was 2005–06, and the labour market was going through a relatively soft patch, it was not a recession by any means but employment growth was not as fast. Since then things have picked up slightly, the JSA count has been falling for the last year quite significantly, so we hope that might be reversed. In addition, in that particular year we did not see quite the same level of increases in financial support through tax credits and so on as we had in previous years. As Jane said in her opening statement, the recent Budget and Pre-Budget Report have put some more financial support into the system coming up in the next year or two because it takes a while to feed through, so we might hope to see some turnaround from that source as well. We do not want to make year to year predictions but we are reasonably clear that there is a sustained upward trend going forward that we would look to make for progress in future years.

Q876 Mr Wallace: I just wanted to ask the Financial Secretary, you talked about there being some slippage, and we have discussed that, but could you detail what that slippage has been? The figures given by your Department are up to 2004–05. What has been the slippage in the rates that you refer to?
Jane Kennedy: Are you talking about the 100,000 figure which, as Jonathan Portes said, is one we would take with caution because in terms of the overall statistical analysis I recall when I was working in the Department for Work and Pensions there are certain statistics where you reach a point where it is such a small margin in the overall statistical breakdown that you have to be careful not to draw too strong a message from it. It is something for us to be concerned about, and that is why we used the PBR and the Comprehensive Spending Review to reinforce the commitment that we have to the 2010 target of reducing children in poverty by a half and recommit to the 2020 target. We recognise these are challenging targets but we have introduced a whole range of things in PBR and CSR that I could go through. Jonathan, is there anything you would like to say about the figures?
Mr Athow: What happened in 2005–06, which are the latest figures we have available, was the number of children in poverty in the country as a whole rose from 2.7 million to 2.8 million, a rise of 100,000 which, as has been remarked, is actually a very small change considering the margins of error within the statistics. That is the most recent.
Mr Wallace: Do you have figures for Scotland at all or not?

Q877 Danny Alexander: In Scotland the figure remains the same.
Mr Athow: It becomes difficult to provide breakdowns for countries and regions of the United Kingdom.
Mr Wallace: Your Department provided us with a Scottish breakdown which goes down to 10,000, so it would be interesting to see.

Q878 Mr Devine: Caroline, you were talking about the City Strategy, and I know you were in Scotland recently, and I think you visited Edinburgh and Dundee.
Caroline Flint: I did.

Q879 Mr Devine: We spoke to people yesterday from Edinburgh and while they were very supportive of the strategy they felt that they were not getting any chocolate out of it.
Caroline Flint: Really!

Q880 Mr Devine: For them there were not any gains. Although people were getting back to work, they thought the project was working and there were concerns about privatisation at local levels, in the

main they were very enthusiastic about it. They were making the point that the savings the Government were potentially making on benefits and such like, none of that was coming back. They were putting forward yesterday that it might not be a bad idea as a bit of carrot if some of this money came back to the cities that were successful. You just talked about London not being successful and I wonder if there was any thinking of that type of strategy.

Caroline Flint: I have two comments on that. First of all, I have to say when I was in Scotland recently and visited a presentation in Edinburgh and Dundee as well, I was really pleased with the energy and commitment of the partnerships which were being pulled together as part of the City Strategy. Each of the City Strategy Pathfinders has had to form a consortium, they have had to put together a business plan and have been given stretched targets in terms of the employment outcomes they should find. What we have done so far is provided the money we provide for the Deprived Areas Fund to put into the pot with other money so that could be a bigger pot to share in terms of addressing how they want to approach employment in their local areas. The other point you make on savings and whether we can re-circulate those where we make savings, that is something HMT might like to comment on because, of course, we are bound by certain things in the Department in relation to what we can spend and use in these areas through our delegated budget and through other areas where we have a commitment to just pay it, so we have a commitment to pay benefits depending on the number of people who come through. The issues around savings is important here. I was at an event just the other day which was part of the Treasury's Invest to Save project, but maybe Jane might like to comment on that.

Jane Kennedy: On the suggestion you are making, all I will say to you is I suspect if we go back with that Jonathan will say, "That's a very courageous proposal to take back from the Committee". It is not exactly hypothecation you are talking about, it is more complicated than that, but even hypothecation is not attractive because of its complexity. We prefer to think in broad terms in terms of the benefits of getting people back into work where not only do you see a reduction in the costs but you see a greater intake from tax because people are working and paying taxes. It is an interesting point.

Q881 Danny Alexander: Just two quick follow-ups to Jane, if I may. The point has been made about how you use savings from people getting back into work, and I think it is a very important one, and one of the proposals that was put forward by David Freud in the Freud Review was to allow savings from annually managed expenditure, which is the money that is paid out by the Department in benefits to forecast savings, to be able to be shifted to the Department's departmental expenditure limit so that money could then be spent on getting people back into work. That does challenge a piece of Treasury orthodoxy which is that there should be a solid wall between those two things, but in terms of the point Jim was making it seems to me to be critically important to say that we should be able to have that shift so that benefit saving can be spent directly on the sorts of programmes that Caroline has quite rightly been describing. What I want to know is what is the Treasury's view on that proposal and can we get a clear position on it, because I think that is the way to deliver the point that Jim has made.

Mr Athow: I think the issue of how you use those savings and what those savings are raises a number of points. For example, we have talked about child poverty and moving a lone parent into work and when they go into work they take up tax credits, maybe have help with childcare, the savings from moving that lone parent into work can only be relatively modest, yet moving somebody without a child into work potentially could generate large amounts of savings to the Government. One needs to be mindful that you do not want to encourage or incentivise people where there is the biggest hit in terms of the money they can save.

Q882 Danny Alexander: If you go, like I did, and visit Australia and look at the systems they have there for understanding the different barriers that jobseekers face going into work and the different costs of having someone, for example, on Incapacity Benefit versus a lone parent, there are tools available that can be developed to analyse that question to allow funding to be provided to third sector providers that answer that question. I think that is a bit of a red herring in the context of whether, in principle, the Treasury is willing to allow permeability or not.

Mr Athow: I was raising that as one issue and it is something you have to think about it. Beyond that, you then need to think if there are these resources being freed where, as a Government, you would like them to be allocated. Do you think you would want them to be reinvested in doing more to help move people into work or are there other competing priorities? That is very much the process behind the Comprehensive Spending Review, looking at spending as a whole and making decisions about where those should be allocated. It does not necessarily follow that the money, if it is raised from a particular source, should be reallocated there, it may well be that it is health, education, defence or other areas where the money could be best spent.

Jane Kennedy: Mr Alexander talks about the Treasury orthodoxy but the orthodoxy is there for very sound reasons that have been learned over decades of experience. We have certainly sought not to apply that kind of refocusing on how we use the resources. The Treasury view would be that if we were going to focus resources it would not necessarily be back into the area where the most savings were being made, we may want to think about discussions with DWP about what do we do for London, for example, where there is a particular set of difficulties in lifting people out of poverty that may require more resources. When you are in a position within the Treasury you have to take that much broader view of what you do with the resources you have got available. Obviously when you come to publish your report, Chairman, we will

look at the findings and want to consider them very carefully and I am sure this will be one of the findings you will want to flag as being of interest.

Q883 Mr Devine: Reference has been made basically to the West Midlands and London not being up to the Scottish levels, let us say Edinburgh levels for example. If they had been up to the Edinburgh levels the Government would have met its target. Did you have a look at why they were not?

Caroline Flint: If we just take London, for example, there are some particular problems in London, I have to say, both in terms of the numbers involved but also other issues around capacity to address a London-wide problem and breaking that down. We have two City Strategy Pathfinders in London, one in the west and one in the east, and the one in the east covers five boroughs which have particularly very high levels of worklessness. There are a number of issues that the Mayor and the GLA are looking at working with us but, for example, in somewhere like London the number of people actually going for low skilled jobs is three times what it is in other areas, so you have got a higher number of people with low skills going for low skilled jobs compared with elsewhere. Not that we want everyone to be in low skilled jobs, but that has an impact in terms of getting people into work. We have two City Strategy Pathfinders in London but I am looking more closely at what is happening across London as a piece. In terms of the previous discussion, we do have to look at how we are spending money and where we are spending money, and trying to get that balance right between seemingly to put money consistently there that is not achieving and what incentives you have for the areas that are achieving in order to sustain their input. This is an active debate we are having across Government about how we do this. We have been looking at it in terms of training and we have had some very good work with the Treasury supporting us in that regard on some of the training and skill initiatives that were announced yesterday. We are at the early days of some of this. Some of the chocolate we have given to Edinburgh is the point at which we have said that we are prepared, and DWP is this big organisation, to let go of some of the reins and some of the chocolate is some of the autonomy we are giving and the fact that we have got a sum of money that we would normally control and decide how it would be spent that we have put into the pot. Those might seem small steps but they are small steps in the right direction. It is not just in terms of what the UK Government gives but what other local authorities are prepared to give on a constant basis where you can keep the momentum going where there is success. One thing is for sure in all of this, we cannot reach a target, and hopefully we will reach our target, and say, "Right, that's it, job done". We have to constantly be looking and re-evaluating the job market and what the needs are even in the period we have now, which is with historically high levels of employment. We have to be thinking of the next step. That combination of money where it is most needed because the problem is most serious and challenging is important, but alongside that is how do you continue to re-incentivise people who are actually doing good work and that is a debate we continue to have.

Q884 Chairman: Measurements of income may be taken before housing costs or after housing costs and I believe that government prefers the BHC targets. Evidence submitted to the inquiry has suggested that BHC measures may give a distorted picture of disposable income. Would you agree with that assessment?

Caroline Flint: We use the before housing costs and we also look at after housing costs as well. It is not like we are not mindful of the impact of these different areas. Part of the reason why for example on child poverty we look at particularly before housing costs is because that is in line with other international measurements. Again, there is no perfect system in all of this but what we try to do is in line with international measures so we have something to compare ourselves with. If we look at pensioners, our preferred measure there is after housing costs. Again, that is partly reflecting pensioners in terms of the fixed costs they have or the fact that they actually sometimes own their own home outright. With all these issues and measurements, the fact that we look at relatively low income and we are looking at some issue around material deprivation as well is that combination to give us as clear a picture as possible. Sometimes the picture is not always that clear because in all of this of course is also what is happening in terms of choice of individuals and families about how they spend their money, but also what other factors are happening. For example, we managed in Scotland and elsewhere—which we are doing in a number of different ways—to improve insulation in housing. That has a knock-on effect on fuel costs. We try as much as possible to be in line with other comparators internationally, Europe specifically, but at the same time look at some other issues that we think have an impact on levels of income and also how people use their income and what income they have got actually that is not tied up in debt or other things as well.

Jane Kennedy: We use after housing costs for measurements of pensioner poverty for very sensible reasons. About 80% of pensioners own their homes outright and therefore measuring it after that makes more sense. We do publish, for child poverty figures, both forms of figures. We use the before housing costs alongside the material deprivation indicator precisely as Caroline says, partly because that is what the whole range of academic, the voluntary sector and others advised, but also because it allows us to compare ourselves particularly with other European Member States so that we can make judgments about where we are in comparison to our closest economic neighbours.[1] The reason we

[1] *Measuring Child Poverty* outlined the three indicators for child poverty—relative low-income, absolute low-income and combined relative low-income and material deprivation. Expert academics and the third sector were involved in the extensive consultation process. The combined indicator, by measuring material deprivation, will help capture the costs of housing.

publish both before and after housing cost figures is that we are seeking not to stifle the debate but to promote the debate. One of the great things about not only the fact that you have been investigating this but the Work and Pensions Select Committee is also running an inquiry is that it is great to see that poverty is now right at the centre of political debate. Having two different sets of indicators that you can draw on and compare and contrast adds to that and adds to the general knowledge in this field. It is good to see that now it is at the centre of every political party's view and it is a discussion that is not going to go away.

Caroline Flint: Whether it is before or after, they are failing.

Q885 Chairman: We took evidence from representatives of COSLA yesterday in Edinburgh and their view is that the relationship between the Scottish local government and the UK government has weakened since devolution. What is your view on this?

Caroline Flint: That is not something that has been expressed to me in the four or five months I have been in this particular job. If COSLA has any particular issues, I would be very glad to hear about them because I think local government is a very important part, whether it is in Scotland, England, Wales or Northern Ireland, of delivery on the ground. Through the Scottish Executive, they have identified in Scotland local authority areas that have particularly high rates of people unemployed and have actually supported in a number of different ways initiatives with those local authorities to tackle that. I hope that will continue. Certainly within the city strategy pathfinders, local government's involvement and other public sector involvement—health, for example—I was absolutely delighted in Dundee about the involvement of the local trust, both in providing work for people but also supporting their own staff through skill training and what have you. Public sector bodies are key as a provider but also part of the strategic framework to make some changes. If there is anything in particular COSLA is concerned about, I would be very happy to meet with them and listen to that. Maybe it is a perception rather than a reality but until I have actually heard from them it is difficult for me to comment.

Q886 Chairman: This could be the perception because of the establishment of the Scottish Parliament.

Jane Kennedy: The Scottish Government have contributed to child poverty delivery agreement for example covering that area of poverty debate.[2] That is a very explicit agreement in which they not only explicitly commit to sharing our objective of hitting the 2020 eradication target but to doing everything in their power to achieve that target. If you are receiving representations like that, you will want to flag them in your report and it will be a matter not only for ourselves but the Scottish Executive too to consider as a result of your considerations.

Q887 Chairman: COSLA have told the Committee that there should be more local flexibility in the administration of benefits and tax credits. What is your view on this suggestion?

Jane Kennedy: Tax credits, if I deal with those first, are a national policy delivered nationally. It has had a huge impact, particularly on the lowest income families. I have figures on the number of Scottish families that are in receipt of both child benefit and tax credits. For me, one of the most interesting figures is that for families in the lowest income, whose income is below 10,000, the take-up of child tax credit is the highest. It is clear that families in those low income groups are aware of the benefits that they can get from child tax credit and not only are aware of it but go and seek it out and claim it. I would like to see it at 100% but 97% is not bad and is an indicator that the policy is working well in the sense that people are aware of it and claim it.

Q888 Mr Devine: 97% in Scotland?

Jane Kennedy: It is 97% in the lowest income group, under 10,000. It is difficult to get figures for Scotland but it is about 82% take-up overall for tax credits which is exactly the same as the UK average.

Q889 Danny Alexander: You have mentioned the take-up of child tax credit is good. For working tax credit the take-up figures are not quite so good in some areas. I wonder what is being done to improve the take-up of tax credits and perhaps I can ask the same question of Caroline because when we took evidence in Inverness from the Highland Council one of the issues that they were talking about was in some areas low benefit take-up rates and the need to promote those things. Jane, in answer to the question on tax credits, also you mentioned in relation to child poverty earlier on that the measures in the CSR were designed to increase tax credits a bit for families to try and deal with child poverty. I wonder if you could just tell the Committee what your estimate is of the impact that those changes will have on child poverty in terms of meeting the target because that is also a matter of interest to us.

Jane Kennedy: If I start with that last point first, the Budget 2007 this year announced that the child element of child tax credit will rise by £150 per annum above the standard earnings indexation. That represents an investment by the government of about £1 billion and we estimate it will lift 200,000 children out of poverty, that one measure alone. The PBR announcement last month announced that the child element of child tax credit will rise by a further £25 a year above earnings indexation in April and again in April 2010 by a further £25. The PBR also announced that the child maintenance disregard will quadruple by April 2010. We think that package taken together will lift 100,000 further children out of poverty. That is the estimate that we make of the impact of those measures. Taken together, those two

[2] The Scottish Administration do not have a separate delivery agreement on the child poverty PSA, but they did contribute to the PSA Delivery Agreement published alongside the CSR which outlines the roles and responsibilities of the Scottish Executive.

measures around tax credit will help lift 400,000 children,[3] but there are a number of other measures that Caroline alluded to. The Prime Minister announced that the in work credit will be rolled out nationally. That is something that has been trialled so far, but £40 a week and then £60 a week in London, so we are aware of the problems in London. In March 2007 there was the Working for Children report that the DWP released, aimed at doing more to help single and couple parents move into work. There is the CSR commitments to spending on education which Caroline mentioned.

Q890 Danny Alexander: Can I bring you back to the question of take-up on tax credits?
Jane Kennedy: In Scotland? Take up of working tax credit is about 19% in the UK.[4]

Q891 Danny Alexander: The question was about what measures you mentioned.
Jane Kennedy: I am going to come to that. I was getting too carried away there. Working tax credit is an area that we want to see greater take-up in. We have been aware of this ourselves. Other select committees have also expressed concern about it. What Her Majesty's Revenue and Customs are undertaking as we speak is a targeted campaign. We judged that the groups that would benefit most from working tax credit who are not claiming it at the minute are single people in the younger age group, 25 to 35. There is an advertising campaign under way as we speak using local radio stations and commercial radio stations in particular, where we are advised that we will get the greatest hit at those groups. There are other advertising campaigns going on in magazines that that particular age group we know reads. We are trying to use the advertising resources in a very highly targeted way to see what impact we can bring to that take-up. I agree it is an area that I am disappointed in and we are working hard to try and improve that.
Caroline Flint: From the benefits side, there are probably two parts to the question. One is about take-up and one is I think discretion as to how benefits can be provided. I will deal with the first one first on benefit take-up. Throughout the UK we have been looking at how we can better improve our services and the roll out in Scotland in terms of Job centre Plus is now complete. I was up in Aberdeen also the other week to look at one of the newer benefit delivery centres there and how that is working. I am pleased to say that certainly some of the targets we set in terms of processing claims in Scotland are working very well. There is a combination of factors here. One is about the issue we have to deal with whereby people who are on benefits are also relying on other agencies to provide part of their support and income. Housing benefit and council tax benefit will support and be part of that. The other side of it as well I think is for people who might for example be going from benefits into work, the transition from benefits to in work benefits, whether that is tax credits, disregards or what have you. We are trying to get better at that and closer working but we have for example now—it started in the north east—expanded to seven areas where HMRC, local authorities and the DWP are working together so we can tackle this particular triangle of housing benefit, council tax benefit, other in work benefits that we provide for and then the tax credits to make it better. Early analysis shows that not only have we been able to reduce the amount of time involved for the individual in terms of processing those different parts of what will affect their income and support, but also we have actually been able to improve the confidence of people, in particular where it is a process of being unemployed into work because actually these things are being sorted out. They are important because obviously when you start work and if you have things to pay for in terms of child care or you might not get your first wage for a couple of weeks, those things are key. I think we have some fantastic work happening on that front and we will be looking at that closely as well with our colleagues in local government to see as a good practice measure how that could be developed in the future. There are other things we have done as well. For instance, one phone call to the Pension Service can now give access to five benefits: state pension, pension credit, housing and council tax benefit and underlying entitlement to carers' allowance too. In the Department they use the phrase "no wrong door" to try and create the situation where people might ring the Pension Service, but there might be another part of either our organisation or another organisation that has something to offer in this regard. What people do not like is being told, "Sorry, mate. I deal with that. You are off somewhere else." It is not easy, all of this, I have to say, working across government, working with agencies outside of government, but we have an ambition that we can do better than we currently are. By 2011, what we are looking at is that people who are in receipt of benefits of whatever form will have a personal, online account with the Department for Work and Pensions.

Q892 Danny Alexander: A secure one, I hope.
Caroline Flint: I have "secure" down here as one of my principles. People will not have to provide information more than once because again often similar information is being used. There might be some extra information but actually why have to ask people for some of the basic stuff time and time again? Customers will be able to submit claims on line and track the progress themselves, so not just having to ring up and ask, but hopefully in the future to track it themselves as to where it is in the system. Again obviously we are looking at this. If we are going to do this, what security will we need to have and also a wider choice of secure methods for people and within that as well—security is key to this too—if people want that sort of choice and service, when we are dealing with a number of different

[3] Measures announced in Budget 2007 will help lift 200,000 children out of poverty and measures announced in the PBR will help lift 100,000 children out of poverty—300,000 altogether.

[4] Take-up of the WTC only by families without children was 19% by caseload and 25% by expenditure in 2004–05.

intermediaries, how do we balance the individual wanting that choice to know if they speak to someone in the Housing Department about their council tax benefit, they can deal with something else in relation to their income support. How do we achieve that whilst making sure that that means you are widening the net? Obviously there are issues around security and data protection within all of that. Those are some of the issues we are working through on the access to benefits front. On the other side, which I think was part of the question about flexibility, we obviously have to have across the UK—and it is not devolved for this very good reason—a system of benefits that is equal to whoever you are, wherever you are in the UK, whatever that may be in terms of income support, job-seeker's allowance; and also why we do have a sense that if some people are on job-seeker's allowance within the guidance there is a lot of flexibility, more than people might think, but there is a sort of process so that we do not end up with a situation whereby someone might say, "Why is it because I live here I am being treated totally differently?" Having said that, what we are going through at the moment with things like the flexible new deal and developing our thoughts around that and in line with David Freud's report about a more personalised service is recognising too that we might have some people who sign on, who need some initial attention straight away. For others they might sign on but be back in work within a few months so we do not need to give as much attention. Then down the road for people who are still unemployed after six months or even a year, some more tailored support which will be at a higher cost because the sort of support we will need to have will have to pay for that, so again some flexibilities about the sort of support we can give to people. What we are looking at at the moment is some more discretion to our personal advisers. For example, we do have discretionary funds that are there for lone parents when they are going to work, maybe to help them with the initial payment for child care or transport costs. Again what we are looking at in the Department at the moment in line with the other measures we are looking at and reforms we are taking is: where can we give some more flexibility and discretion to someone who has got someone sat in front of them? They know that person much better than I ever will because they are sat in front of them. They will be able to say, "Actually, can I have some discretion to provide this?" On another level, they know the person in front of them and they know whether they are actually cooperating or not, and be able to make a decision on that front as well. Again, I think it is that balance because we have to protect the public purse UK wide and how we spend it. There are issues around human rights in that, about how people are treated and not discriminated in one part of the country to another. I still think we can have that balanced with some more local discretion, some ability to use funding imaginatively, recognising that everybody we see is unique and there will not be a one size fits all approach to actually supporting them into work and helping keep them there.

Jane Kennedy: Let us not pretend that what we disclosed last week has not happened. All of the work that is going on across government is very popular with customers. If a customer is just going to use one port of call to leave their information and then gain a whole range of support as a result of that, it does mean that all those different agencies then share that one piece of information. What we have to do is use the experience of last week and the event that led up to the announcement to ensure and to test at every level that, when we are going forward with this sort of measure which is popular and what customers want, we have absolutely appropriate levels of security necessary to allow that transaction to take place and to go forward with public confidence that we are going to treat that data as absolutely securely as it requires, which obviously has to be a founding principle of this work. A second point, totally unrelated to that, on working tax credit take-up. I am told that although the radio campaign and the advertising campaign—we do not have figures yet; it is too early for figures for evidence—but it would appear in light of the increase in the number of hits on the website and an increase in calls to the tax credit help line it is beginning to have an effect. We will have to see what the overall effect of that is and we will be able to do that in a few months' time. It has been very well worked through and we think we have it well targeted. We will see what the results are.

Q893 Danny Alexander: Is that process happening anywhere in Scotland? Could you let us know if you do not know?
Jane Kennedy: I can get you the detail of that advertising.

Q894 Ms Clark: A great deal of the government's anti-poverty strategy is focused on getting people into work and the New Deal has been successful in doing that, but a lot of the evidence that we have taken suggests that a lot of the jobs that people are being pushed into are low paid, with few prospects. What we are being told is that effectively whether people are in work or out of work they are hovering round about the poverty level. What is the point of pushing people into work if it is not actually going to mean that it is lifting them out of poverty in the long term?
Caroline Flint: I think part of yesterday's announcement was about what skills we need to identify for people to get into work. For example, we said yesterday that when someone assigns them as a new payment we really do need to do an initial skills check to see if their reading and writing are of a level that is going to help them work or for example if their English language is of a level that is going to help them to work. That is really important because you can do everything else but if you do not have that in place it is going to be difficult. Alongside that, as part of yesterday's announcement, it was about what happens when you are in work and how do you progress. Clearly that is important too. That should be the case for recognising that, even in low paid jobs—I think we are all very pleased that at least we

have a national minimum wage that puts a floor under that—actually some people do have to start somewhere. I get a little bit annoyed, I have to say, sometimes when I am in meetings and people disparage people who do cleaning jobs or do low paid jobs. These are very important jobs in our communities. We may have family members who are in those jobs. The fact is they are out there working. What can we do to support them and actually recognise that those jobs are valuable as well? Over the course of the summer, I have had a chance to talk to many of our staff but also to meet people as well who maybe started in what would be seen as one of the lower paid jobs in a community but what they have got with that is pay and actually it is important that people are seen to be better off in work, even in the lowest paid jobs. Also what they have got as well is more confidence back about being in control of their own lives. All the evidence suggests to us that actually things around health, confidence, even children's attainment in school are benefited by having someone in the household in work. I am not suggesting you are doing this but I am a little bit wary when people pigeon hole low paid jobs, low skilled jobs. I think it comes across in a disparaging way. Many people who work in lots of organisations often have people who come and clean their houses and I am sure they will be paying them a good wage. The other point is about you have got to start somewhere. Part of it is about progression and how do we achieve that. Again, there are opportunities to skill yourself in work. There are opportunities to move up in an organisation. We are signing these local employment partnerships with big firms up and down the country. There is an example like Travelodge, who have signed a local employment partnership with us and, yes, they are employing people to be working in their restaurants, working as chamber maids and what have you, but they also told me about people who had come through that route and then progressed within the organisation itself. I cannot promise that for everyone but I do know that actually the starting point is important. We have to also be realistic. For a number of people who are on benefits, their starting point in the job market is going to be in some of those lower skilled jobs. My ambition is to get them there and support them to move on. Importantly, for those many people now and in the future who will be in the low skilled jobs in our economy, how do we make sure that it pays for them and that they are better off, even in the lowest paid jobs, than they are on benefits and they are supported and their families are supported whilst they are in those jobs, because they are as vital to our community as being a doctor or a lawyer or anything else.

Jane Kennedy: I was going to tell a war story. When I was a trade union official for the National Union of Public Employees, one of the tasks I had to do in Oldham was to help negotiate an in-house bid for a cleaning contract in the schools. I went to a school in Chadderton and sat with a group of 12 cleaners who cleaned at a junior school. We did a skills audit and I sat and chatted through with them, with one of their line managers, what their qualifications were. We found in that group of women there were qualified midwives; there was a woman who had been a company secretary and a chief executive in a company and a wide range of skills. I said to them, "Why don't any of you put in to be caretakers? We need more women caretakers?" They just laughed at me and said, "Why would we do that? For an extra 50p an hour, we would have all that worry and responsibility of being called out at night." What you find with a lot of part time jobs, particularly at the lower paid end—the point Caroline makes—is that people make choices about what work they do at certain times of their lives. What we want to do is have a structure that enables people to make those choices and to make appropriate choices. Like Caroline, I do not believe we are pushing people. I think we are asking people to think about it and we want people to consider work as a serious option. That is why we have structures in place to help them into work. That is why tax credits are structured in a way that we want to see people get the maximum benefit from it. As a result of the tax credits, four in ten families in Britain pay no net tax. The number of families paying no net tax has risen by around half a million since 1997. I just throw that figure in to underline why we think giving that choice is important and why I think we have to give people the freedom to make that choice.

Q895 Ms Clark: The points that you are making in terms of what you are calling poorly paid, unskilled work as cleaning are exactly the points that have been put to us by organisations. They are saying to us, "These are jobs that we are always going to need done. They are vital for us in society." The reality is that the largest low paying employer is the public sector. It is hospitals and councils and actually, if we are going to tackle poverty, we need to see the wage levels increase. We need for example a higher level of minimum wage, rather than the state subsidising bad employers, whether it is in the public sector or the private sector. That money should actually come from employers and, yes, work should pay. The way that we do that is by making sure that wage levels are significantly higher than people get elsewhere. What would you say to that?

Jane Kennedy: There is always a debate every year about what is the right level to set the national minimum wage at. The fact that we have one is one that I rejoice in because it was something I lobbied hard for when I was a trade union organiser. The level we can always argue about and there will always be representations that the national minimum wage should be set higher. There is a very fine balance to be struck between what is an appropriate level for a minimum and then what levels people should be paid above that. That debate is one that takes place every year. It is a debate we did not used to have before we had the national minimum wage.

Q896 Chairman: Sometimes when we set the national minimum wage what is meant is that that should be paid minimum to any employee but some employers think that is their moral obligation and

that is what they are paying, the government targets. This sometimes gives the wrong perception as well. How do you think we should tackle that?

Caroline Flint: There is always this balance between what we say. We set the national minimum wage and provided for that. We have been talking about obligations we put on employers in terms of training opportunities and what have you. For example, we have introduced other measures to support families where we have made it a legal right to request flexible time if your child is under six and, if you have a disabled child, up to 18, and you are looking after an adult who is dependent. We are also now looking to consult on extending that right to flexible working for parents of older children which I am pleased we are discussing. There is a whole load of factors here that are about pay but also about the support you give to manage that work/life balance to enable people to be in work. The other thing is also the job markets and how they work too. We do not have any evidence that for example what often comes up is migrant workers. Has that had an adverse impact on pay rates? Our evidence overall is that there is very little evidence to suggest that that is the case. We are dealing with an economy where there are 660,000 vacancies, so we have a buoyant job market which actually means that the potential employee in that has certain strengths in terms of their contribution. Again, these are difficult questions because it is about also if you decide one thing in one part, if you like the package—say, the minimum wage—if you get that wrong, what does that mean? One of the things we have done very successfully is not only have a national minimum wage that those of us here now know politically 15 years ago we did not have a political consensus on—it would be a very foolish party to suggest they were against it today—but also it has not had the impact that the Conservatives suggested, for example, that it would lead to a loss of jobs. We have seen rising employment and, despite some blips we have talked about, we have seen the levels of poverty going down. Gaining the balance more with this is incredibly important because we now have a policy with the national minimum wage which I think is pretty much enshrined in our government's approach and I have to say for any future government, as to it being a very important underpinning of how we support tackling poverty in this country. It is always difficult because, on one level, it would be easy for me to say, "Yes, let's just put it up", but it is the consequences of all of that and other knock-on effects that I think are really important here.

Jane Kennedy: We have to strike a balance between helping the low paid through a national minimum wage but maintaining their opportunities to work and maintaining the creation of jobs in the employment market. The minimum wage has made a very big difference but for many people who work in those jobs at that lower end of the wage spectrum, some of those are second earners. They are not all people who are the sole wage earner. There are a number of different factors that are brought to bear on a family in those circumstances. The minimum wage is just one of those factors, although an important one, and I think it has been a decision that we took that I have rejoiced in ever since we made it.

Q897 Mr Devine: We welcome the minimum wage and all the arguments that you have both given. I have a 17 year old constituent who is classed as an apprentice. She works in a hairdresser's. She works, some weeks, 70 hours a week. She works Saturdays and Sundays, right through. Sunday is classed as a training day. She takes home £30 in her hand because she is classed as that. How can we as socialists justify not having a minimum wage for a 16 year old when they go in to work? How can we still be allowing people to be treated like that in this day and age?

Jane Kennedy: She works 70 hours a week?

Q898 Mr Devine: Some weeks she is working 70 hours a week and she gets £30 in her hand. This woman gets away with it, being on the council, being conversant with the Low Pay Commission. She gets away with it because she is classed as an apprentice.

Jane Kennedy: And as a trainee.

Q899 Mr Devine: How can we justify that?

Caroline Flint: The DWP does not deal directly with issues around apprenticeships, so we will make sure your comments are passed on. There are two things. There are some issues around where training has been provided, what is an appropriate rate. There is some justification for having a different rate where there is that sort of training involved. Having said that, you have raised a particular case. What the guidelines are about the hours that someone should work when they are in that training position I would have to get some further information for, because clearly, whilst I would argue that there are some justified arguments for a different rate for people on apprenticeships and trainees, there are some issues you are raising there which ask questions about the guidelines about how many hours a young person or, for that matter, an adult apprenticeship, should be doing in any given week. What is the supervision? Obviously within any apprenticeship scheme and any employer signing up to an apprenticeship scheme which may be funded in some way by government or the Scottish Executive or a local authority, what are they doing in return? Apprenticeships are not meant to be just a source of cheap labour for people. It is meant to be an experience that allows people to get a trade, to hopefully get a qualification and allow them to move on. On the details of that, I would have to take it away. It is the DIUS who deal with apprenticeships or in Scotland it might be a different agency for that matter, to follow up that particular situation about the number of hours involved.

Q900 Mr Devine: How do you feel your relationship is with the Scottish Executive or the Scottish Government and the Scottish administration, however you want to describe it?

Jane Kennedy: I said earlier that, to the best of my knowledge, we have a good working relationship. The change of administration has not affected that. At official level, there is a lot of very good, sensible work being done, a lot of good policy development and a lot of sharing of information and ideas to make sure that different policy initiatives do not work against each other. To the best of my information, we have a good working relationship.

Q901 Mr Devine: The Joint Ministerial Council has poverty on the agenda?
Jane Kennedy: Yes. I do not think it has met. We have a problem in that it has not met very often, but I welcome the Scottish Executive's suggestion that it should meet. Clearly it will be an item on the agenda.
Caroline Flint: We have a concordat between the DWP and the Scottish Executive which basically sets out the ground rules, if you like, for managing relationships in terms of consultation, information, finance, access to services and so forth. I have had a bilateral myself with one of the Scottish ministers covering my area. In fact, I think she met with a number of other government departments while she was in London and, with the use of video conference, devolved administrations and ourselves had a meeting around the establishment and the remit for the Employment and Skills Commission. Some of it is that there is obviously a lot of active stuff that goes on between officials across departments, which is obviously important because that is part of working out the detail. One of the issues is about the joint council and the liaison arrangements, having a look at that as to how we take that forward, because obviously it is not just Scotland. There is Wales and Northern Ireland. I do not think there is a point frankly in having just meetings for meetings' sake, but clearly maybe something that helps us forward. One of the things we are engaging with the Scottish Executive at the moment is we have obviously established the Child Poverty Unit with officials from the DWP and the Department of Children, Schools and Families. Again, within that, we need to think about how we liaise with colleagues in the devolved administrations. Overall, as you pointed out today, what is happening on a UK-wide basis with something like our child poverty targets, again sometimes it is also about being able to pick up the phone and talk to each other and have that more informal relationship which is important in all of this too.

Q902 Mr Devine: Was the concordat drawn up with your Department?
Caroline Flint: It was drawn up in 2004. I just have here between ourselves and the Scottish Executive so I cannot—
Mr Portes: Other departments have their own.

Q903 Mr Devine: Can we have a copy?
Caroline Flint: I am sure we can provide a copy. I think when I was in the Department of Health as a Health Minister we had one there as well, but I am happy to send you one for the DWP.

Q904 Mr Devine: Do you think the balance is right between the devolved and reserved powers in tackling poverty?
Caroline Flint: Yes. Obviously, in terms of our Department, there are some discussions around employment and skills and how they are aligned and should employment be devolved. Unfortunately, there is never going to be a perfect system in all of this. We have moved from an era when, in my lifetime I can remember it, the benefit service was over here and employment was over there. We have brought those together—Jane was part of that because she used to do this job—so that people do not feel that their benefits are talked about in total isolation from their ability to find work and stay in work. Having brought those together, I think that is why there is still a need for a UK-wide focus but, as I said earlier on, what we are looking at in the DWP is, whilst we feel we should still hold the overall reins, what more we can give in flexibility to sort out the problems at a more local level. I have to say some of that is not necessarily at national; it is much more local than national.

Q905 Ms Clark: I have a couple of questions that have been put to us by various organisations that we have met that are quite specific. Why should not second and subsequent children receive the same level of child benefit as the first child? The second issue is lone parent benefit, to a great extent from working tax credit and couple families. Should not working tax credit be increased for couple families? Do you think that should be looked at again?
Jane Kennedy: We do recognise the greater risk of poverty for children in larger families. We accept that there is a risk. We estimate that the risk of child poverty is 19% of one child families, 18% of two child families and 26% of three child families and 40% of four child families. The risk of poverty for families with four or more children has fallen the most quickly of any of those groups, by 30% since 1997 compared to the risk for all children which fell by 18%. When we committed in 2004 to the Child Poverty Review, we undertook that we would look to improve this position further. It is possible to say now that the risk of poverty has fallen most quickly for large families, largely due to the increasing generosity of the per child element of child tax credit. I know that there are representations being made. We keep all of these matters under review. I know that is a stock phrase but it is nonetheless true.

Q906 Ms Clark: The other issue was about working tax credit. What we have been told is that lone parents benefit to a far greater extent as a result of working tax credit and it has been suggested to us that working tax credit should be increased for couple families.
Jane Kennedy: Again, I am aware of those representations. I am looking at all of the policies as they relate to tax credits. At the moment, tax credits do treat couple and lone parent households equally rather than favouring any one arrangement. The levels of financial support that the household gets are determined upon the need of that particular

household, based on the number of children and the overall household income. Children of lone parents are twice as likely to be in poverty as those in couples. That is a fact that we cannot get away from. Children in lone parent families continue to have a 35% higher risk of poverty than those in couples, which we estimate is about 18%. There are reasons why the support is targeted in the way that it is. Those reasons are very sound reasons. I am aware that there are representations being made. We have about six million families who receive tax credits. Of those, 3.6 million couples receive working tax credit and child tax credit and 3.5 million couples with children receive child tax credit as well. Most recipients of tax credits are actually couples. In terms of expenditure, lone parents account for about 54% of expenditure overall. In terms of the range of support that is available, you can see that the heaviest focus is upon those that we perceive to be at the greatest risk of poverty.

Q907 Ms Clark: The evidence we have heard is that that policy has been very successful and that lone parent families have benefited greatly as a result of that policy. The organisations that we have taken evidence from have been very fair in saying that but then what they have gone on to say is that the group now—because it is not being targeted, if you like—that they feel is losing out compared with other groups is couple families. I just wonder if that is maybe something that could be fed into the process and looked at again.

Caroline Flint: Not on the tax credit side but just maybe on the employment side, one of the things we are working on is where we identify low income families where there could be one person working. What could we do to support the other partner into possibly work to help boost the family income, because that is the other factor. It is not necessarily just an issue around the tax credits; it is also about where the partner is working as well. For example, in a number of ways through the service, we offer opportunities for partners to come in and talk about their own needs in terms of both basic skills but also finding work and child care for them as well. I think that has become more of a feature and will become more of a feature in terms of some of our engagement support. The other thing we also are embarking on, which I am pleased to see is happening—sometimes when we talk about children it is usually just in relation to lone parents. The fact is there are a lot of our claimants who are in partner couple who have children as well. We are looking, as part of our initial conversations with new claimants, particularly on JSA—it seems ridiculous we do not, but to make it much more the rule rather than the exception that we should ask about their child care needs as well because again for that family, even if there is a couple family and it is the man who is seeking work, the child care could be as important to them for sustainability as for a lone parent.

Q908 Mr Devine: One of the things that is striking in the evidence we have taken is that literally every group we have met has said effectively there is a difference in rural poverty compared to urban poverty. Do you agree with that? Is the government focusing and does it have different strategies for rural communities and for urban communities?

Caroline Flint: Logistically it presents some challenges. In terms of the overall look in terms of levels of poverty, the indications would sometimes show that the levels are not as high or as intense in some of our more urban communities, but that does not mean that there is not often hidden poverty in rural areas, masked by people who have second homes or have sufficient resources to themselves and their families. From a delivery side of it, it is how can we deliver because obviously establishing offices everywhere with the small numbers involved is not necessarily a very clever option. Obviously the opportunity to do interviews by phone is an important part of this. Again, that helps people to have contact without having to go somewhere. We also look at refunding travel costs if a customer attends the office for any face to face interview. Again, I think that is about theology. If someone has no money or is short of money, we can make an arrangement with local bus companies where a Job centre Plus office can issue a bus warrant and then cover those bills for someone because obviously, even in the brave new world of online and phone, people sometimes do need that face to face interview. We also put some of our facilities in community points, so the job contact points can be put in a library. It could be in a local authority office and so on, again thinking about how we could do that. We also have for the Pension Service a service that operates throughout Scotland which offers a home visiting service for customers as well as having these information points, as I mentioned before, on anything to do with pensions for pensioners in local libraries and community centres. We are trying to be as flexible as possible. Again, going back to what I said earlier, the partnerships with local authorities and community organisations is really important to this as well because actually it sometimes serves some of those other organisations who have to deal with exactly the same challenge. If we can share premises or share information so we can all help each other with each other's job, that is obviously helpful in this. That is how we are trying to look in terms of the service delivery side of it. The other side of it of course is how do we look at the challenge of employment creation in some of our more rural communities. That is where I think the partnership and a more local look is really important. It is interesting, just for information. I was at an event with an organisation we have done some work with and we were talking about a project. I think BT is involved, where they were talking about down the road, where a lot of jobs that involve being on the phone and having a computer in front of you, whether it is in rural or whether it is in urban, companies potentially putting the actual IT in someone's home and in the 21st century that person being able to work from home could be one of the ways that we can address not only rural challenges but child care challenges as well for people. The other plus point of that was that actually, once the

equipment is there, that family could use the IT for their own needs in terms of education and access to online services which we know for some people in low income families, as we have more and more websites, can be an exclusive issue for those families without that sort of equipment. Again, thinking through some of those issues about the jobs for the future and where they might be and how IT could help us with that is possibly one of the issues that rural communities could look at as well as urban communities.

Q909 Mr Devine: In England you have the Commission for Rural Communities. We do not in Scotland. Does it work and would it be something you would see being rolled out in Scotland, Northern Ireland and Wales?
Jane Kennedy: The Commission for Rural England do you mean?
Caroline Flint: No, it is not, is it? The Commission for the Protection of Rural England?

Q910 Mr Devine: The Commission for Rural Communities.
Caroline Flint: In terms of my experience within the Department of Health, if I remember correctly, part of the work of the Commission was to ask government departments to look at where their policies were impacting in terms of rural proofing. I think that has been helpful. In terms of our own Department, we obviously look all the time at this sort of issue around the impact of our policies and what effect they might have disproportionately on a more rural area. I would have to write to you on that. I cannot speak for the whole of other government departments on that particular issue. I think part of whether you have a commission or not is just recognising that the people we serve come in all sorts of shapes and sizes in terms of their families. They live in all sorts of different communities and I think sensitivity to that is very important.

Q911 Chairman: Some of the witnesses believe that if we have a Commission for Rural Communities then at least we will have a powerful voice for the rural communities in Scotland, like in England. They suggest that we should have a Commission for Rural Communities in Scotland. We are just asking for your view. Would you support this proposal?
Jane Kennedy: Frankly, sitting here today, I do not have a view but it is something that obviously the government will want to consider if that is one of the findings of the Committee. I hate the phrase and I always try to find a different phrase. We do work hard in government to overcome departmental barriers. We work hard to achieve shared objectives. There is a very genuine recognition that rural communities have greater barriers to overcome. We have about 23% of all rural children in the whole of the UK in low income households. We acknowledge that there is a problem. From my limited knowledge of Scotland, I know that simply having the transport strategy does not necessarily mean that people in the most outlying neighbourhoods can access the services more easily. There is a very deep, genuine commitment to working together to overcome that. Some of that will have to be done with the Scottish Executive. At the same time, tax credit for example is largely delivered by mail and telephone services throughout the whole of the country and we will continue with that.

Q912 Ms Clark: You are probably aware that there is a call for a fuel poverty action plan to be drawn up. Has the government drawn up a fuel poverty action plan? If so, could this be joined up with other energy efficiency policies which have recently been announced as part of the government's climate change initiative?
Jane Kennedy: Fuel poverty is a priority. We have been working with the devolved administrations, with the Scottish Executive, who have set challenging targets. We remain committed to achieving those targets. Across the UK we have seen substantial reductions in fuel poverty since 1996, about 3.6 million households removed from fuel poverty. There has been a huge amount of work but we recognise that there is more to do. We have increased benefits to support those on low income, who are at the greatest risk of fuel poverty, including the introduction of pension credit and tax credits, which clearly help families in those groups. We have improved benefit take-up. The poorest third of households would be on average £2,200 a year or £42 a week better off this year, 2007–08, than they would have been if the 1997 tax and benefits system was unchanged. We are conscious of it. We are working to it. I cannot say that we have a particular plan that I can point to but there is a huge amount of work going on across government to counter the effects of fuel poverty.

Q913 Ms Clark: It is quite likely we are going to see increases in electricity and gas prices over the next year. Is that something that you are beginning to think about in government in terms of what assistance can be provided to people in poverty to cope with those price increases?
Jane Kennedy: Obviously all of those issues are matters of concern that we keep under review. We have the winter fuel grants that I think have gone out this month which are a very big factor, particularly for the elderly. As I approach 50, I think 60 is not that old. Those policies are in place. They will continue and we review the level at which we make those payments all the time.
Caroline Flint: It is a bit like the rural issue. Fuel poverty is a devolved issue. Clearly and quite rightly, these are issues that apart from obviously the winter fuel payments that we do, the added value is at the more local level. Insulating homes and what have you is really key to that because just paying for in the long term money to disappear outside of people's homes because they are not well insulated is not the sustainable policy, is it, that we are all working for? Measures on that front—insulation is really key to this—I would imagine in Scotland just as it is in England.

Q914 Mr Devine: One of the things the Scottish Executive is doing is, for pensioners, they are condemning heating systems and replacing them. Has any thought been given to that?

Jane Kennedy: There is the Warm Front Scheme that has helped a lot of my constituents in precisely those circumstances. That will continue into the future. As far as the winter fuel payment and concerns around increasing fuel prices, bear in mind that it is now £200 for households for somebody aged 60 to 79 and £300 for households with someone aged 80 or over. That has increased significantly from 1979 when it was £20. Although fuel prices do fluctuate from year to year, a market in energy prices—not everybody might agree with this—does help to keep prices lower. Since 1997, average pension incomes, we have to bear in mind, have steadily increased, 29% in real terms compared to increases in fuel bills of about 15% between 1996–97 and 2006. We do not simply set the figure and walk away. We keep it under close review.

Q915 Chairman: Irresponsible and illegal money lending is a major contributory factor towards poverty. The Citizens' Advice Bureau told us that one in five cases they are dealing with are directly related to debt. Over the last ten years, they say this figure has increased considerably. How would you tackle that?

Caroline Flint: The DTI, as you may be aware, funded pilots in Glasgow and Birmingham to crack down on illegal money lenders. My understanding is that it was a great success. In fact, it is so successful it is going to be rolled out nation wide. What they did was identify, in the first pilot, 250 loan sharks. As a result, they assisted nearly 2,000 victims to save an estimated £3.3 million in payments. They recovered also two million of assets. The icing on the cake is court cases resulted in prison sentences totalling more than 15 years as well as 230 hours of community service. Those pilots and the fact that they are going nationwide indicates that one part of this is how we tackle those people who basically are criminals in one form or another, who prey on vulnerable people in communities and, by doing so, ratchet up the repayment rates. The other side of it is through things like the growth fund, how we support the credit unions to be part of that responsible and safe service for people for whom savings or bank accounts might not be part of the way they live their lives. Part of it again is what we have been looking at, the financial inclusion agenda, how we can also within the culture of benefits encourage people to actually take more responsibility for their finances. One of the areas we are looking at is actually being tested in Edinburgh, Argyle and Bute as well as other parts of the UK. For example, local housing allowances, where we are looking at actually giving to people in the private rented sector the actual allowance for their housing, which is about getting them to engage that this is a sum of money and they then have a relationship with the landlord. Again, it is trying to think of ways about how we develop the financial responsibilities of families who often maybe never see much money because a lot of things are paid off elsewhere on their behalf or by agencies, provide the sort of support in the form of credit unions, but I have to say—I hope we are in agreement on this—in the private, commercial financial sector, how they could play a role as well with people on low incomes to encourage them to have bank accounts and what have you. It is very interesting. One of the first questions I asked when I came into this job and was quite surprised at was the numbers of people who we pay into bank accounts. I do not have the exact figure in my head but I will provide it for you. It is actually very high, much higher than I thought, to be honest. That shows, on the one hand, many of the people who are either on pensions, low income or benefits have a bank account. That does not mean that if they have a bank account they are not still prey to loan sharks and others who will then provide them with maybe some up front money but for whom the consequences are pretty dire when they come back to try and get their repayments.

Chairman: I am glad that you are aware of this subject. You have answered my next two questions. We are talking about illegal money lending. That is a huge problem. People pay up to 200, 300 or 500% and end up losing their homes, all their belongings, everything they have made in their lives, to these unscrupulous money lenders. Jane, we are not talking here about only illegal money lenders. I think the legal money lenders are making people's lives a misery as well. Nobody can believe that other constituents and people in the United Kingdom will be paying 20, 25, 30, up to 40 or 50% interest rates to the banks and building societies, who are defaulting or who do not have secure loans. There must be some regulation over these banks when they have a base rate of less than 6%. How can these banks be allowed to charge up to 40 or 50%? There must be some way out.

Mr Devine: One of the big concerns about the Farepak campaign was that Provident was targeting people who had done Farepak in various parts of the country and they were charging 177%. That is just a licence to print money.

Chairman: And make misery for people.

Q916 Mr Devine: Absolutely. Should we not be looking at some way of introducing a limit on interest rates, whether it is banks, companies or whatever?

Jane Kennedy: It is interesting you mention Farepak because I came here from a meeting with representatives of the Save the Children fund who mentioned Farepak as an example of families who are in receipt of very low income and yet all year round were extremely careful and managed that income and trusted a company like Farepak to enable them to enjoy a better Christmas than they would otherwise have done if they had not budgeted all year round and paid a small amount of their small income every week in order to build up that deposit with Farepak. We are aware of the concerns that you are raising. The Financial Services Authority is looking at the experiences of customers in precisely the circumstances that you are outlining. They are

conducting a review of the effectiveness of the mortgage regime, particularly in this sub-prime market which is the one which has caused concerns in the United States and has had an impact here through the Northern Rock Building Society. They are going to be reporting on their findings next year and obviously we want to wait to hear what they have to say, but we are aware of the issue. There is a review into it and obviously you will be as interested as I am to hear what that review says.

Q917 Chairman: These are vulnerable people who are in desperate need for £400 or £500. I can quote you many examples from my constituents in Glasgow where they borrowed £500 and in two years they paid more than double and still their debt is increasing. There must be some way we can deal with this. A lot of people lose their homes just because they borrowed £500 or £700 and then it has gone up to 4,000, 5,000 and 10,000.

Jane Kennedy: Both the FSA and the Office of Fair Trading are responsible for making sure that the companies that are trading legally—you have raised the point that it does not mean they are not charging high rates of interest—are regulated. We seek in government to create a market in which the availability of credit is good and on a sound basis, but also that people are encouraged to borrow sensibly, within limits that they can afford. We have to strike a balance between ensuring that credit is available, because now it is an essential part of our economy, but at the same time helping people to borrow in a way that is sensible for them. It is a review of the practices that you have raised here today and you will be as interested as I am in what the outcome of that review will say.

Q918 Chairman: Does the government accept the criticisms that are made of the social fund? What plans does it have to improve it?

Caroline Flint: The numbers of applications to the social fund are going up so obviously people are using it. It is not an under-used service. As you will be aware, it does provide grants and interest free loans to assist people with one-off items of expenditure. In 2006–07 over 2.6 million discretionary grants and loans were awarded with a total value of £827 million. Of these, over 0.4 million awards worth nearly £104 million were made to applicants in Scotland. That is quite significant in that it is a well used service. Today, you can do it by phone, ringing up for a social fund, so again we are trying to expedite for people as quickly as possible. I am not saying it always works perfectly all of the time, but generally I think it is pretty good. We did put some changes in actually because we do listen to people and what they say about the access and what have you. They were introduced in April 2006. they were an attempt to simplify the budgeting loan scheme, to make it more accessible, but also it took on board some issues around repayment as well. Again, these are interest free loans. We have also invested an additional £300 million for between 2003 and 2008 to hopefully help more people. I am always interested to hear from people what specifics they are. Are they logistic issues, that people are not getting it on time? What happens? I was talking to someone the other day and in years gone past I am told that staff used to literally sit with an Argos catalogue in front of them and, when someone came and put in a claim, they would look up the Argos catalogue—I do not want to give them a commercial advert here—and basically it would be that sort of discussion going on. Could you imagine it? Now it is trying to be more accessible, to get to people what they need as and when. We have expanded it but I think the other aspect of this is, alongside what we provide for people in terms of the social fund, the other things I mentioned earlier about financial independence, encouraging people to be more aware of budgeting, saving, and helping them to do that, going back to what we said earlier for people to get on and progress in work. Obviously the social fund is there. It is not just for people who are totally on benefit. It is for some of the most vulnerable people who are in low income jobs as well.

Q919 Chairman: I am sure my colleagues will agree that it was a very good evidence session and it will be very helpful for us when we compile our report on poverty in Scotland. Thank you very much for coming along to give evidence. This Committee has no remit about the promotion of ministerial posts but if we had we would definitely recommend you both for the Cabinet. Before I declare the meeting closed, would you like to say anything in conclusion perhaps on any areas that we have not covered during questions?

Caroline Flint: As well as what the UK government can do, the Scottish Executive and local authorities, I think the role of Members of Parliament in challenging at local level what is happening in their communities is so important. We are signing up across Scotland, as with elsewhere, these local employment partnerships with employers who want to engage with us in a much bigger way than just providing vacancies—I welcome that as well—to help people make that transition from benefits into work. I know Members of Parliament have a lot of contact with different employers in their constituencies and anything you could do to help us with that agenda as Scottish MPs would be warmly welcomed.

Jane Kennedy: If there are any technical questions or questions of detail around figures that we can provide that occur to you afterwards or figures that you are presented with you are not sure about and you wonder whether they are the figures that government draws upon, I am sure the Treasury would wish to help.

Q920 Mr Devine: It might be helpful if you could give us tax credit uptake in Scotland for each constituency, various other pension credits and things like that and just give us a UK average to see how Scotland compares.

Jane Kennedy: Okay.

Chairman: Thank you very much again.

Written evidence

Memorandum submitted by Finance Committee, Scottish Parliament

Introduction

1. The Finance Committee is a mandatory committee of the Scottish Parliament and its remit is to:

To consider and report on:

(a) any report or other document laid before the Parliament by members of the Scottish Executive containing proposals for, or budgets of, public expenditure or proposals for the making of a tax-varying resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the expenditure of the Scottish Administration or other expenditure payable out of the Scottish Consolidated Fund.

2. The Committee has undertaken a number of expenditure reviews into policy objectives which cut across more than one Scottish Executive department. We have recently completed a such a review into expenditure on deprivation and believe this report will be of interest to the Scottish Affairs Select Committee. The full report together with all written and oral evidence, commissioned research and briefing papers can be accessed via the following link: *The Scottish Parliament—Finance Committee Report* http://www.scottish.parliament.uk/business/committees/finance/reports-06/fir06-05-05.htm

We received an interim response from the Scottish Executive to our report and this can be accessed via the following link: *Executive response* http://www.scottish.parliament.uk/business/committees/finance/reports-06/fir06-05-ExecinterimResponses.pdf

Finally, the report was debated by Parliament on 7 June and the official report of that debate can be accessed via: *The Scottish Parliament—Official Report* http://www.scottish.parliament.uk/business/officialReports/meetingsParliament/or-06/sor0607-02.htm

3. Whilst your Committee is investigating poverty in Scotland, the Finance Committee's inquiry focussed on deprivation as although terms such as poverty and deprivation are used interchangeably when they are in fact related concepts, they are distinctive for policy and budgetary purposes. Poverty is defined in terms of income—the adequacy of a household's financial resources to meet its basic needs and it tends to be tackled through universal programmes such as benefits available to all eligible citizens.

4. Deprivation can be seen as more complex, referring to unmet need caused by a lack of resources, including finance. In a recent review, it was defined as:

> "A multi-dimensional concept, concerned not merely with material goods but also with the ability to participate in social life. It is a relative concept where standards are defined in relation to social norms and expectation. Poverty and deprivation are seen as interlinked as cause and outcome. Both financial resources and outcomes should be captured in measure of multiple deprivation" (Scottish Indices of Deprivation 2003).

5. As a Committee of the Scottish Parliament, we did not examine budgets which are reserved to Westminster (eg the benefits system). However, the Committee noted that post-devolution, the Scottish Executive committed itself to work in partnership with the UK government, which is entirely appropriate given that spending on benefits and employment-related programmes which clearly have a bearing on tackling deprivation come from UK government departments. A number of programmes have been introduced since 1997 by the Scottish Office and taken forward by the Scottish Executive since 1999 which were designed to help people into work or further and higher education, such as childcare and Education Maintenance Allowances.

Overview of Report

6. A summary of the Committee's main recommendations with paragraph numbers to allow cross-referencing with the Committee's report is given below. As you will see from this, the Committee was concerned that although the Scottish Executive has provided more resources for initiatives aimed at tackling deprivation, there is a lack of clarity on the eligibility for funding and an unnecessary bureaucracy has been created through the various funding streams. This means that it is difficult to assess what progress is being made on tackling deprivation and how effectively the money is being spent.

7. Apart from specifically targeted funding streams, core budgets of local government and the health service provide services that have a significant impact on deprived areas. There is also European money and funds sourced from the Department of Work and Pensions eg through JobCentre Plus and this adds to the confusion.

8. The Committee recommended that the Executive should establish a single fund to combat deprivation which would merge existing funding streams and allow the introduction of supplementary funding, ensuring best value. Implementation of the fund would require that national performance indicators should be introduced alongside "outcome agreements" reached by Community Planning Partnerships (CPPs) for each local authority area. This would mean that the success of local and national efforts to overcome deprivation would be monitored systematically. For your information, CPPs were introduced by the Local Government in Scotland Act 2003 whereby local authorities were required to initiate, facilitate and maintain a Community Planning Process involving core partners such as health boards and police.

EXECUTIVE SUMMARY OF THE COMMITTEE'S REPORT

9. Deprivation policies have existed in varying guises over many years, but there are still too many areas in Scotland characterised by concentrations of multiple deprivation. Whilst there have been regeneration success stories, in other areas change has been limited or partial, preventing further spiralling decline rather than transforming the life chances of local people and the prospects for the community. (paragraphs: 19–26, 30–33).

10. There is a need to recognise that a majority of individuals and families who are deprived in Scotland do not live in the 15% most deprived communities, although there is no doubt that deprivation is most concentrated in these predominantly urban areas. Deprivation exists in rural as well as urban areas, but unlike urban deprivation, rural deprivation cannot be tackled by focusing investment on areas where deprivation is concentrated. Despite the inclusion of an access domain, the Scottish Index of Multiple Deprivation (SIMD)—which identifies the most deprived areas across Scotland is not suitable as a basis for allocating resources to tackle rural deprivation. (paragraphs: 19–26, 156–164).

11. The Committee looked at issues of delivery and the problems associated with short term funding of social economy and voluntary delivery agencies. It recommends that the Scottish Executive examines how the process by which funding is either granted or withdrawn from projects could be made more transparent, with the aim of improving quality and value for money. It would be particularly helpful if a mechanism could be put in place so that successful pilot projects that meet clear evaluation criteria could be considered for longer term funding. Consideration should also be given to establishing an innovation fund which would encourage delivery organisations to take new ideas forward to the pilot stage. (paragraphs: 39–44).

12. The Committee recommends that there should be much greater clarity in the roles and responsibilities of partners—particularly local authorities and Communities Scotland. [Note: Communities Scotland is an Executive Agency whose primary role is as the Executive's main delivery agency for housing and community regeneration. The Executive established a £318 million Community Regeneration Fund (CRF) and Community Planning Partnerships are obliged to set out how they intend to use the CRF alongside their own mainstream resources through three year Regeneration Outcome Agreements. The development and delivery of ROAs are overseen by Communities Scotland]. A shift to more extensive use of a contractual approach, where providers tender to deliver clearly defined outputs would greatly increase transparency and improve performance. The introduction of competition between delivery agencies would necessitate a robust performance monitoring framework linking allocations to expected outputs to ensure money is used to best effect. (paragraphs: 67–80).

13. There is a fundamental conflict in the roles of Communities Scotland in the process of approving and monitoring the new Regeneration Outcome Agreements (ROAs) as they are simultaneously strategic partner, project sponsor and adjudicator. Despite claims from Ministers, the new system does not appear capable of "bending the spend". The bureaucracy involved in the allocation of CRF monies is massively disproportionate, especially for those local authority areas which receive small sums from the Fund and even in those areas that receive substantial sums the approval system is seen as unnecessarily burdensome. (paragraphs: 55–66, 134–155).

14. In order to link projects to national, strategic priorities and outcomes more effectively, the Committee has advocated the use of outcome agreements. The Committee felt that in order to facilitate a more co-ordinated and strategic approach both at Executive and at local level, the proposed system of Local Outcome Agreements (LOAs) (currently under development by the Executive and intended to link national policy priorities with local service outcomes and to allow local authorities and other delivery agents the flexibility to deliver local solutions to local problems) should be brought together with ROAs. The Committee believes that there should be a single agreement arrived at by the Community Planning Partnerships (CPPs). (paragraphs: 40–54, 67–80).

15. Councils and their partners should agree their intended outcomes and the steps they will take to ensure these are delivered and seek approval from the Scottish Executive as part of their contribution to achieving agreed national outcomes. The approval process should include those deprivation specific funding elements currently covered in ROAs and agreed through CPPs and deprivation linked monies given to local authorities through Aggregate External Finance (AEF). (paragraphs: 67–80).

16. Authorities with significant levels of deprivation do receive additional support through both Revenue Support Grant (RSG) and specific grants. While there is some added flexibility in the use of specific grants, as a result of the introduction of the new ROA system, the Committee believes greater accountability and

better effectiveness can be achieved by removing ring-fencing of resources allocation, giving local partners greater scope to identify local priorities and implement partnership outcome agreements. (paragraphs: 34–38, 59–66, 91–96, 97–114).

17. The Committee was impressed with the approach being adopted by Glasgow City Council where the Community Planning Partnership is considering whether it can devise a single structure that would meet organisations' requirements for measuring outcomes and auditing spending of public money, which would be much simpler for organisations. (paragraphs: 45–49, 67–80).

18. The Committee was strongly of the view that the approval and monitoring of the implementation of such outcome agreements should be a matter for the Executive rather than Communities Scotland. (paragraphs: 67–80).

19. As it is some time since deprivation weightings were reviewed for Grant Aided Expenditure (GAE) purposes, the Committee recommends that they be revisited before the next Spending Review allocations. In particular the Committee recommends that Executive reviews the scope for additional weightings within the funding formula, as there are a number of treatments where a deprivation weighting does not exist but appears plausible. (paragraphs: 81–84, 85–90, 97–114).

20. The Committee recommends that the National Priorities Action Fund, the former Excellence Fund and the Anti-Social Behaviour programme should be reviewed as they were identified as benefiting deprivation, but this does not appear to be reflected in the allocations to authorities with high levels of deprivation. The Committee also recommends initiating a more fundamental review of the whole system, recognising that major structural changes could only be implemented in the longer term. (paragraphs: 115–125).

21. The Committee recommends that the current safety netting for authorities which sets a minimum level of increase in GAE should be reviewed in line with the way in which the Barnett formula works for Scottish Executive spending to provide those authorities with a population loss a longer timeline to manage any reductions. (paragraphs: 115–125).

22. In line with the leader of Glasgow City Council's suggestion that "it would be more productive for the Executive to allocate funds having taken account of deprivation issues and not to specify exactly how they should be spent but what outcomes they should deliver" the Committee recommends that CPPs should be given more discretion in determining how the balance of available funding should be directed toward area as opposed to individual or family deprivation. (paragraphs: 91–96).

23. To complement this, the Committee recommends that the Executive needs to simplify and better co-ordinate the funding streams it has initiated with the aim of tackling deprivation and Closing the Opportunity Gap. To bring together funding streams coming from different Executive departments, the Committee recommends that the Executive should consider establishing a single deprivation fund which should supplement existing area-based programmes with funding to tackle the wider problems of household deprivation. Therefore, a single deprivation fund could incorporate all schemes aimed at tackling deprivation (Community Regeneration Fund—£106 million, Housing Estate Regeneration Fund—£17 million, Working for Families Fund—£12 million, Tackling Anti-Social Behaviour—£30 million and Education Deprivation from GAE—£65 million) plus new monies to deal with wider problems of deprivation which could come from the growth monies in the next Spending Review. (paragraphs: 34–38, 126–133, 156–164).

24. This fund could also require some element of matching funding from the local authority to demonstrate clearly that this constitutes additional funding over standard spending on public services. (paragraphs: 156–164).

25. The introduction of a single deprivation fund requires that alongside outcome agreements reached locally, there should be a narrow range of national performance indicators which can be monitored annually so that progress with deprivation can be monitored systematically. The current Spending Review approach using targets means performance for SR2004 will not be reported within the current session of Parliament. The Committee wants to move to a situation where the money spent on deprivation can be monitored so that it delivers better results to suit local circumstances and priorities. (paragraphs: 156–164).

26. Such an approach, combined with the introduction of partnership outcome agreements would inevitably help to break down barriers and would bring together a variety of funding streams and would make it easier to track spending on deprivation. (paragraphs: 34–38, 91–96, 134–155).

27. This has been a wide-ranging and complex inquiry and the Committee believes these recommendations can ensure we start to effect significant and not marginal change.

Finance Committee
Scottish Parliament

June 2006

Memorandum submitted by West of Scotland Seniors Forum

Organisational Background

West of Scotland Seniors Forum (WSSF) is the umbrella organisation for an extensive network of 95 *grassroots* local senior forums in the 12 local authority areas in the West of Scotland. We also have strong links with older peoples' organisations throughout Scotland and further afield.

WSSF believe that poverty strips pensioners of their dignity. Poverty affects their self-esteem, their confidence and makes them feel totally powerless.

Our submission will be dealing with pensioner poverty.

What is poverty?

WSSF are clear that we are talking about relative poverty and not absolute poverty that exists in the third world. However, relative poverty, in our opinion, is more than just about income levels.

- Pension credit level of £114 is a subsistence level.
- Diminution of choices, not just about money.
- Heating or eating.
- Diet restricted.
- No money for extras like presents for grandchildren.
- Worrying over a lack of money.
- Cannot afford insurance.
- Cannot afford to use the telephone to contact friends and family.
- Cannot afford to socialise and become socially excluded.

The extent of poverty

The Households Below Average Income Series for 2004–05 reports that:

- Between 1994–95 and 2004–05, there was no consistent change in the proportion of pensioners living in households below thresholds of contemporary median income on a Before Housing Costs basis; a slight rise was followed by a fall since 1998–99. For income After Housing Costs, the proportions showed a marked fall, from 1998–99.
- From 1994–95 to 2004–05, there were pronounced falls in the proportions of pensioners below low-income thresholds held constant in real terms, on both income measures. As with contemporary income, falls on the After Housing Costs basis were more pronounced.
- In 2004–05, pensioners were more likely to be in the bottom two income quintiles on a Before Housing Costs basis (or in the second quintile After Housing Costs), and less likely to be in the top two quintiles of the income distribution, than the population as a whole.
- Single female pensioners had a higher risk of low income than their male counterparts.
- In general, the older the age of the head, the greater the likelihood of low income.
- Pensioner families living alone had a greater risk of low income than those living with others.
- Pensioners living in a household headed by someone from an ethnic minority group had a greater risk of low income.
- The majority of pensioners in low-income households were owner-occupiers who owned their homes outright, although the risk for this group was fairly typical when compared with all pensioners.
- Around half of pensioners in households below 60% of contemporary median household income had a personal or occupational pension, or their partner did.

Contributing factors

- Income drops dramatically when you retire.
- Earning low wages while working means some people cannot save for retirement.

COUNCIL TAX

Rising Council Tax places an unfair burden on older people by accounting for an average of 5% of their household income compared with 3% for working age households. This has the same effect as making pensioners pay an additional 2p in income tax compared to ordinary households.

In the last 10 years council tax has risen by 80% while the basic state pension has only risen by 40%. Therefore Council Tax is a tax on Seniors.

Council Tax benefit is not being claimed by many Seniors who would be entitled to it. Around 40% of eligible Seniors do not claim.

— Recent Gas and Electricity price rises.
— Some people poor at handling money.
— Isolation and not getting advice on benefits or other help.
— Credit unions should be widely publicised.
— Loan sharks should be prosecuted and put out of business.
— Cost of living keeps rising.
— Credit is too easy to obtain.
— Rural areas have less help than urban areas, such as lunch clubs.

Impact of Government policy on poverty

The introduction of the Pension Credit has helped many pensioners however government figures suggest that between 22% and 36% (more than a million pensioners) who are entitled to it do not claim it.

Council Tax benefit non-take up has about the same percentage and for Housing Benefit, one in ten do not claim their entitlements.

The introduction of the winter heating allowance has also helped many pensioners to worry less about the cost of their winter fuel bills. However, the benefits of this have recently been negated by the massive increases in gas and electricity charges.

The introduction of a £200 rebate on council tax in 2005 was of great benefit to many pensioners. However, they will suffer in 2006 as it is not available this year.

— Government could do more to identify those on low incomes and not claiming proper financial help.
— By abolishing means testing and introducing a citizens pension every pensioner would get a certain amount of money to live on.
— State pension should be linked to earnings so all pensioners can benefit from rising living standards.
— Council tax should be replaced with a fairer system based on ability to pay and not on the value of a home.

Agnes McGroarty
Chairperson

2 October 2006

Memorandum submitted by the Scottish National Carer Organisations (NCO)

The NCO comprises: Carers Scotland, Crossroads Scotland, Shared Care Scotland, The Princess Royal Trust for Carers and the Coalition of Carers in Scotland.

1. EXECUTIVE SUMMARY

1.1 If the contribution of carers to society and the economy is to be fully recognised and supported, **it is vital that unpaid carers are effectively supported with adequate finance through the existing benefits, tax credits and pension systems, whilst also having the opportunity to participate in working life.**

1.2 At an individual level, carers **want to see a simplified financial welfare system. Carers also want benefits advice to be broadened into "financial planning" which better enables people with caring responsibilities to make sound financial decisions,** and potential carers to take positive steps in planning the financial impact of care.

1.3 Some carers are capital rich and income poor, many require debt management advice and many balance caring income and work income. Often carers are involved in managing multiple, interdependent income streams for themselves and those they care for, and therefore **longer term financial planning is essential.**

1.4 A major challenge for the future is how to enable people to balance care and other responsibilities, especially work. Few carers report a positive experience of being supported to balance work and care. **There is an urgent need to increase awareness amongst employers** and their representative bodies (eg trade associations, industry bodies) **about the personal and collective contribution made by carers, and the range of measures which employers might consider introducing to assist unpaid carers of working age** to balance work and care.

1.5 The impact on carers of providing substantial care is a reduction in their ability to work, their disposable income and their capital. Importantly, this also affects their ability to contribute to a pension, whether state or private, thus increasing the likelihood of carers facing greater poverty in later life. In particular, **the "overlapping benefits rule", where Carers Allowance is withdrawn at pension age, is particularly harsh and unjust and should be reviewed.**

2. References

Notations ([Ref 2.XX]) in the text refer to the following publications:

2.1 "*Without Us? Calculating the value of carers' support*" © Carers UK 2002.

2.2 "*The Future of Unpaid Care in Scotland*" © Scottish Executive, 2006.

2.3 "*Caring and Pensioner Poverty*", © Carers UK, 2005.

2.4 "*Women and Pensions, the evidence*", © Department for Work and Pensions, 2005.

2.5 "*Department for Work and Pensions, Dealing with the complexity of the benefits system*", © National Audit Office, November 2005.

2.6 "*Caring on the Breadline: the financial implications of caring*", © Carers UK, 2000.

3. Introduction

3.1 The Government's National Strategy for Carers, published in 1999, acknowledged the key role that carers play in supporting individuals in the community and the need to ensure that carers were properly recognised and supported.

3.2 The contribution of carers cannot be underestimated. Nationally there are around 6 million carers who currently save the government an estimated £57 billion per annum. They are instrumental in maintaining older and disabled people in their own homes and communities, in preventing admissions to hospital and nursing care and in facilitating early discharge from hospital. Further, research suggests that the number of carers is likely to increase in the future, with demographic and community care policy changes necessitating a 60% rise in the number of carers needed by 2037—an extra 3.4 million carers. ([Ref 2.1])

3.3 Research shows that the financial effects of caring are significant. One in three carers struggle to pay essential bills and more than one in five cut back on food to make ends meet. The main reasons given by carers were the additional costs of disability followed by having to give up work in order to care. After five years of providing substantial care, carers were significantly more likely to be in receipt of Income Support.

4. Carers in Scotland

4.1 In 2004 the Scottish Executive commissioned the Office for Public Management (OPM) to undertake a research project on the future of unpaid carers in Scotland. The project was undertaken between October 2004 and August 2005. The research included consultation with more than 4,000 carers and the report was published in February 2006 ([Ref 2.2]). The research results confirmed many of the findings of earlier studies which had smaller sample constituents. The following paragraphs summarise the findings relevant to your inquiry.

4.2 Most carers felt that not enough was being done by the Scottish Executive to support and recognise carers. Carers felt they were treated with suspicion by the system and were continuously put through endless bureaucratic hoops, being required to fill in complicated and repetitive forms.

4.3 Carers had different perceptions of the effectiveness of policies to support carers, depending on their age. Elderly carers felt there was little consideration for their plight, in particular once they achieved pensioner status. Many elderly carers experienced financial hardship, because of the extra cost imposed on them because of their caring role, and the fact that they did not qualify for a Carers' Allowance when receiving a pension of greater value. Some elderly carers felt they were penalised by the system.

4.4 Many carers had grave concerns about their financial future, in particular when they had been a sole care provider, had been caring for a number of years and were therefore less able to seek full-time employment. They felt the government was not supportive in recognising their contribution and therefore ensuring financial security for them once they reached retirement age. Furthermore, the ceiling placed on part-time work when in receipt of a Carers' Allowance also limited carers' quality of life.

4.5 The vast majority of participants in the study were women and they were concentrated almost exclusively within part-time work, and in particular in the traditionally low-paid occupations in which women tend to be over-represented. Their occupations included child minding and other formal care roles, sales assistants, sessional youth work and community work that allowed participants flexibility on a day-to-day basis. In this sense, employment and career trajectories were often shaped by caring responsibilities, or decisions were made by carers to stay in a particular job because the organisation of work fitted into the rhythms of the caring and family life.

4.6 Male participants who shared the caring responsibility with their partners tended to work full time. However, where they had sole responsibility, balancing full time work and care was impossible. Moreover, the cost of childminders actually cancelled out the financial advantage of working.

4.7 Carers emphasised that they enjoyed working, because it allowed them to be themselves and provided an essential outlet to allow them to carry the emotional burden of caring. Only a minority of employers in the study seemed to be supportive of carers, and most of this support was informal, on the basis of goodwill, where the employee was either a friend of the employer, or where a good working relationship had developed over a number of years. There were two examples of larger employers providing flexible work opportunities for carers: one was a leading bank, and the other was the Post Office. It is, however, unclear whether this was part of a deliberate policy towards carers, or part and parcel of normal flexible working arrangements.

4.8 Carers in rural areas felt that little attention was given to accessibility and affordability of services such as transport. In some rural areas, such as Eastern Ross, some have started innovative schemes such as an informal taxi service, run by the local community, which is more affordable than a formal taxi service and more regular than public transport.

5. Financial Impact of Caring

5.1 Sheffield Hallam University carried out research in 2005. They consulted 848 carers aged 60 years or over. Their report was published in December 2005 ([Ref 2.3]) and the following findings are relevant.

5.2 Income is a key issue for carers over the age of 60. This report reveals that:

- one third of carers had left work early or retired early because of their caring role;
- one in six felt that their pensions had been affected by caring;
- leaving work early had impacted hard on the pensioner's quality of life leaving two thirds worse off;
- one in 10 carers were cutting back on food to make ends meet;
- nearly seven out of 10 carers were cutting back on something such as clothes, nights out, holidays, etc;
- one quarter of respondents were in receipt of Pension Credit;
- carers in receipt of Pension Credit were more likely to report feeling marginally better off than those not in receipt of the benefit;
- carers were more likely to be in receipt of Pension Credit if they had given up work to care. Given the very low levels of participation in the labour market of carers of this age, they are more likely than other groups to be entitled to Pension Credit;
- one in seven carers had been put off claiming benefits because of lack of information; and
- employment is still a key issue for carers over the age of 60—they were three times less likely to be in employment compared to non-carers of the same age.

5.3 The Government's own research for Women and Pensions ([Ref 2.4]) highlights the importance of claiming benefits. By not claiming the benefits they are entitled to, carers may miss out on vital income that could help ends meet, but they also miss out on protecting their pensions in the future. Carer's Allowance, the main carer's benefit, helps protect a person's state pension and State Second Pension records. A staggering 390,000 carers are not currently building up rights to a basic state pension. This report makes a strong case for ensuring that those who provide such valuable care are ensured a secure income in retirement whether it is through remaining in work or through Government support if they are not in employment.

5.4 The benefits system is extremely complex and it is easy for carers to miss out. Around 2 million people become carers every year. Many of these people do not know they are entitled to claim certain benefits and the claims process is also complex. A carer needs to claim Carer's Allowance first via the Carer's Allowance Unit. They are often turned down because of the overlapping benefit rule, but they may still secure underlying entitlement which then allows them to apply for the Carer Addition to Pension Credit. However, they then need to apply for this through the Pension Service. Some carers who have previously been turned down for Pension Credit might become eligible if they are entitled to the Carer Addition. They would need to reapply for the Pension Credit in these circumstances. As these examples demonstrate, the system is complex and carers need the right information to ensure that they claim what they are entitled to. Many are missing out.

5.5 The National Audit Office highlighted precisely these complexities and urged the Department for Work and Pensions to tackle them. ([Ref 2.5]).

5.6 Earlier research resulted in the report " Caring on the Breadline" ([Ref 2.6]). Key findings highlight the financial impact of caring. A large proportion of carers who provide substantial amounts of care live on the breadline. Most were in receipt of benefits:

— one in three respondents are in receipt of Income Support;

— almost all respondents of working age were in receipt of Invalid Care Allowance; and

— nearly six out of 10 carers live in workless households.

5.7 Carers have an extremely low level of savings, making these carers very vulnerable to debt:

— nearly one in three carers did not have any savings at all; and

— one half of all the carers had less than £1,000 in savings or none at all.

5.8 Carers said that their financial circumstances had become worse since becoming a carer.
64% attributed this to the extra costs of disability.
68% had to give up work to care, resulting in a drop in income.
37% found the level of charges caused financial difficulties.

5.9 The effect of this financial hardship is clear. Carers providing substantial amounts of care struggle to pay for even the basics:

— one in three are having trouble paying the gas/electricity or telephone bills;

— one in three carers are, or have been in debt;

— one in four carers had had to ask friends and relations for financial assistance;

— more then one in ten carers cannot afford to pay the rent or mortgage; and

— two in five carers cannot afford essential repairs to their home.

54% of carers said that they have to spend their income or savings to meet the costs of alternative care.

5.10 Access to certain goods and activities is considered to be an indicator of quality of life. Carers are cutting back on essentials as well as quality of life activities:

— 79% of carers have given up holidays.

— 76% have cut down on leisure activities.

— 64% have reduced expenditure on clothes.

— 22% are cutting back on food.

Taking a holiday is twice as expensive as carers also have to pay for alternative care. Carers' comments also went much further, detailing how they would go without haircuts, take fewer baths, reduce the number of hot meals they prepare and buy "out of date" food in order to make ends meet.

5.11 Carers find transport costly, whether they are maintaining a car or having to use public transport. Many carers spoke about their dread of the car breaking down. Other carers, too, were concerned about not being able to afford to replace key items such as the washing machine. Many carers with children detailed the harsh effect of their financial difficulties on their children.

6. Employment Issues

6.1 A key theme running through all the research is the impact of caring on employment. (See paras 3.3, 4.4 to 4.7, 5.2, 5.6 and 5.8). The initial theme of the Government's welfare reform programme was "Work for those who can . . . Support for those who can't". The research shows that carers in employment and carers who want to work, have not had the support they need to enable them to meet their caring responsibilities and maintain their working life.

6.2 One in fiv e carers have to give up work. More than half of those caring for 50 hours or more have given up work to care. For those who remain in employment there is still an impact on their finances eg 70% of carers say their earning have been affected by caring with an average loss of £6,000 each year. Finally, those who have given up work to care lose not only earnings but also the ability to save for pensions, contributing to poverty now and in the future.

7. Welfare Reform

7.1 It may be useful for the committee to focus particularly on the impact of the Government's welfare reform programme. They say that their values of equality, opportunity, fairness and social justice underpin the principles of their welfare reform programme. The Government "will provide support, nationally and locally, and help individuals fulfil their potential. By providing security and stability, we will assist individuals, and, therefore, our broader society to respond to the challenges of demographic change and globalisation. We aim to remove fear of change, and support people through the many transitions they face

throughout their lifetime. The foundations we help build will widen economic opportunity, support improvement in productivity and prosperity, and assist with continuing economic growth and social inclusion."

7.2 The Government say "social progress and economic prosperity go hand in hand" and we agree with that view. The core principles of the programme are to:

1. Help people to help themselves by offering a ladder to self-reliance and self-determination, not merely a safety net in time of need.
2. See work as the best route out of welfare.
3. Promote understanding and enable people to make informed choices for themselves.
4. Balance rights with responsibilities, while recognising the need for support and care where appropriate.
5. Recognise our mutual interdependence and obligation to each other, promoting solidarity between generations, and the importance of using the resources of Government to help people cope with rapid economic and social change.
6. Ensure the role of the state is active, liberating and enabling.
7. Address the root causes of poverty and overcome intergenerational disadvantage and exclusion.
8. Contribute to a stable and growing economy through investment in the potential of every individual, and flexibility of support in and out of work.

7.3 The huge body of research that has been built over many years shows that much more work has to be done to convince carers that these principles have been applied to the support made available to them.

7.4 In the House of Lords on 13 June 2000 Baroness Hollis of Heigham, for the government, said . . . "However, I believe that the costing in the report, Caring On the Breadline—my noble friend Lady Pitkeathley will correct me if I am wrong—is about £34 billion. That is the estimate of the value of carers' work to our community. That is a higher figure than the entire sum spent on retirement pensions and about 50% more than we spend on all NHS hospitals. That gives some idea of the scale of indebtedness of our society to carers."

7.5 As part of the welfare reform programme we would urge the Government to act on two key recommendations in the Scottish Executives report ([Ref 2.2]).

"**Recommendation 14**: We recommend that the UK Government complete an early review on carers' benefit entitlements, tax credit and pensions with a particular focus on removing the barriers to work which are inherent in the way current financial arrangements are constructed.

Recommendation 15: We recommend that the UK Government should develop a national awareness campaign to ensure that employers of all sizes are made more aware of both their roles and their responsibilities towards carers, and the overall contribution of unpaid carers.

This should be in line with the Equal Opportunities Commission's priorities which are:

— better access to flexible working arrangements;

— better framework of employment rights for carers; and

— a pensions framework that does not penalise people for the time spent caring. A range of measures should be considered by the Government, in partnership with employer and industry representative bodies, to enhance the understanding of employers in order to enable unpaid carers to balance work and care."

Dave Clark
Policy Development Manager
Princess Royal Trust for Carers

October 2006

Memorandum submitted by The Prince's Trust-Scotland

EXECUTIVE SUMMARY

1. This response includes:

— Background about The Prince's Trust and our work in Scotland that informs our response.

— Our understanding of "poverty"—that it is about more than just income.

— The extent of poverty amongst children and patterns of disadvantage into areas of concentration.

— Contributing long term factors that have led to a cycle of disadvantage that is hard to break.

— Areas of government policy that could make a difference to those trying to work to address poverty and disadvantage: voluntary sector funding, job seekers allowance and benefit rules, and unrealistic output setting for projects.

Background on The Prince's Trust-Scotland

2. The Prince's Trust is one of the UK's leading voluntary organisations involved in the provision of development opportunities to socially excluded young people aged 14 to 25. We achieve this through a portfolio of high quality personal development programmes delivered in partnership with a range of public, voluntary and private sector partners and through working to influence public policy. We work with the socially excluded and those with multiple barriers to employment—our target group is young people who are educational underachievers, including young people with low basic skills and those truanting and excluded from school; the long-term unemployed, particularly those out of work for 6 months or more; those in or leaving care; and offenders and ex offenders including serving prisoners. Many of our clients come from the NEET group of 16–19 year olds (those not in education, employment or training). The young people we help face multiple barriers and need significant help to turn their lives round. Our programmes give young people a chance to develop the personal motivation and confidence necessary to make a change to their lives.

3. The Prince's Trust-Scotland's work makes a difference to helping young people out of poverty and to realise their potential. We work with over 3,000 young people in Scotland every year helping them to overcome barriers to employment. We make an impact on the problem of NEET and give the young people we work with the motivation and self belief they need to change their lives for the better. Increasingly we are working with younger age groups to break the cycle of poverty. Our school programme xlerate with xl, for 14–16 year olds, is proving successful (as evidenced in research by Durham University) at re-engaging those who are disaffected with school and at risk of becoming NEET.

Response to Inquiry Questions

4. This response is informed by:

— our practical experience of working with disadvantaged young people, many of whom live in poverty; and

— research carried out by the Trust with disadvantaged young people. For example, our report "Reaching the Hardest to Reach" provides research evidence of the barriers that young people perceive are keeping them in poverty.

What is Poverty?

5. Poverty is about more than just low income. In our experience the factors generating poverty and exclusion are wide-ranging and the persistence of child poverty is multi-factorial. The young people we work with often have multiple problems that will diminish their life chances and may result in lifelong poverty and social exclusion These can include: poor family background and parental supervision; disengagement from education at a young age resulting in few or no qualifications; poor health choices, unemployment (or the "revolving door" of unemployment-training-low level jobs-further unemployment); drug and substance abuse; poor housing or homelessness (particularly for care leavers); a history of offending or trouble with the police.

The Extent of Poverty

6. In a Scottish Parliamentary question (S2W-26008) Malcolm Chisholm gave the current figure of 240,000 for children living in households with relative low income (after housing costs) and 130,000 living in households with absolute low income. The Child Poverty Action Group estimates that a quarter of the children in Scotland live in poverty.

7. The effects of low income are compounded by concentrations of inequality into areas of disadvantage which increases the effects of social exclusion. For example, 25% of 16 to 19 year olds in the 15% most deprived areas are not in education, employment or training compared to 11% of 16 to 19 year olds in the rest of Scotland. Over 40% of children in the 15% most deprived areas are dependent on a recipient of income support, compared with 10% of children in the rest of Scotland. Young people in poor areas are also more likely to be registered for free school meals, absent from school, less likely to achieve national attainment standards, they reach lower levels of educational attainment and are less likely to continue into further and higher education. All these factors make it more likely that poverty and social exclusion will continue into the next generation.

Contributing Factors

8. Long term historical, social and cultural factors have created the current pattern of poverty. These have resulted in a concentration of poverty and a culture of welfare dependency. The young people that come from the most deprived areas have low aspirations and little self belief. They grow up to expect to live a life on benefits and disengage at an early age from education, often indulging in crime or other problematic and self harming behaviours. Education has become a divisive factor, as employers expect a minimum basic level of qualifications which many of the young people we work with do not possess. Our courses are often the first time the young people we work with have succeeded in a learning environment. The consequences of living in poor areas are manifest in all areas of public services—education, health, transport and employment. Those living in the most deprived areas all too often receive the worst level of service.

9. Poverty is also evident in rural areas of Scotland where opportunities for employment are difficult to access by young people with few or no qualifications and limited resources. The Prince's Trust directly addresses this by giving small monetary grants, with mentoring support, that remove barriers to employment—for example enabling a young person to take driving lessons or gain a diving certificate.

Impact of Government Policy on Poverty

10. Many areas of government policy have the potential to impact on poverty including education, enterprise, health, justice and communities. Our comments are based on the impact of government policy on our work and policy changes that we think would make an impact on poverty.

Funding for the Voluntary Sector in Scotland

11. These are problems that we find with accessing funding for our work to lift young people out of poverty:

- Lack of a cohesive and joined up approach across government departments to address the problems of poverty. Many of the young people we work with have multiple problems that cannot be neatly pigeon holed into one department and funding stream. For example, they may be unemployed, have a history of addiction and be in trouble with the police. We often have to apply to access multiple funding streams to support our programmes.
- There is little differentiation in funding to recognise the degree of problems our clients might face. Extra resources are required to engage with a difficult client group and to motivate them. In our experience moving this group into employment is not a cheap option. Our vocational course "Get Into Cooking" has been particularly successful because it uses high quality training (the Nick Nairn cook school) and it has had access to high quality employers for work placements.
- Short term funding for projects which creates financial difficulties and uncertainty for voluntary sector organisations.
- Government support is easily found for pilot programmes but more difficult to access for programmes with a successful track record.
- The decline in European funding which has supported much of the work with disadvantaged communities and groups. In Scotland The Prince's Trust and other voluntary sector providers are facing an acute short term difficulty in finding replacement funding for the European Social Fund. For example, ESF money of around £1 million a year has funded our core programme "Team" supporting around 1,000 disadvantaged young people in their move towards employability. At this stage we do not know whether a replacement source of funds will be found to support this programme after 2007.

Job Seekers Allowance/Benefit rules

12. Rigid application of eligibility criteria for JSA and other benefits can work to the disadvantage of our clients and prevents them participating on Prince's Trust courses as they can be faced with the withdrawal of benefits (the 16 hour rule). Sometimes we reluctantly have to advise young people that their interest would not be best served by participating on one of our courses as their principal means of support would be withdrawn. Some providers get round this rule by making their courses less than 16 hours per week. It is our view that this does not fit young people for work. An essential key to successful employment is good timekeeping and a commitment to full participation in the course. Part-time working does not enable the individual to experience the personal responsibility involved in achieving this. It would be helpful if there was local discretion for JCP advisers/managers to relax these rules where there is clear evidence that the training proposed is part of a managed pathway to work and will assist the client into sustainable employment.

Unrealistic outputs

13. The client group that we work with have difficult lives and employment may not be a realistic option at the end of their course—further vocational training from a further education college may optimise the long term outcome. Targets set for those dealing with the hardest to reach should be different to those providing training to less problematic clients. When allocating contracts, DWP and other contractors should differentiate between different needs in client groups when setting output targets and a recognition that employment is unlikely to be an outcome from some training courses. Further vocational training in a further education college or with another training provider may be the best option. There should be more focus on the individual's long term career rather than an instant job outcome.

14. If you require any further information about our experiences of working with disadvantaged young people or research work carried out by The Trust please contact me.

Sonia Newman
Policy Manager
The Prince's Trust-Scotland

5 October 2006

Memorandum submitted by Barnardo's Scotland

EXECUTIVE SUMMARY

1. In Scotland today, nearly a quarter of all children are living in poverty. This is a shameful statistic for the fourth richest country in the world. While Barnardo's welcomes and supports the Government's commitment to tackling poverty, we remain concerned that the current strategy will not reach all those in greatest need. Many people live outside the geographical areas targeted by Government. In addition, the primary focus on work as the main route out of poverty does not help those families for whom work is not an option—either because the jobs are not there, or because they have a disability, health problems, caring duties, or difficulties with child care or transport. We would like to see equal emphasis on supporting people who cannot work, with a welfare and benefit system which provides an effective and comprehensive safety net for all.

2. The way forward at Westminster:

(a) To publish as part of the 2007 Comprehensive Spending Review a coherent, cross-departmental strategy which sets out how the government will meet its own targets to end child poverty and the resources it will commit to achieve this.

(b) Establish a minimum income standard necessary to maintain the good health and well-being of children.

(c) Ensure that all initiatives aimed at taking children out of poverty reach the most vulnerable groups of children who are persistently and severely poor throughout their childhoods, such as disabled children, children in large families, children in one parent families, asylum seeking children and some groups of black and minority ethnic children.

(d) Make changes to the benefits system so that those young people who are living independently receive the same income support and JSA as those aged 25 and over.

(e) Introduction of a statutory interest rate ceiling to protect the poorest families from exploitation by credit companies.

3. Barnardo's is also calling for a parallel Scottish Executive strategy setting out how devolved policies will be used to contribute to the eradication of child poverty—in particular we call on the Scottish Executive to focus on:

(a) further investment in developing high quality, affordable childcare;

(b) develop measures of targeted practical support for young people not in education, training or employment;

(c) renewed focus on improving outcomes for young people leaving care;

(d) increased scope for fuel poverty measures to include vulnerable families; and

(e) extension to free school meal entitlement to all children living in poverty, and to childcare settings outwith school grounds and outwith the school calendar.

Child Poverty in Scotland

4. As a leading children's charity, Barnardo's is primarily concerned with the impact of poverty on children. Article 27 of the UN Convention of the Rights of the Child[1] says that every child should have the right to "a standard of living adequate for the child's physical, mental, spiritual, moral and social well-being."

5. The latest Scottish Executive statistics on households below average income state that 23% of Scottish children are living in relative poverty today.[2] While the numbers have improved in recent years, the figure in 1968 was just 10%.[3] The same figures indicate that 13% of children still live in absolute poverty. 15% of UK children are living in persistent poverty[4]—that is living in poverty for at least three of the last four years.

6. In 2005 UNICEF published "Child Poverty in Rich Countries 2005"[5], which collated data from previous years to produce comparative figures. With poverty defined as households with income below 50% of the national median income, Denmark and Finland lead the way with 2.4% and 2.8% respectively, the UK lags at 15.4%, with only a few countries such as Italy (16.6%), the USA (21.9%) and Mexico (27.7%) faring worse.

7. 2005 figures from the Child Poverty Action Group[6] compare child poverty in Scotland compared with other parts of the UK, suggesting that relative poverty in Scotland is slightly less than the UK average. However the Scottish Index of Multiple Deprivation found that over two thirds of the most deprived areas are concentrated in Glasgow City, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire and West Dunbartonshire"[7]. This presents particular challenges to policy makers.

Contributing Factors

8. In our supposedly meritocratic society, the most reliable predictor of living in poverty is to be born into poverty. Research has shown that most people remain in the same quarter of income distribution as their parents[8]. In fact, the chance of being better off than their parents has reduced for people who grew up in the 1970s and '80s, compared with people who grew up in the 1960s and '70s. Other studies show that low family incomes can persist, with between 6% and 9% of all children remaining in the poorest fifth of households for five consecutive years.[9] Even where families move out of poverty according to official statistics, many see only a few pounds' difference in their income each week rather than a permanent move to a higher income bracket.[10]

9. One of the most serious problems of long-term poverty is debt: households with children are more likely than others to have levels of expenditure above their weekly income levels.[11] The cumulative effect of chronic poverty is increasing social exclusion, which can be passed from generation to generation.

10. Although our education system is in principle free, parents still have to pay out for uniforms, activities, school trips and classroom materials, with recent research suggesting average costs of £948 a year for secondary and £563 a year for primary pupils.[12] Both parents and pupils report experiencing considerable disadvantage in school due to difficulties in covering extra costs. School holidays represent extra challenges, with increased costs in entertaining children and loss of free school meals.

11. There are additional costs associated with rural living, such as increased fuel and transport costs, lack of access to cheaper shopping and lack of access to services (including extended or integrated school services).

12. Both Westminster and Holyrood policies contribute to poverty reduction. It is reserved matters—Treasury and Social Security—that have greatest potential to impact on poverty. However there are also measures within the Scottish Executive's remit which can significantly impact on child poverty.

---

[1] Available from http://www.ohchr.org/english/law/pdf/crc.pdf

[2] http://www.scotland.gov.uk/Resource/Doc/95793/0023203.pdf

[3] Child Poverty in Social Inclusion Partnerships, Scottish Executive Central Research Unit 2002 http://www.scotland.gov.uk/Publications/2002/10/15233/9819

[4] http://www.dwp.gov.uk/asd/hbai.asp

[5] UNICEF, Innocenti Research Centre (2000) *A league table of child poverty in rich nations.* UNICEF. See http://www.unicef.ca/press/childpoverty/

[6] http://www.cpag.org.uk/campaigns/media/CPAG_HBAI_2006_Media_Briefing.pdf

[7] See http://www.scotland.gov.uk/Publications/2005/09/2792129/21311

[8] *Research review: the persistence of poverty over time*. Poverty, the Journal of Child Poverty Action Group (2002) Issue 112, p 18.

[9] UNICEF, Innocenti Research Centre (2000) *A league table of child poverty in rich nations.* UNICEF.

[10] Piachaud, D and Sutherland, H (1999) How effective is the British government's attempt to reduce child poverty? CASE/ESRC.

[11] Howarth, C *et al* (1998) *Monitoring poverty and social exclusion*. York Publishing Services for the Joseph Rowntree Foundation.

[12] http://www.citizensadvice.org.uk/schools_leaflet_5_final.pdf

The Cost of Poverty

13. Child poverty is expensive, as well as morally unjust. The Barnardo's report "Counting the Cost of Child Poverty"[13] outlined how investment in early intervention and support could have made a difference to the lives of eight real people. The sums saved through avoiding later court appearances and custodial sentences, unemployment and ill health greatly exceed the costs of early intervention and support.

Impact of Government Policy—Recommendations to Westminster

14. The Government has concentrated on employment as the primary way out of poverty for families with children. Measures such as the Child Tax Credit are intended to make work pay for those on low incomes and have had significant success. However, it is estimated that finding paid work for all families with school-age children would involve a major expansion of UK employment by 1.5 million jobs.[14] And while tax credits have helped, they do not reach children in families where the parents are unable to work through sickness or disability, or lack of affordable child care.

15. Those families without a working adult are receiving very low levels of benefit. League tables on child poverty show that countries which have a high rate of social expenditure have correspondingly low rates of child poverty[15]. Eradicating poverty in the UK will involve increases to key benefits, and we must be prepared to fund these if we are committed to achieving that goal.

16. Recent research from the Joseph Rowntree Foundation[16] shows that to meet the target of eradicating child poverty by 2020 the Government will need to continue and increase support through tax credits, but also raise the level of key social security benefits, provide education and training to disadvantaged groups, improve childcare and promote equal pay for women. The report states that it would cost £4bn, that is 0.3% of GDP to halve child poverty by 2010, with a further1.6% of GDP to reach the 2020 target. Although this sounds like a huge investment it means sacrificing one year's economic growth out of 14.

17. There are 33,000 disabled children in Scotland.[17] The increased costs of supporting a disabled child, along with the reduced ability for parents to go out to work, means that these families suffer increased likelihood of poverty.[18] Capability Scotland report that "one in five families with a disabled child live on under £200 per week income".[19] Only measures to address benefit levels can be sure to reach this population.

18. Barnardo's is supporting the Child Poverty Action Group campaign[20] to tackle poverty by increasing the rate of child benefit and ensuring that second and subsequent children do not generate a smaller payment than the first. Barnardo's Scotland also supports the Scottish Campaign on Welfare Reform, which has expressed concern that the proposed Welfare Reform Bill does not provide either enough support for those wanting to move into work or enough protection for those who are unable to work. This latter point is crucial—welfare to work has so far been successful in reducing numbers in poverty, but this alone will not be sufficient to meet the poverty targets and must be complemented by other measures.

19. The national minimum wage is lower for those under 22, although prices in shops are not. Furthermore young people have been singled out for especially severe benefit cuts, including reduced housing benefit entitlement. The universal entitlement to welfare benefits for 16 and 17 year olds was withdrawn in 1988 and replaced with the guarantee of an offer of suitable youth training for all. Only young people who could prove that they were estranged from their families and in "severe hardship" were eligible for short-term payments of income support.

20. While there have been some changes in this system to allow easier access, many young people still find it difficult to obtain benefits when they are unable to live with their families. It is particularly important that such young people have an adequate income and are able to afford somewhere decent to live. The government places great emphasis on getting young people into work, but it is difficult to think about further education or employment when you do not have a settled home or sufficient money for basic needs. Young people who are living independently should get the same rates of income support and JSA as those aged over 25.

21. We suggest that the Government should set up an independent commission to conduct research into what constitutes an adequate level of income so that it can make informed decisions as to the level at which benefits, tax credits and the minimum wage should be set. It is difficult to see how poverty can be ended without knowing how much money a family needs to live on.

---

[13] http://www.barnardos.org.uk/countg.pdf

[14] Piachaud, D and Sutherland, H (1999) How effective is the British government's attempt to reduce child poverty? CASE/ESRC.

[15] UNICEF, Innocenti Research Centre (2000) *A league table of child poverty in rich nations.* UNICEF. See http://www.unicef.ca/press/childpoverty/

[16] See http://www.jrf.org.uk/knowledge/findings/socialpolicy/0366.asp

[17] Disability in Scotland 2005–20: A state of the nation report. Disability Rights Commission. June 2006 http://www.scottishcouncilfoundation.org/pubs_more.php?p=55

[18] Woolley, M (2004) How Do They Manage? Income and Expenditure of Families with Severely Disabled Children. York: Family Fund.

[19] Key Facts About Disability, Capability Scotland. http://www.capability-scotland.org.uk/about_us.asp?pageId=1.1

[20] See http://www.makechildbenefitcount.org/

22. We also recommend the introduction of a statutory interest rate ceiling in the UK, in line with most other European countries, to protect the poorest families from exploitation by credit companies.

23. Finally, the Westminster Government should publish, as part of the 2007 Comprehensive Spending Review, a coherent cross-departmental strategy which sets out how the Government will meet its own targets to end child povertyand the resources needed.

Impact of Government Policy—Recommendations to Holyrood

24. Following the Comprehensive Spending Review the Executive should set out their own comprehensive strategy setting out how devolved policies will be used to contribute to the eradication of child poverty. The Welsh Assembly has already produced a poverty strategy which looks at all departmental policies.

25. The widespread availability of good quality child care is crucial, both in enabling parents to work or train for jobs, and in giving children a head start in life. Early years care and education is known to improve children's future educational achievement and health, but almost all child care services for children under three are commercial arrangements for those whose parents can pay. Programmes such as Sure Start fulfil an important role but are still a long way from providing the numbers of child care places needed and further development of this support is essential.

26. The recent Scottish Executive strategy to reduce the proportion of young people not in education, employment or training[21] claimed a headline figure of 35,000 (13.5%) young people in Scotland between the ages of 16 and 19 who are in this situation. The strategy identified "care leavers; carers; young offenders; young parents; low attainers; persistent truants; young people with physical/mental disabilities; young people misusing drugs or alcohol" as most likely to form this group. Barnardo's Youthbuild service assists people from the most deprived areas of Renfrewshire into sustainable employment through the provision of comprehensive personal support, relevant industry training, quality work experience and guaranteed employment. We suggest that replicating this model would provide a targeted response to the needs of the NEET group.

27. The process of leaving care has a major impact on young people. Government policies on social security and housing are based on the assumption that young people are able to remain at home with their families, but many young people leaving the care system have no choice but to live independently. Furthermore young people leaving care generally do so with poorer education and health outcomes than their peers. Regulations are in place to guide support for young people leaving care. However further action is needed to ensure compliance and good practice across the country.

28. Figures from the Scottish House Condition Survey in 2002[22] found 286,000 households in fuel poverty in Scotland. In over 10% of these households there were children, suggesting a total of 46,000 Scottish children living in fuel poverty. The Scottish House Condition Survey estimated that for every 5% rise in average annual fuel price, an estimated 30,000 more households would go into fuel poverty. Gas and electricity prices are both rising and Energywatch reports that since 2003 average domestic energy bills have risen by 63% for gas and 44% for electricity[23]—suggesting that the number of Scottish children living in fuel poverty may have reached 100,000. *Eligibility for the Scottish Executive's central heating programme, the key mechanism for tackling fuel poverty, should be extended to vulnerable families.*

29. As indicated above the proportion of Scottish children considered to live in poverty is now 23%. Yet only 19% of school children are eligible for free school meals. A recent Barnardo's report "Food Poverty in the School Holidays"[24] reported on interviews with Scottish families living in poverty and found that they experience additional financial pressures when children are out of school. The lack of free school meals was one contributing factor in this. Consequently free school meal entitlement should be extended to all children living in poverty, and to childcare settings outwith school grounds and outwith the school calendar, which would allow for new provision to support families when free school meals are not available.

John Waterson
Parliamentary Policy Officer

October 2006

---

[21] More Choices, More Chances: A Strategy to Reduce the Proportion of Young People not in Education, Employment or Training in Scotland. Scottish Executive, June 2006. http://www.scotland.gov.uk/Publications/2006/06/13100205/0

[22] See http://www.scotland.gov.uk/News/Releases/2003/11/4517

[23] See http://www.energywatch.org.uk/uploads/Energy_Brief_Volume_1_2006.pdf

[24] http://www.barnardos.org.uk/foodpovertyreportv3.qxd.pdf

Memorandum submitted CHILDREN 1ST

About CHILDREN 1ST

Since 1889, CHILDREN 1ST, formerly the Royal Society for Prevention of Cruelty to Children, has been working to give every child in Scotland a safe and secure childhood. The NSPCC, our sister charity, also emerged at this time and now operates in England, Wales and Northern Ireland. Although separate organisations, we work together to improve the lives of children and families throughout the UK.

Initially set up to rescue children living rough and begging on the streets, the RSSPCC became better known for investigating child abuse and neglect. In the past the Society's Inspectors, often referred to as the "Cruelty Man", investigated cases of abuse and neglect reported by the general public. In 1968 new legislation gave responsibility for investigating child abuse to local authority social work departments. As a result, the role of RSSPCC changed allowing the organisation to concentrate upon prevention of child abuse and neglect by intervening to help families at an earlier stage. It was some years before the charity changed its name to reflect this change in role, adopting the campaigning name CHILDREN 1ST in 1995.

Today, CHILDREN 1ST works across Scotland to support families under stress, protect children from harm and neglect, help them recover from abuse and promote children's rights and interests. We provide 40 services in 23 local authority areas as well as five national services including ParentLine Scotland which is the free, national telephone helpline for parents and carers. CHILDREN 1ST services work with many families who live in poverty, often working to minimise the effects of poverty on their children. For more information about how we work to keep children safe in Scotland, visit www.children1st.org.uk

Child Poverty in Scotland

Whilst Scottish society has changed in many ways since the RSSPCC first began 120 years ago, vulnerable children living in poverty in Scotland remains a shameful reality. One in four children in Scotland still live in poverty (less than 60% of median income), many of these children living in severe and persistent poverty. Children still suffer from a lack of nutrition, from over-crowding, from cold housing and from a lack of warm clothes. Two-fifths of those who live in poverty live in whole "deprived areas".[25]

As found in the earlier Scottish Affairs Committee inquiry, the damaging impact of poverty on children is lifelong and affects every area of their lives. Poverty affects children's access to education. They are less able to take part in extracurricular activities, achieve lower grades in exams, leave school earlier and are less likely to go on to study at college or university. Poverty means that these children experience increased ill-health such as heart disease and cancer, and die younger. These children are more likely to end up in care, and in prison. Poverty leads to children's aspirations being lower, and they will experience more unemployment and earn less throughout their lifetimes. Poverty means children and young people not having access to social activities and pleasures that most of us take for granted. It means these children having more mental health problems, struggling to find happiness during an often stressful childhood.

Poverty in Scotland therefore remains one of the most pressing problems facing children and families, and wider society. This paper focuses particularly on child poverty because obviously this is our organisation's primary concern. However we also focus on child poverty because, as noted in the Scottish Affairs Committee report, poor children are more likely to become poor adults and poor pensioners. A life of poverty often begins in childhood, and childhood itself is damaged by its impact. CHILDREN 1ST welcomes the Scottish Affairs Committee's second inquiry into this important issue and we urge them to press for change in the following important areas of reserved policy:

1. Support Universal Provision

CHILDREN 1ST strongly believes that one of the best ways to prevent poverty is to provide universal services and support. Services are often targeted at the most needy for good reason—however, these services can also miss helping those who fall just outside of these targeted criteria, and who are just managing to make ends meet. Therefore, comprehensive universal services and support, as well as targeted provision, is needed.

One of the best examples of universal provision in the UK that works well for families is child benefit. This benefit recognises that all families have extra costs when bringing up a child. Research estimates these costs to be on average £140,398 from birth until the child reaches 21 years old.[26] By providing universal child benefit, many families are helped to cope with these extra costs.

However, we encourage the Committee to consider the benefits of giving every child in a family the same level of child benefit support. There are few "economies of scale" when providing for children, and therefore subsequent children still mean considerable additional cost for parents. It is also important to note that children in larger families run a higher risk of living in poverty. Recent research found that 50% of families

[25] Joseph Rowntree Foundation, Monitoring Poverty and Social Inclusion in Scotland, 2002.
[26] Liverpool Victoria Friendly Society, 2003.

with four or more children lived in poverty, compared to 23% of one-child families. At February 2005, around 4.2% of families claiming Child Benefit had four or more children, but the figure was 7.6% for families on key benefits.[27] Indeed, the UK poverty rate in large families is amongst the highest in the OECD.[28] CHILDREN 1ST therefore suggests that the Committee recommends that child benefit be equal for all children, no matter how many siblings they have.

2. Work Should Not be the Only Route Out of Poverty

CHILDREN 1ST recognises that very often, well-paid employment is a valuable route out of poverty for families. However, we also recognise that many parents, both in couples and lone parents, choose not to work in order to provide care for their children full-time. We believe that this is a legitimate choice to make, and one that should not be penalised by the government. This was supported in the previous Scottish Affairs Committee report where the Committee agreed that child care is work, and that employment is only one route out of poverty for lone parents.

We are concerned that the current welfare reform proposals ignore this issue, and instead will mean that lone parents are forced into working in order to have an adequate standard of living for their children. The proposals will require lone parents who have been on benefits for a year to have six monthly work-focused interviews, as opposed to the current situation where this is only required when the youngest child reaches 11 years old.

Instead of these proposals focused on compulsion to work, government policy and the upcoming welfare reform should ensure that all parents, including lone parents, who choose to care for their school-age child(ren) themselves are not financially worse-off. They should not be financially penalised for making this legitimate choice. We believe that this reflects society's collective investment in children, regardless of their home situation.

3. More Money Advice for Parents

4% of calls to ParentLine Scotland, run by CHILDREN 1ST, are about welfare benefits. Many of these callers are experiencing considerable stress because of financial difficulties, including a particularly high proportion of lone parents. Many of these parents are living in poverty, and their calls therefore reflect a complex set of negative pressures in their lives that contribute to their stress, and at times, depression and other mental health problems. CHILDREN 1ST is therefore very aware of the ongoing need for good quality, independent money and benefits advice services. We note that the Committee recommended money advice services for Scotland's poorest communities as well as a national telephone money advice service, and we question what steps have been made towards this.

4. Improve Take-up of Benefits Entitlement

Many people living in poverty are not claiming the benefits that they are entitled to. For example, up to 80,000 lone parents, and between 10,000 and 30,000 couples with children, did not take up their full entitlement to income support in 2003/04 (DWP figures). Many people need reassurance that certain benefits are theirs as of right and they need on-going support to make successful claims. Long, complicated forms and a confusing claims process are also big barriers to claiming. The rules and conditions of the benefits system are extremely complex, meaning that noone can properly understand their entitlement without expert help.

We encourage the Committee to recommend that more needs done to encourage the full take-up of benefit entitlement as a vital way to ensure that the welfare system works effectively in helping families out of poverty. More investment is needed in independent advice projects such as those provided by One Parent Families Scotland and the Citizens Advice Bureau to ensure that families access the help that they are entitled to.

5. Equal Minimum Wage for Young Workers

The minimum wage for 18–21 year olds is currently £4.45 per hour, compared to £5.35 per hour for those of 22 years old and over. The justification for this difference is that the lesser wage is a "development" wage that recognises that these employees are less experienced. However, we question this rationale as employees of all ages can be new to certain types of jobs. We would suggest that it is discriminatory to pay a younger person less for doing the same job as someone older. In addition, many 16–21 year olds have left school and many will be supporting children. We therefore urge the Committee to recommend that this age discrepancy in the minimum wage is changed.

[27] DWP, Client Group Analysis, February 2005.

[28] Joseph Rowntree Foundation, Child poverty in large families, June 2006.

CONCLUSION

CHILDREN 1ST welcomes the UK government's target to end child poverty by 2020. However, we are concerned that unless action is taken to address the above issues, children will continue to experience a life of poverty. Poverty is very often generational—it is important that the government does all that it can to lift this generation out of poverty to bring positive consequences for many years to come.

Children 1st

October 2006

Memorandum submitted by Capability Scotland

Capability Scotland is the country's leading disability organisation working for a just Scotland. We work with children, adults and families living with disability to support them in their everyday lives. We also work with disabled people, family members and carers to influence legislation, policy, practice and attitudes.

1. WHAT IS POVERTY

Capability Scotland's research has found that families with disabled children are among the poorest in Scottish society. Our research, conducted through the unique 1 in 4 poll,[29] shows that social injustice impacts on families living with disability in many ways. They experience poverty of income, poverty of choice and poverty of opportunity.

A. *Income*—Families living with disability not only experience absolute poverty in terms of their income, but also relative poverty created by the hidden costs of disability. Getting to and from hospital appointments and the need to purchase special equipment or services for a disabled child means that disposable income levels available to families living with disability are lower than for a comparable household without a disabled child. Take for example this case study:

> John is a self-employed painter and decorator who earns around £200 per week and Cathy is on extended maternity leave, on no pay because their son who was born 6 months ago is severely disabled. They live in the Western Isles, and since their child's birth they have incurred travel costs exceeding £700.[30]

B. *Choice*—Many parents do not have the choice of work available to them because of a lack of suitable, affordable childcare. The one in four poll found that nearly 70% of working parents with a disabled child relied on family members to care for their disabled child and half of them said they did so because of a lack of suitable or affordable childcare.[31]

Having a disabled child means that the decision about whether or not to go back to work is very ucomplicated. Mainstream childcare provision is often unable to accommodate disabled children: inaccessible premises, a lack of trained staff and cost combine to mean that parents of a disabled child rely on informal childcare. This in itself minimizes the financial appeal of working as they are then unable to access childcare tax credits. The cost of suitable childcare can also be prohibitive:

> "Private after school care is ludicrously expensive. I pay £10 an hour for (it)." Parent of disabled child.

Moreover, the need to balance employment obligations with meeting the support needs of a disabled child can make working impossible:

> "You think you can start work when they start school, there's always something on at school, therapists or other appointments." Mother with disabled child.

Many parents do not have the choice of work available to them because of a lack of suitable, affordable childcare. The one in four poll found that nearly 70% of working parents with a disabled child relied on family members to care for their disabled child and half of them said they did so because of a lack of suitable or affordable childcare.[32]

Having a disabled child means that the decision about whether or not to go back to work is very complicated. Mainstream childcare provision is often unable to accommodate disabled children: inaccessible premises, a lack of trained staff and cost combine to mean that parents of a disabled child rely on informal childcare. This in itself minimizes the financial appeal of working as they are then unable to access childcare tax credits. The cost of suitable childcare can also be prohibitive:

> "Private after school care is ludicrously expensive. I pay £10 an hour for (it)." Parent of disabled child.

---

[29] Capability Scotland's 1 in 4 Poll, so named because approximately one in four households in Scotland have a family member who is disabled, is made up of disabled people, families and carers across Scotland.

[30] Family Fund Trust.

[31] One in four poll, Capability Scotland (October 2002).

[32] one in four poll, Capability Scotland (October 2002).

Moreover, the need to balance employment obligations with meeting the support needs of a disabled child can make working impossible:

> "You think you can start work when they start school, there's always something on at school, therapists or other appointments." Mother with disabled child.

At the same time, society's attitude towards disability limits the lifestyle choices open to families with disabled children. The one in four poll found that 30% of such families had never enjoyed a family trip to the cinema and for one in five the last family day out was more than two months ago (the research was conducted just after October school holidays).[33]

C. *Opportunity*—Poverty, disability and our culture combine to limit the life chances of disabled children and young people. Capability Scotland's focus groups with disabled young people uncovered a rapid limiting of aspiration. At 12, children's aspirations are very much in line with non disabled peers—when they grow up they all want to do different things. By 17, they appear to have adopted much more narrow expectations of the working world, with many seeking employment in information technology:

> "I'll probably go into computers because its easy to go into and we know what its about. I don't know about any other jobs." 16-year-old disabled boy.

Young people's aspirations are also dampened by reality. They do not have the same skills or qualifications as their non disabled peers: 19% of disabled people in the 16–24 age group have no qualifications, in comparison to just 6% of non-disabled people.[34] Low educational attainment is a key factor limiting disabled young people's life chances.

Capability Scotland's research shows that being a disabled child is markedly different from being a non-disabled child, in so many ways. Worst of all, our culture and attitudes to disability conspire to deny disabled children the opportunity to be children, to have a childhood. Many disabled children have few friends outside of school and as teenagers they spend disproportionate amounts of their time in adult company:

> "My wee sister has her friends staying and I get to play with them, but its not the same. She's got friends and I haven't." 14-year-old disabled girl
>
> "I'd just like to go round to a friends house without my mum." 14-year-old disabled girl.

Inaccessible streetscapes, transport, buildings and facilities deny them the opportunity to enjoy ordinary teenage activities. Disabled children and young people are excluded from society because of attitudes and structures that simply do not allow them to get involved.

> "My daughter gets really upset when her sister goes to art class and she can't join in. She's capable of taking part, but there is no provision for a child with special needs." Mother of a disabled child

2. The Extent of Poverty

Households with a disabled child are among the poorest in Scotland in income terms. The statistics for participants in Capability Scotland's 1 in 4 poll who have a dependent disabled child are truly dismal: a fifth live on less than £200 per week and their weekly spend on food is a third less than the amount needed to provide an adequate diet.[35]

The 2002 Scottish House Condition Survey estimated that 286,000 Scottish households were living in fuel poverty. Through economic modelling the SHCS also estimated that for every 5% increase in fuel prices, an additional 30,000 households would go into fuel poverty. Given the recent price rises, we anticipate that the next figures will show over half a million households spending more than 10% of their income in order to reach standard heating levels.

Communities Scotland have already done—the 5% increase leads to 30,000 households and saying the massive price hikes are undermining the progress previously made. Then you can say you anticipate next figures will show us back over the half a million mark (from 280,000)—but by how much is unknown.

3. Contributing Factors

Disability is a key factor in poverty. The incomes of disabled people are on average less than half of those earned by non-disabled people. Only one in two disabled people of working age are currently employed, compared with four out of five non-disabled people, and they are less likely to have any educational qualifications.[36]

Such low income levels are caused by higher than average dependency on state benefits.[37] Employment levels are also lower than among families without disabled children.[38]

---

[33] *ibid.*

[34] Disability in Scotland 2002, Disability Rights Commission.

[35] Living on the Edge, 1 in 4 poll, Capability Scotland (December 2001).

[36] Strategy Unit (2005) Improving Life Chances of Disabled People . London: Strategy Unit (http://www.strategy.gov.uk/downloads/work_areas/disability/disability_report/pdf/disability.pdf).

[37] Benefits are the main income source for 40% of families with a disabled child, *ibid.*

[38] Nearly half of carers with disabled children are not in work (1 in 4 poll, October 2002) compared to a national unemployment rate of under 8% (Labour Force Survey, March 2003).

At the same time, the nature of benefits accessed by such families can exacerbate their low income levels: few receive Income Support which acts as a gateway to a broad range of benefits and state support.[39]Moreover, families find it difficult to access benefits they are entitled to. There is no obvious point of contact for people to access benefits and often people simply miss out:

> "Do they really want us to get Benefits . . . they try and trick you with all the questions on the application form." Parent of a disabled child.
>
> "It took me three years to find out about DLA and concessionary bus fares." Mother with a disabled child.

4. Impact of Government Policy on Poverty

While many employment issues are reserved, the Scottish Executive has control of Scotland's enterprise strategy and puts £400 million into the enterprise budget each year. More could be done through Scotland's enterprise network to enable parents of disabled children to work. The Scottish Executive also produces and funds the National Childcare Strategy. This and the New Opportunities Fund out of school care programme can point to an increase in childcare places for disabled children but parents perceive that there has been little improvement. They still feel that they lack the choices other families take for granted—choices over childcare, over nature of employment, hours worked, who to work for and whether to work or not. The choice to work or not is effectively made for parents of disabled children because there are too many obstacles to overcome.

However, the emphasis on employment as the route out of poverty seen in the majority of government policy on poverty and disabled people does not take sufficient account of the barriers faced by many disabled people. Individualised support in the form of information, services, aids, support and flexible employment opportunities are necessary, as is a commitment to support those who cannot work through improved benefits.

The application of the Disability Discrimination Act to education will help address the lack of opportunities for disabled young people, as will changes to general educational strategy and the support needs process. But practically, more needs to be done to ensure disabled children and young people receive the same quality of education as their peers and most importantly, enjoy the same opportunities to achieve qualifications and then engage in lifelong learning opportunities.

There are a number of Scottish and National initiatives aimed at alleviating fuel poverty, but they have largely failed to recognise that many disabled people experience the same problems as older people when it comes to heating their homes, particularly low incomes, mobility problems and more time spent in their homes.

At a national level, there is the Energy Efficiency Commitment which requires gas and electricity suppliers to install energy efficiency measures such as insulation in the homes of customers. It is clear that energy efficiency improvements are essential. However, it is also clear that those living in fuel poverty are also likely to be experiencing general poverty. Every means must be used to tackle fuel poverty in conjunction with general poverty.

The Winter Fuel Payment and the Cold Weather payments should be extended to people receiving disability related benefits.

Capability Scotland

October 2006

Memorandum submitted by the Equal Opportunities Commission

Introduction

1. The Equal Opportunities Commission (EOC) was set up by the Sex Discrimination Act 1975 (the SDA). Its duties are to work towards the elimination of discrimination between women and men, to promote equality of opportunity between women and men generally, and to keep under review the workings of the Sex Discrimination and Equal Pay Acts. The Equal Opportunities Commission (EOC) is a non-departmental public body, funded through grant-in-aid. Our sponsor body is the Women and Equality Unit. The Equal Opportunities Commission is the leading agency working to eliminate sex discrimination in 21st Century Britain. We welcome the opportunity to submit evidence to the Scottish Affairs Committee Inquiry into poverty in Scotland.

[39] Two-thirds of families with benefits as a main source of income do not receive free school meals or clothing grants, Living on the Edge, 1 in 4 poll, Capability Scotland (December 2001).

2. Since the EOC was established in 1975, women's position in society has changed rapidly and dramatically. Women now make up around half of the labour force. Greater numbers of women, generally those with higher educational qualifications, are employed at a senior level in the public service and in professions such as higher education and the law.

3. However, women as a whole are still more at risk than men of having an income lower than the national average. A woman on a low income is more likely to stay in poverty for longer and more likely to experience hidden poverty.[40] Women with low educational qualifications, lone parents (primarily women) and older pensioners (also more likely to be women) are particularly likely to be on low incomes. The risks are even higher for minority ethnic women and women with disabilities.

4. Men and women experience poverty differently. Poverty for men is linked to unemployment, low skills and regional job opportunities. Men also use social support in different ways to women, for example in Scotland most claimants of the jobseeker's allowance are men (78%), whilst Income Support and Attendance Allowance claimants are more likely to be women (65% and 71.2%). A large proportion of these claimants are women since lone parents and older people are more likely to be women (Scottish Executive, 2002).

Indicators of Poverty in Scotland

5. Cabinet Office data shows that the average gross **individual weekly income**, for men in Scotland (£317) is significantly higher than for women (£172); this is slightly lower than across Great Britain where it is £342 for men and £178 for women.

6. **Households headed by a woman** are over-represented amongst those households experiencing poverty. For example, the Scottish House Condition Survey reported that 50% of all households receiving income at or below income support level are female (Scottish Homes, 1997). Even in households where a woman is the Highest Income Householder (HIH) they are less likely than those with a male HIH to have a bank account, savings and investments or home contents insurance (Scottish Executive, 2001). Indeed, the Family Resource Survey for 1999–2000 reports that more men contribute to a personal or employer's pension, 47% of men compared to 38% of women.

7. **Lone parents** are disproportionately represented among those who face poverty. They are twice as likely to be poor as compared with couples with children. Almost half of all lone parents in Scotland are in income poverty, three times the rate for couples with children; 90% of lone parents are women (Palmer et al, 2004).

8. There is a widespread assumption in public policy that women have a man's income to fall back on. This assumption is out of touch with the reality of many women's lives today and is a key reason for the greater risk of poverty faced by women. Unfortunately, there are many incidences where women become trapped in violent relationships because they are reliant on male partners for financial security. In 2005–06 there were 45,796 cases of **domestic violence** recorded by the police (Scottish Executive, 2006). 52% of these led to the recording of one or more criminal offences. 87% of these were with a female victim and a male perpetrator, where this information was recorded. 41% involved co-habitees or spouses, 34% ex-partners or ex-spouses and 16% involved current non- cohabiting partners. 90% of all recorded incidents took place in the home.

9. **Debt** is also linked with low income; a Citizens Advice study found that women were amongst those "most likely to have debts associated with poverty, such as catalogue debts and loans to home-collected credit providers" (Edwards, 2003).

10. Despite the fact that women live longer than men, they experience a greater amount of **ill health** during their lives. Women's health is adversely affected by greater exposure to poverty, by childbearing and by old age. The Social Exclusion Unit reported that 'levels of depression are highest among the mothers of young children, lone parents and those who are economically inactive. 28% of lone parents have common mental health problems' (SEU, 2004). Premature death is much more common in Scotland than it is in England or Wales, for example the rate of deaths amongst those aged 55—64 in Scotland has been around a third higher than in England and Wales for the last 10 years (NPI, 2005). Suicide is over three times higher among adult men than women in Scotland, this is a particular problem in rural areas and statistics show there has been an upward trend over the past 30 years (Scottish Executive, 2001). Suicide has been linked with unemployment, lower socio-economic status and occupation (particularly medicine and farming).

11. The position of some men, especially those who are unemployed or economically inactive is also precarious. **Unemployment and economic inactivity** rates are consistently higher for those living in the most deprived areas.[41] There are gender differences in the patterns of long-term unemployment and the impact of unemployment also differs with age.

[40] Hidden Poverty—explores the complexities of poverty. Poverty is not simply about going without but it is also about poor health, stigma, isolation and stress experienced as part of the poverty.

[41] Scottish Index of Multiple Deprivation identifies small area concentrations of multiple deprivation across Scotland.

12. A quarter of Scotland's **children live in poverty**, it is estimated that 46,000 children are living in fuel poverty. CPAG report that 5,000 households with children are without central heating and that half of low income families blame the "cold, damp and draughty" nature of their homes for their children's ill health; the same report also found that nearly 1 in 5 of single parent families live in fuel poverty (CAPG, 2002).

13. The Scottish Executive classifies settlements of 3000 or less people to be rural. The proportion of people living in the **rural north and south of Scotland** represents less than 30% of the Scottish population (2001 Census). The impact of rurality on women and men is considerably under researched, nevertheless we know that it impacts on the way in which men and women live their lives. Munro reports that women face, significant unemployment levels even where they are well-qualified, there are also high levels of out-migration of women for educational and employment opportunities and perceived restriction of access to business capital and land (Munro, 2001). The problems that rural men face are also important, average earnings in rural Scotland are 90% of those in the rest of Scotland (Futureskills, 2006). Lower earnings are linked to some of the issues mentioned above such as hidden poverty and lack of suitable/affordable housing. Poverty in rural areas is said to have broadly similar effects on the people who experience it to those people living in urban areas. However the causes of poverty in rural areas are different eg poverty is more dispersed and sometimes regarded as "invisible", there is lower take up of benefits, lower pay and restricted labour market opportunities.[42] Just as the causes of poverty are different the solutions to poverty in rural areas are also likely to be different; these solutions will also have to be different for women and men.

Causes of Women's Poverty

14. Women's employment patterns contribute to their levels of poverty. Women's working history tends to show an M-shaped profile—high level of labour market participation when they are young followed by a fall when they break from their jobs to look after children, followed by another increase from their mid-thirties. Women with low educational attainment are most heavily penalised in the labour market as they tend to take longer breaks from the labour market and find it more difficult to return to work.

15. The pay gap for women working full time is 12% and 34% for women working part time (EOC, 2006). This gap represents a lifetime of pay discrimination for women and is a contributing factor to women and children's higher levels of poverty and women pensioners' poverty.

16. Occupational segregation and caring responsibilities also contribute to the pay gap between men and women. A third of all employees in Scotland earn less then £6.50 per hour. Half of all part-time workers earn less than £6.50 per hour, most of them are women (Palmer et al, 2002). Many of the sectors where women dominate are poorly paid—they are sometimes referred to as the 5 C's: cooking, cleaning, clerical, caring and cashiering—part time work is common in these low paying, low status occupations. Women tend to have greater caring responsibilities than men and so opt for part time work to balance their responsibilities, again this to contributes to lower rates of pay for women.

17. Lack of childcare and access to flexible working arrangements can create additional barriers for women who want to work. This is a particular issue for women in rural areas where provision of after school care or nurseries can be very low indeed. It is also an issue for minority ethnic women who find it difficult to access childcare that is culturally appropriate for their children (EOC, 2006). In a survey conducted for the EOC, 41% of those with children between six and nine felt that their chances of getting a job or better job were limited because of difficulties with childcare.

18. Poverty is a serious issue for older women in Scotland. Women's working patterns over a lifetime are very different to men's and this has a direct impact on their salaries and pensions. Less than 12% of women receive the full basic state pension based on their own contributions, compared with 91% of men. Only one-third of women have any private pension income. Women's average income in retirement is 53% of men's average retirement income (ONS, 2004). Reform of the pension system is crucial if women's poverty in old age is to be tackled effectively and we welcome the government's Pensions White Paper and its commitment to conduct a gender impact assessment on the proposals. The EOC believes that the pension system should be changed so that periods of unpaid caring work in both private and state pension arrangements are recognised. The EOC would like to see measures introduced which ensure that the reforms deliver for everyone and in particular to increase eligibility to the full state pension for the 45–65 age group and ensure that carers and the lowest paid can accrue an adequate income in retirement.

19. Set alongside the undervaluing of "women's work", hidden differences in intra-household resource distribution and lack of access to childcare and flexible working mean that many Scottish women remain in a position of relative insecurity, dependence and powerlessness.[43]

---

[42] For more information on women and poverty in rural Scotland go to http://www.scotland.gov.uk/cru/kd01/maroon/rwrs-05.asp

[43] Rosenblatt G., Rake K. (2003) Gender and poverty briefing, Fawcett Society, available on www.oxfamgb.org/ukpp/resources/downloads/gender_and_poverty.pdf

Impact of Government Policy on Poverty

20. Gender mainstreaming is essential if the government is to fully appreciate the differential impact of its anti-poverty strategies on women and men. In some policy areas, the priority accorded to gender equality has been very limited. The EOC is concerned that some of the Scottish Executive's strategies, such as the lead strategy "Closing the Opportunity Gap" appear to have a positive vision about equality but do not demonstrate a practical understanding of equalities issues and their relationship with poverty.

21. The EOC also note that key strategic documents such as "Workforce Plus" and the NEET[44] strategy "More Choices, More Chances" lack a clear steer on gender. For example, More Choices, More Chances states that:

> *"LFS data also shows that the proportion of young people NEET increases with age: 10% of 16 year olds compared with 17.5% of 19 year olds are classified as NEET. This trend is similar for both males and females, although a greater proportion of females (19.5%) than males (15.6%) are NEET, due possibly to child and other caring responsibilities"*
> (More Choices, More Chances, Scottish Executive 2006, page 5).

It is concerning that the strategy acknowledges the gender dimension of the NEET group early on but it fails to provide further guidance for delivery agencies on the obvious issues for girls in this group and the longer term impact that unemployment and inactivity in this stage of their lives can have for the future. The lack of gender focus in Scottish Executive thinking is also evidenced in the Social Focus on Deprivation which lacks gender disaggregated statistics.

22. Without a clear steer from the Scottish Executive on the gender dimension of poverty public sector agencies will find it difficult to address poverty issues effectively. Different approaches will clearly be required to support (for example) women lone parents out of poverty, than may be needed by young male ex-offenders. While local delivery agencies may recognise this, national strategies often do not.

23. Actions taken by the Scottish Executive to address the gender dimension of social policies have been insufficient to develop and sustain coherent gender mainstreaming and political momentum across all policy areas. Gender mainstreaming is particularly important as the Gender Equality Duty will come in to force in April 2007 requiring public bodies to demonstrate action to tackle gender inequality in policy making, employment and service delivery. If public bodies are not able to implement gender impact assessments it is unlikely that they will meet the Gender Duty effectively.

Existing Good Practice

24. However, there is good practice to be learned from. The Scottish Executive already has some experience of mainstreaming equalities issues in to policy and practice which could be usefully disseminated. As the managing authority for European Structural Funds in Scotland the Executive has been exposed to a whole range of projects which have mainstreamed equalities and tackled the causes of poverty. This approach has been successfully proven and the EOC would hope that the Scottish Executive could disseminate this learning to delivery agencies so that gender issues are taken into account in the early stages of policy development.

25. There are many other examples of work which mainstream gender in policy making and practice, as this example from Job Centre Plus demonstrates:

[44] NEET Group—at any one time, some 35,000 of young people in Scotland aged between 16–19 are not in Education, Employment or Training (NEET).

Work Works at Job Centre Plus

In his 2003 Budget the Chancellor Gordon Brown committed to provide "improved support for lone parents, with a flexible fund to improve access to debt advisory services and pilots of a new work search premium to cover the extra costs of looking for work". Following on from this the Secretary of State aimed to test the impact of providing NVQ/SNVQ level 3 training and their effect on improving employment chances. Job Centre Plus developed a pilot called "Work Works" which began on 25 October 2004 in the six "Work Works" metropolitan areas of Birmingham, Glasgow, Leeds, Liverpool, London and Manchester. In Glasgow, Job Centre Plus developed a partnership with Glasgow City Council and established the following objectives for their pilot:

- To find out what interest there was amongst lone parents in achieving a higher-level qualifications which will assist them in obtaining employment in a higher paid job, ie a supervisory/leader role.
- To understand if there was commitment amongst lone parents to undertake a training lasting up to two years whilst remaining on benefit.
- To establish what effect an SNVQ Level 3 training would have for lone parents employment rate in an industry that is not traditionally associated with high levels of lone parents.

Job Centre Plus agreed that they would offer training in joinery and carpentry to female lone parents because:

- In Scotland there is a boom in the construction industry and a lack of skilled people, so trainees would have a high chance of employment.
- Research by Glasgow City Council showed that there was a demand amongst service users for female workers to do jobs in peoples homes.
- Women are under represented across the construction industry and this training would help address the ongoing gender imbalance.

The pilot offers trainees the following:

- A two year training programme for an SNVQ level 3 in joinery and carpentry.
- Study times between 9.30 and 2.30, which fits with school and nursery times.
- During training trainees continue to receive their benefits and receive free childcare and free travel to the training centre within the city boundaries.
- Trainees receive a weekly training premium and a Christmas bonus.
- The course is delivered on a term time basis to allow maximum participation for female lone parents.
- Participants are guaranteed a job with Glasgow City Council on completion of the training. In addition, newly qualified joiners can expect to earn £21,000.

Job Centre Plus previously ran a gas-fitting course for lone parents, however this pilot is the first time that they have targeted female lone parents.

26. Gender has frequently been used to highlight the "problems" of poverty, for example underachieving boys and single mums and it is important to challenge this deficit approach. There are some good examples form regeneration work which demonstrate how addressing gender can make a significant difference in poor communities. Oxfam have facilitated a number of projects where gender is a focus. The Glasgow Women and Social Inclusion Working Group is one example. This group has worked with regeneration decision makers to raise awareness of gender issues and to use gender impact assessment tools to support regeneration plans. Oxfam is also currently working in partnership with South Lanarkshire Council to build gender analysis into the development and delivery of Scottish council regeneration policy and practice.[45]

What Needs to Change

27. Significant work has been undertaken in Scotland in recent years to address poverty and social exclusion. However, less attention has been given to why poverty affects more women than men. More work is needed to identify practical solutions. This is particularly the case in relation to the additional disadvantages poverty often brings with it, in terms of access to wider services.

28. The gender equality duty will require that this approach changes. Public spending exercises should ensure that recipients of funding are required to demonstrate how the services they offer, whether in provision of research or a direct service provision will consider gender issues.

29. The Government and the Scottish Executive should publish disaggregated statistics to provide an informed baseline for effective policy making. Unfortunately, statistics which are disaggregated by gender are not routinely published by departments, and it is especially difficult to get reliable data which is disaggregated by race and gender or gender and disability. Without reliable data is very difficult for public agencies to identify gaps in their provision or potential issues for women and so it is easy for agencies to continue to offer 'one size fits all' solutions to poverty which we know does not help the position of women. The example below demonstrates how government leadership on data collection is vital and important for national policy making:

[45] For more information about Oxfam and South Lanarkshire partnership go to http://www.genderwise.co.uk/Projects/southLanarkshireCouncil.html

Gathering information and data

Data collection and exchange: Canada and Sweden

In 1997, Canadian Federal-Provincial/Territorial Ministers commissioned a project to create economic gender equality indicators to be made available for use in public policy decision-making processes. The indicators provide broader data on women's experiences in the economy, including total income, paid and unpaid work and education and training. Sweden, since 1994, has a well-developed system of disaggregating and publishing statistics by gender through Statistics Sweden, its central statistical office. For some years the Canadians and Swedes have also engaged in a bilateral, biannual exchange of good practice on statistics for equality involving government, academics and practitioners.

30. The EOC welcomes the Scottish Executive's new Multiple and Complex Needs initiative which aims to improve public services for those who are hard to reach. We note particularly the Aberdeen Carers project to support male carers and the Greater Glasgow Health Board project to develop gender specific guidance for those affected by poverty.[46]

31. The EOC believes that it is vital that high level anti-poverty strategies not only identify gender issues as important but seek to develop paths to ensure that gender is embedded in practice. Future anti-poverty policy in Scotland must take issues of multiple identity and discrimination into account. Ethnicity, faith/belief, age, disability, geography and sexual orientation are all aspects which combine with gender and poverty to produce different patterns of discrimination and deprivation. Any cross-cutting initiative to address deprivation needs to engage with the multiplicity of issues that face people in poverty.

Equal Opportunities Commission

October 2006

References

Brown, U (2000) *Race, Ethnicity and Poverty,* Briefing Sheet 12, The Scottish Poverty Information Unit, Glasgow Caledonian University.

CPAG in conjunction with Scottish Poverty Information Unit (2002) *Poverty in Scotland 2002—People, places and policies*, London: CPAG.

CPAG (2006) Child Poverty Action Group's *Web site:* http://www.childreninscotland.org.uk/docs/pubs/fuelpoverty.pdf£search=%22Child%20Poverty%20Action%20Group%E2%80%99s%20Poverty%3A%20the%20facts%22

Edwards, S (2003) *In too deep, CAB clients' experience of debt*, London: Citizens Advice.

EOC (2003) *Research Findings, Gender and Poverty in Britain*, Manchester: Equal Opportunities Commission.

EOC (2006) *Facts about Women and Men in Scotland 2006*, Glasgow: Equal Opportunities Commission.

EOC (2006) *Moving on Up? Visible Minority Ethnic Women at Work, A Summary of the first phase of research for Scotland,* Glasgow: Equal Opportunities Commission.

Futureskills Scotland (2006) *The Labour Market in Rural Scotland—An Introduction*, Glasgow: Futureskills Scotland.

General Register Office for Scotland (2004) *Scotland's Population 2004*—The Registrar General's Annual Review of Demographic Trends http://www.gro-scotland.gov.uk/statistics/library/annrep/rgs-annual-review-2004/chapter-2/index.html

Munro, G (2001) Researching Women in Scotland's Rural Economy. Researching women in rural Scotland, Report of Conference organised by the Scottish Executive Inverness, 1 June 2001.

NPI, New Policy Institute Poverty Indicators http://www.poverty.org.uk/indicators/s32.htm

Palmer, G, Carr, C and Kenway (2004) *Monitoring Poverty and Social Exclusion Scotland 2004*, Joseph Rowntree Trust http://www.jrf.org.uk/bookshop/eBooks/185935260X.pdf

ONS (2003) *Population Trends Summer 2003*, Office of National Statistics.

Scottish Executive (2001) National Framework for the Prevention of Suicide and Deliberate Self Harm in Scotland, A Consultation. Scottish Executive.

Scottish Executive (2001) *Scottish Household Survey, Bulletin 5, 2001,* Edinburgh: Scottish Executive.

Scottish Executive (2002) *Social Focus on Women and Men*, Edinburgh: Scottish Executive.

Scottish Executive (2003) *Implementation of the National Strategy to Address Domestic Abuse in Scotland Progress Report*, Edinburgh: Scottish Executive.

[46] For a leaflet on the Multiple and Complex Needs Initiative go to http://www.scotland.gov.uk/Topics/People/Social-Inclusion/17415/mcninfo

Scottish Executive (2004) *Statistical Bulletin, Criminal Justice Series: CrJ/2005/9: Domestic Abuse Recorded by the Police in Scotland, 1 January—31 December 2004* , Edinburgh: Scottish Executive.

Scottish Executive (2005) *Scottish Economic Statistics 2005*, Edinburgh: Scottish Executive.

Scottish Executive (2006) *Criminal Justice series CrJ/2006/07 Sept 2006,* Edinburgh: Scottish Executive.

Scottish Executive (2006) http://www.scotland.gov.uk/Topics/Statistics/SIMD/Overview

Scottish Homes (1997) *Scottish House Condition Survey 1997*, Scottish Homes.

SEU (2004), *Mental Health and Social Exclusion*, London: Social Exclusion Unit.

Memorandum submitted by Oxfam's UK Poverty Programme [UKPP]

SCOTTISH AFFAIRS COMMITTEE: POVERTY IN SCOTLAND INQUIRY OXFAM UK POVERTY PROGRAMME RESPONSE

> "The worst thing about living in poverty is the way it gives others permission to treat you as if you don't matter, as if your opinions don't count, as if you have nothing to contribute. We realize that this doesn't show up in the statistics, but there is a stigma attached to living in poverty. If you make a policy about us and not with us, then you reinforce that stigma."
>
> *Comment by community activist at All Party Parliamentary Group in Poverty meeting, 27 February 2002*

1. Executive Summary

1.1 Oxfam GB, globally and domestically, regards poverty as multi-dimensional, going beyond the purely economic to encompass capacity, exclusion, powerlessness and inequity;

1.2 Oxfam's UK Poverty Programme (UKPP) believes the key features of poverty in Scotland are that:

- Poverty is a persistent, enduring phenomenon whose shape may change over time but whose reach and scale is unabated;
- It is characterized by increasing inequality, which reflects an increased visibility of wealth creation and the increased marginalization and silence of those in poverty;
- It is a complex phenomenon, with no easy, straightforward solution, evidenced by the very existence of poverty in a developed, wealthy country in the 21st century;
- Although work has provided a route out of poverty for some women and men, for thousands of others it has not, due to low pay, insecurity, poor terms and conditions, and lack of enforcement of relevant standards;
- It has distinct connections with gender, race and age, which are evident both in the opportunities and outcomes experienced by people in poverty;
- It has global resonance, with similar poverty causes and effects felt, and interacting, across the world;
- Public debate is set in a context of blaming and "othering" women and men who experience poverty, with little sensitivity to either the conditions they face, or the efforts they devote to getting by and to improving their circumstances.

1.3 The UKPP views the policy context in the UK (at both reserved and devolved levels) as it relates to poverty eradication as having the following characteristics:

- The principal route out of poverty for both women and men is seen as work;
- The targeting of resources at "deprived" communities is seen as the most effective way to tackle poverty and achieve regeneration;
- There is a significant focus on individual behaviour and "responsibility", almost to the exclusion of addressing the structural causes which create and perpetuate poverty in a wealthy country;
- There is little focus on the need for, and the enforcement of, human rights, protections and minimum standards and the role of government in securing these;
- Crucially, women and men who actually experience poverty are not involved in formulating, implementing or enforcing policy commitments but at are the fringes, largely silenced.

1.4 More broadly, there is a disconnection between "anti-poverty" policies and programmes on the one hand, and economic development policy and investment on the other. For example, the economic development of the river Clyde has led to the visible "gentrification" of particular locations within communities facing long term poverty, without the impact on, and benefits to, those communities being

assessed in the same way as other economic indicators. Underpinning this approach are the assumptions that poverty eradication is possible without addressing growing income inequalities or that it will be achieved through increased economic growth, rather than through more redistributive measures.

1.5 Internationally, although Oxfam recognizes that there may be some benefits from globalisation, we believe there can also be losses for those in poor communities, and that globalisation can cause greater inequality and poverty. The impacts of international trends can increasingly be felt in Scotland; increased economic migration, for example, is affecting the labour market, and there are also consequences for workers within increasingly complex, international supply chains. Oxfam believes that the UK government should seek to protect the rights of all workers to secure, sustainable employment as a key route out of poverty.

2. Oxfam's Approach

2.1 Oxfam GB established a UK Poverty Programme (the UKPP) in 1995 in response to a concern that it should begin to address poverty "at home" in a more systematic way. The vision of the UKPP is that women and men who experience poverty in the UK are enabled to exercise their rights to a decent and secure standard of living in what is a rich, industrialized society. Our programme work encompasses a raft of activities across the strategic themes of sustainable livelihoods; humanitarian protection; and equalities and human rights. In Scotland, the programme is similarly grouped around these central strategic themes.

2.2 The foundation of the UKPP approach is based on the experiences and views of women and men who directly experience poverty. The UKPP has built considerable knowledge of their priorities and what they regard to be effective solutions to poverty through a significant programme base across the UK. In particular our partnership with the Department for Work and Pensions in the "Get Heard" project (also part-funded by the European Commission), enabled the direct voice of women and men experiencing poverty to be heard during the preparation of the 2006–08 National Action Plan for Social Inclusion.[47] The UKPP has also developed a wealth of resources on different aspects of poverty, and introduced the UK-wide Social Inclusion Directory.[48]

2.3 Oxfam take a "rights-based" approach to poverty. We regard poverty as multi-dimensional and complex, comprising at least four aspects:

- Not having enough to live on;
- Not having enough to build from;
- Being excluded from wealth;
- Being excluded from the power to change things for the better.

Therefore, our definition goes beyond the purely economic to encompass poor capabilities, exclusion, powerlessness and inequity.

2.4 In the early 1980s, Oxfam identified gender inequality as a key barrier to addressing long-term poverty in its international work. This is in response to the fact that globally almost three quarters of those who live in poverty are women and the fact that 1 in 4 women in the UK lives in poverty, with a disproportionate impact on children. This approach reflects the connections between poverty and inequality, and powerlessness and a lack of rights (and enforcement of such), as well unmet material needs.

3. Poverty in Scotland

3.1 Poverty levels in the UK remain high, as compared with other Western European countries. There has been a widening of wealth inequalities, caused and compounded by longstanding gender, race and class inequalities.

3.2 The statistics available on poverty in Scotland are not quite complete. In many instances it is not possible to disaggregate statistics by gender and age, and there are currently no central statistics than can be disaggregated by race. Poverty measures such as households below 60% of median income also do not disaggregate relative numbers of men and women. Despite this, the UKPP has undertaken an analysis of SIMD (Scottish Index of Multiple Deprivation) data which has informed the strategic direction of the programme in Scotland. This analysis is drawn on in the following paragraphs.

3.3 Almost a million people live in income poverty in Scotland today. Specifically, one quarter (23%) of people in Scotland live below the 60% median income level;[49] most of the workless households in income poverty are either sick, disabled or lone parents; the rate of income poverty among working-age adults without dependent children is now higher than it was in the mid-1990s (they now constitute more than a

[47] (2006) *Get Heard' National Action Plan on Social Inclusion,* Published by Oxfam on behalf of the Social Policy Task Force and the Department for Work and Pensions.

[48] http://www.oxfamgb.org/ukpp/sid/index.htm

[49] Joseph Rowntree Foundation (2005), *Monitoring Poverty and Social Exclusion in Scotland.*

third of all those in income poverty); almost a third of all those in income poverty live in households containing someone in paid work (in half of these cases, the work is part-time); and children remain more much likely to be living in income poverty than either working-age adults or pensioners.

3.4 What has become more evident in recent years is that Scotland is a land of contrasts, or, more precisely, inequalities:

— Some of the most deprived areas in Scotland are close to some of the wealthiest, and this is most evident in the gentrification of areas next to, or even within, poor communities;

— Life expectancy can vary by up to three decades between the most deprived and the most affluent areas, with an average male life expectancy in the most deprived areas at only 65, lower than Bosnia, Lebanon, the Gaza Strip, Iran or North Korea;

> "A child born in Calton, in the East End of Glasgow, is three times as likely to suffer heart disease, four times as likely to be hospitalised and ten times as likely to grow up in a workless household than a child in the city's prosperous western suburbs."
>
> *The Scotsman, "A Nation Still Divided by Poverty and Inequality", 4 January 2006*

— In sharp contrast, if the most privileged areas of Scotland formed a country, it would have the longest life expectancy in the world, outstripping Iceland, Japan and Sweden;

— The rate of deaths from stomach cancer, lung cancer and heart disease in Glasgow and Inverclyde is twice as high as in some other parts of Scotland, and Dundee has twice as many under-age pregnancies as most of the rest of Scotland;

— Sustaining livelihoods through welfare benefits is common in some areas. In Calton, for example, two in five adults claim Incapacity Benefit and in Hamiltonhill 61% of children are in workless households;

— Almost half of all lone parents (both working and not working) are in income poverty, almost three times the rate for couples with children;

— The poorest households are four times as likely to be without a bank/building society account as those on average incomes;

— A third of the poorest households lack home contents insurance, compared with virtually no households on above-average incomes.

3.5 Enduring structural inequalities also exist in Scotland. For example:

— There are significant differences in the levels of employment between men and women in different areas in Scotland, with the largest variations all in rural areas. Almost half (48%) of all people in Scotland in employment are women, only 0.6% of whom are women from black and minority ethnic groups;

— The concentration of men and women in different kinds of job and industries (job segregation) is strongly evident in Scotland. The main employers of women are Public Administration, Education and Health, and Distribution, Restaurants and Hotels. The sectors of the economy in which women are concentrated are also those where low pay is concentrated, as 25% of public sector workers receive less than £6.50 per hour, while around 40% of Distribution, Restaurant and Hotel workers are paid less than £6.50.[50]

— In total, 30% of all workers in Scotland—more than 500,000 people—are paid less than £6.50 per hour. Half of part-time workers are paid less than £6.50 per hour, 80% of whom are women.

— In August 2004 (the last date comparable statistics were available), there were 94,500 Job Seekers Allowance claimants in Scotland. Three quarters (75%) of these claimants were men. Women are the primary claimants of Income Support (not deemed economically active), in a 66:34 ratio with men;

All women on JSA are competing against a pool of men in the age group deemed "most employable" by employers (25–49). The pool of men in this group is four times larger than the equivalent group of women;

— Glasgow has the highest incidence of disability in Scotland, the lowest levels of employment of disabled people and the highest levels of Incapacity Benefit receipt with over 61,000 (around 13% of the overall population);

— Over two thirds (67%) of Bangladeshi women are deemed "economically inactive"; women from black and minority ethnic communities are employed at half the rate of the wider community; 11% less black and minority ethnic men are deemed economically active than white male; 14% less black and minority ethnic women are deemed economically active than white women.

[50] http://www.jrf.org.uk/knowledge/findings/socialpolicy/n104.asp

4. Policy Context

The following is a brief overview of several key policy areas that are directly relevant to poverty in Scotland and the UKPP's work.

4.1 *Regeneration*

4.1.1 Regeneration is a policy matter devolved from Westminster to the Scottish Parliament. In the eight years since devolution, the Scottish Parliament and Executive have done much to tackle social exclusion and injustice and put in place frameworks to progress this agenda. For example, the Social Justice Strategy 1999 and Milestones, the Closing the Opportunity Gap (CTOG) approach and objectives of 2004; the introduction of the Community Regeneration Fund; the implementation of the Financial Inclusion Plan; and support for "deprived" communities to both undertaken research into local priorities (for example, through the Scottish Communities Action Research Fund) and to engage with local and national policy making processes (for example, the Partnership Representatives Network and "Community Voices") all demonstrate political will to tackle poverty and deprivation in communities across Scotland. Furthermore, this work has been developed in the UK context of the Opportunity for All reports and the UK National Action Plan on Social Inclusion.[51]

4.1.2 The wider view of poverty in the CTOG framework encompasses targets on increasing employment and reducing welfare benefit recipient numbers. This has led to the development of a national Employability Framework and the national NEET ("Not in Education, Employment or Training") strategy, with consequently a range of local employment and training options within "deprived" areas from UK programmes like New Deal and Scottish Enterprise programmes like Training for Work, to grassroots projects. All of this should help to ensure that women and men experiencing poverty are enabled and empowered to secure "sustained employment".[52]

4.1.3 The founding principles of the Scottish Parliament; the Scotland Act's broad definition of equality (Schedule 5) and its incorporation into devolved legislation, including the Local Government (Scotland) Act 2003; the Scottish Executive Equality Strategy; the CoSLA Guidance on Equality in relation to Community Planning and Best Value; and the introduction of a UK Gender Duty have all posed significant opportunities for gender considerations to be fully embedded into the policy framework and operationalisation of regeneration in Scotland.

4.1.4 Despite the raft of national and local policy and resources targeted at regenerating deprived communities in Scotland, there is not an anti-poverty strategy in place which reflects the often very different experiences of women and men of poverty and, specifically, the different ways in which they build and sustain their livelihoods in order to survive and indeed escape from poverty. This is a significant failure, as the structural factors that create and perpetuate poverty will not be addressed adequately. For example, if women experiencing poverty are routinely channeled into stereotypical employment and training opportunities which are low paid, low status and insecure it is highly unlikely that this will "lift them permanently out of poverty" in accordance with the CTOG objectives.

> A recent review of Scotland's Modern Apprenticeship Scheme has shown that the number of participants following non-traditional apprenticeships has actually dropped, significantly undermining the economic gains to be made by addressing skills shortages in traditionally segregated sectors like construction and childcare.
>
> *Occupational Segregation in Scotland, Progress Report, EOC, August 2006*

[51] DWP (2006) Working Together: UK National Action Plan on Social Inclusion 2006–08.

[52] http://www.Scotland.gov.uk/Topics/People/Social-Inclusion/17415/opportunity

Making Regeneration Better

The UKPP has developed a programme in Scotland, which directly links two keys poverty themes: sustainable livelihoods and gender. The Programme builds on work undertaken by the UKPP on gender and regeneration across the UK for many years, and is called "Making Regeneration Better". It seeks to address the lack of gender analysis in national and local regeneration policies, programmes and practices, and directly links regeneration and employment strategies and programmes. It aims to highlight the different ways in which women and men experiencing poverty access and secure a decent and sustainable standard of living, in accordance with the CTOG objective to "lift them permanently out of poverty".

This programme currently runs in the Community Planning areas of South Lanarkshire, Dundee and Inverclyde (and is based on previous programme work in Glasgow). These areas were selected for their high levels of deprivation in terms of SIMD ranking, and targeting in terms of government initiatives like "People and Places" and the Department for Work and Pensions City Pilots.

Over a quarter (28%) of Dundee's population lives in the 15% most deprived data zones in Scotland, the third highest rate after Glasgow and Inverclyde. In Dundee City, only 57% of working age women are in employment, and in Inverclyde it is 66%, significantly lower than the national average of 84%.[53]

In this programme, the content and reach of Regeneration Outcome Agreements are analysed, with a specific focus on employment initiatives and services which are either funded by the Community Regeneration Fund and/or which are deliver services in "deprived" communities. A gender analysis is undertaken to explore whether these initiatives address the different lives and experiences of women and men. Specific support is being offered to local agencies and partners to build their capacity to recognize and tackle the significant gender implications of the work they undertake, from guidance to school age girls and boys, to training for work and employment opportunities.

In Lanarkshire, the gender breakdown of the 25+ population is 46% male and 54% female. However, participation rates in this group in Lanarkshire for Training for Work in 2005–06 was 72% male and 28% female, and for the New Deal it was 85% male and 15% female.[54]

Through our work in South Lanarkshire we have found that pupils are still choosing vocational courses and work experience placements that are "traditional". For example, it is almost only girls going into care and administration work while boys go into construction. Clearly, gender stereotypes are operating to restrain choices and aspirations, meaning that boys and girls are being excluded from large areas of the labour market before they even enter it. Importantly though, job segregation has profound implications for girls and women. By choosing to pursue work in female dominated occupations, like care, these South Lanarkshire girls have also chosen an occupation that is under-valued and low paid. This has significant lifelong fiscal consequences, and reduces the chances of them building and maintaining sustainable livelihoods. Consequently, we are working with schools and relevant agencies to develop strategies that will start addressing some of the attitudes and beliefs that lead to job segregation and poverty outcomes.

In each of the geographic areas in which the Making Regeneration Programme operates, the UKPP is planning to also deliver training for groups of local women, far from the labour market, to build their knowledge and skill (and recognizing the many skills they will already possess) in terms of building sustainable livelihoods. This reflects the very different approach of women and men to work and training. The UKPP programme experience demonstrates that women are more able to see the benefits of training, but are not routinely enabled to translate this into earnings. Men have clear notions of the kinds of work and training they see as fitting to their sense of self.[55]

4.2 *Welfare benefits*

4.2.1 The high numbers of women and men in Scotland in receipt of the range of Welfare Benefits has been highlighted above. There are clear correlations between benefit receipt and poverty, for women, men, and children.

4.2.2 Oxfam GB's response to "A New Deal for Welfare: Empowering People to Work" highlighted the absence of a clear recognition of the gender implications of much of the content of the Green Paper.[56] This is despite the recognition in the Green Paper that the current Welfare Benefits system was conceived in terms of the "male breadwinner" concept, which is now outdated. In tandem with this is the lack of routine data which correlates SIMD data with gender, undermining the ability to build a gender analysis into welfare reform.

[53] (2003) *Scottish Neighbourhood Statistics.*

[54] (2006) *Analysis by Scottish Enterprise Network.*

[55] (2003) *Fifty Voices Are Better Than One: Combating Social Exclusion and Gender Stereotyping in Gellideg,* UKPP Oxfam; Ruxton, S. (2002) Men, Masculinities and Poverty in the UK, Oxfam Publications.

[56] http://www.dwp.gov.uk/welfarereform/legislation_green_paper.asp

> Jean has been on Incapacity Benefit for the last 20 years. She lives alone and faces multiple health problems. Due to the limited and fixed income she receives, choice is drastically reduced and debt is a problem. Any additional spend or unforeseen "crisis" wrecks the budget she works to and reduces her disposable income. Jean experienced abuse throughout her childhood and marriage, affecting her mental health and confidence. At the age of 55 Jean can only see more of the same, with little prospect of reasonable paid, secure employment and no pension provision.
>
> *Case Study from the work of a UKPP partner organisation in Scotland*

4.2.3 Specifically, Oxfam is concerned about a number of key aspects of the proposed changes to the welfare system. While this is an area of reserved policy, the UKPP in Scotland will see the ramifications of policy change in its work on the ground:

- The focus on employment (at both a reserved and devolved level) assumes that this is an automatic route out of poverty, which it is not at present despite the minimum wage and tax credits. Low pay (and the lack of enforcement of the minimum wage), the gender pay gap, the concentration of women in the low paid sectors of the economy, increasing job insecurity and a lack of affordable childcare mean that a significant proportion of the population who experience poverty are actually already in work;
- The focus on "responsibilities" should be counterbalanced by national and local government efforts to ensure that individuals understand and can claim their rights. A disproportionate focus on women and men in poverty exhibiting "responsible" behaviour both denies the responsibilities of the wealthy, and ignores the structural causes of poverty;
- The lack of affordable, accessible childcare, even with the advent of Tax Credits, still remains one of the principal barriers faced by women to accessing and sustaining employment. The Get Heard project identified this as a key policy and resource priority for government.
- The expectations placed on an extension to the Pathways to Work programme are disproportionate, in the context of resource constraints within DWP and the fact that those who require the most help in seeking employment can be those who receive least.[57]
- An over-emphasis on compulsion and associated sanctions and the restructuring of benefits for sick and disabled people could actually cause increased poverty and social injustice for groups of people already marginalised. For example, it is proposed that claimants of the new "Employment Support Allowance" will be placed on a basic allowance in line with JSA rates while their capability for work is being assessed. The implications of placing sick or disabled people on JSA rates, when they often face higher living costs in the first place, has been explored by organizations like Child Poverty Action Group.[58]

4.3 *Employment*

> "While work strongly reduces the risk of being poverty, it does not eliminate it: two-fifths of the people in working-age households who are in income poverty now have someone in their household in paid work"
>
> *Joseph Rowntree Foundation, Monitoring Poverty and Social Exclusion in Scotland 2005*

4.3.1 Oxfam programmes,[59] both internationally and in the UK, use the "sustainable livelihoods" framework to analyse the capabilities, assets and activities required to make a living. A livelihood may be said to be sustained when it can cope with stresses and shocks and maintain or enhance its capabilities. This framework was developed in the 1980s and gained popularity in the 1990s when it was adopted by organizations like Oxfam and the Department for International Development (DfID).

4.3.2: Oxfam promotes the sustainable livelihoods approach to develop a more holistic understanding of poverty, and the range of factors which interact to impact on the ability of women and men to build and to sustain a decent livelihood, as highlighted in a scoping exercise undertaken by the UKPP in Scotland in 200213 The framework also helps to explain differences in the ways women and men seek to build their livelihoods and, as such, can assist in analyzing the effectiveness of approaches to poverty like training for work.[60]

---

[57] Wright S, *"The Street Level Implementation of Unemployment Policy,* in Millar J (ed.)(2003), *Understanding Social Security: Issues for Policy and Practice,* The Policy Press, Bristol.

[58] G Preston (ed) A Route Out of Poverty?, CPAG, 2006.

[59] Long G, Phillips K, Reynolds B (2002), *The Sustainable Livelihoods Framework: A Scoping Exercise in Scotland,* Report for Oxfam UK Poverty Programme, University of Glasgow.

[60] Brown G, May C, Orr S, Smith S, Waters O (2006), *Assets, vulnerabilities and livelihoods: An analysis of households in Thornaby,* Church Action on Poverty and Oxfam.

> Susan has three children, two are at primary school and one is in nursery. She has not worked for ten years and her partner, Joe, works when he can, mostly on a fixed term contract. Susan is currently on a training course, looking at skills for work. However, Susan is worried about taking a job which will not pay enough to cover childcare and to live on, even with tax credits. Susan and Joe have both considered further training, but this cannot be prioritised over caring for the children and looking for ways to bring money into the house. Previous debts, which they have incurred over the years, have only recently started to be managed with proper signposting to an appropriate service. Neither Susan nor Joe has any savings or additional pension plans. Any unforeseen spend has a dramatic effect on the household budget.
>
> *Case Study from the work of a UKPP partner organisation in Scotland*

4.3.3 The UKPP is increasingly focusing its efforts at the sharp end of the labour market in the UK: on women and men who work in precarious and insecure employment in both the formal and informal economies, drawing out both the gender and race dimensions of their experiences. For example, we work with a range of organizations across the UK who support and campaign on behalf of homeworkers, most of whom are women, In Scotland, the UKPP funded ground-breaking research into the experiences of Asian women homeworkers in Glasgow.[61]

4.3.4 Low pay in employment is a consistently recurring theme across the programme of work of the UKPP. From the146 "Get Heard" workshops that took places across the UK, to our work with homeworkers and migrant workers, the issue of low pay and the minimum wage is consistently raised.

> There was general agreement that the National Minimum Wage needs to be raised to meet the cost of living, and that a panel to define this level and work out the costs of living should include those with experience of living on the minimum wage. Both younger and older people raised the need to equalize the rate for all workers regardless of age.
>
> *UK Get Heard Report, 2006, section 2.4.3*

4.3.5 Oxfam supports the evidence and recommendations of partners like the National Group on Homeworking in relation to the rights of homeworkers, many of whom are fearful of making even an anonymous or third party complaint to the National Minimum Wage helpline. The UKPP thinks there should be more proactive enforcement of the minimum wage, for example, through the identification and inspection of workplaces from which there have not necessarily been individual complaints. The NMW Compliance Unit might not have the capacity or experience to deal with more complex cases like those of migrant workers and homeworkers in the informal economy. In addition, the UKPP supports the recommendation that the Low Pay Commission extend the compliance and enforcement regime associated with the NMW to other basic, statutory rights like sick pay, maternity leave and paid leave. The most simple and practical way to enforce the rights of vulnerable workers would be to set up a Fair Employment Commission tasked with investigating complaints from both workers and third parties, as opposed to the onus resting on marginalized and exploited individuals to work their way through the Employment Tribunal system. In Scotland, there should be dedicated and specific funding for advice and support services for workers who experience high levels of exploitation and fear, for example, migrant workers from EU accession countries.

> From the 65 (all female) homeworkers who responded to the questionnaire, 64 were paid in cash. On average, they earned £58.84 per week (ranging from £10 to £168). The hourly rate ranged from £2 to £4.50, with an average of £3.
>
> *Scottish Homeworking Group Report on Homeworking in the Asian Communities in Pollokshields and Govanhill (Glasgow)*

4.3.6 Oxfam supports the position of its partners like the Scottish Women's Convention and the Scottish Trades Union Congress that the gender pay gap is a significant contributor to women's poverty. The concentration of women in the lowest value, lowest paid sectors of the economy, and their increasing absorption into the informal economy, like homeworking, not only sharpens their experiences of poverty but limits their capacity to move into better paid, more secure employment.

4.3.7 There are additional barriers faced by black and ethnic minority women, only 32% of whom are in employment in Scotland (compared with 53% of white women). In terms of economic activity, for all women in Scotland the figure stands at 71% while for Pakistani and Bangladeshi women it drops to 35%.[62]

---

[61] (2003) *Report on Homeworking in the Asian Communities in Pollokshields and Govanhill,* Scottish Homeworking Group.

[62] (2006), *Moving on Up? Visible Minority Ethnic Women at Work,* EOC Scotland.

> The mix of sexism and racism must be addressed—in terms of social justices and for Scotland's economic development, it is unacceptable that the aspirations of minority ethnic women meet such barriers, and that their qualifications, skills and experience are being wasted.
> *Moving on Up? Visible Minority Ethnic Women at Work, EOC Scotland, 2006*

4.3.8 The UKPP supports calls from organizations like the Equal Opportunities Commission for a more joined up approach to gender and race policy at a strategic level in Scotland. We would go beyond this to recommend that the links between race, gender and livelihoods are explored in more depth to give a clearer picture of poverty faced by black women in Scotland.

October 2006

Memorandum submitted by the Scottish Refugee Council

Executive Summary

Asylum seekers, refugees and their children living in Scotland experience poverty during all parts of the asylum process. Scottish Refugee Council believes that UK asylum policy is wholly incompatible with strategies to tackle poverty in Scotland. Increasingly, some of the most vulnerable individuals in Scotland, in particular children and those with mental health problems, are experiencing abject poverty and destitution through the complete withdrawal of statutory support, the only available method to support themselves and their families. This is due to administrative errors and delays, but most disturbingly UK Government policies which use welfare support to coerce families refused asylum to return home and to act as a deterrent to future asylum claimants. Even when support is available to such people in Scotland this may be denied because of differences and misunderstandings of Scottish legislation. We believe that refused asylum seekers should not be left in abject poverty and support at the end of the asylum process needs to be reassessed. The UK Government should grant a legal status to asylum seekers whose claims have been rejected but cannot return.

About the Inquiry

The Scottish Affairs Committee of the UK Parliament is conducting an inquiry into Poverty in Scotland. The inquiry will begin by addressing issues such as: what poverty is; the extent of poverty; contributing factors to poverty; and the impact of Government policy on poverty.

About Scottish Refugee Council

Scottish Refugee Council provides help and advice to those who have fled human rights abuses or other persecution in their homeland and now seek refuge in Scotland. We are a membership organisation that works independently and in partnership with others to provide support to refugees from arrival to settlement and integration into Scottish society. We campaign to ensure that the UK Government meets its international, legal and humanitarian obligations and to raise awareness of refugee issues. We are also an active member of the European Council on Refugees and Exiles (ECRE), a network of over 80 refugee-assisting organisations across Europe.

Scottish Refugee Council welcomes the Committee's inquiry into the area of poverty in Scotland and we are pleased to submit this written evidence. We would also be pleased to provide oral evidence, if needed, to further the aims of the Committee's inquiry. We could also assist in supporting asylum seekers and refugees in Scotland to provide oral evidence. Our response focuses on the poverty experienced by asylum seekers and refugees living in Scotland and in particular the major contribution that UK Government policy and legislation has on the poverty experienced by this group of vulnerable people.

1. *Introduction*

1.1 The majority of people who flee their country and seek sanctuary in Scotland arrive with few or no possessions and are destitute. Most have had to abandon property and assets, leaving everything behind including family and friends, and often every penny of their life savings are spent on paying people smugglers to secure their journey out of danger. On arrival in the UK, they have no choice but to apply for financial support from the UK Government as they are forbidden to work[63] and support themselves.

[63] On 23 July 2002 the UK Government withdrew the concession that asylum seekers could work six months after their claim for asylum was made if they had not yet received a decision on their case. Any asylum seeker who obtained the right to work before that date is allowed to work, but asylum seekers making a claim after that date.

1.2 The Immigration and Asylum Act 1999 removed the right of new asylum seekers to access mainstream welfare benefits, public housing and some forms of Local Authority assistance, ie services to meet a need that "arises solely out of destitution or the effects of destitution". In place of this, the UK Government created a separate system and body, the National Asylum Support Service (NASS) to provide financial support to destitute asylum seekers. The package of support provided by NASS includes a weekly allowance.[64] This is currently set at 70% of Income Support rates for adults.

1.3 NASS also provides accommodation to asylum seekers which it does through agreements with local authorities. Asylum seekers applying to NASS for accommodation support[65] are therefore dispersed to local authorities around the UK which have entered into a contract with NASS. Glasgow City Council remains the only local authority in Scotland to have entered into such an agreement with NASS and thus asylum seekers are dispersed to Glasgow. 4,770 asylum seekers, including a high number of asylum-seeking families are currently housed[66] in NASS accommodation in Glasgow.

2. *Asylum and Poverty*

2.1 Scottish Refugee Council believes that asylum seekers in Scotland and the rest of the UK are forced to live at a level of poverty which is unacceptable in a modern and civilised society. In 2002, Scottish Refugee Council and other refugee-assisting organisations contributed to a report by Oxfam and the British Refugee Council.[67] In the survey, 85% of organisations reported that their clients experienced hunger; 95% of organisations reported that their clients could not afford to buy clothes or shoes; and 80% of organisations reported that their clients were not able to maintain good health.

2.2 The NASS support[68] that asylum seekers receive does equate with Income Support, the most basic minimum level of support given to UK residents required to maintain an acceptable standard of living. Moreover, the Income Support system is not just a one-off weekly payment but it is a gateway to a range of support, such as emergency payments and passported benefits[69] which help poor people to meet additional costs. Asylum seekers in Scotland are not allowed to access any of these additional forms of financial assistance.

2.3 Asylum seekers face specific forms of poverty such as learning to manage on a low and fixed income in a foreign country; loss of status;[70] coping with additional costs such as travelling to reporting centres, obtaining copies of legal documents, accessing culturally appropriate food; having limited social support networks; social isolation due to language difficulties and trauma; limited access to further education and having no access to credit.[71]

2.4 Due to poor-quality decision making and delays in determining asylum claims by the Home Office, asylum seekers can be subjected to these levels of poverty over a long and protracted period. This can have a major impact on their mental-health.[72]

2.5 The withdrawal of the right to work[73] does not only impact on the immediate poverty of asylum seekers, but has longer-term consequences of future employability, earning potential and planning for the future once a decision on their claim has been made.

2.6 Upon being granted status refugees face many difficulties similar to those on low incomes, however they also have specific financial burdens such as accessing secure and stable accommodation; appropriate employment; English language attainment and family reunion application costs. The Home Office is currently introducing an integration loan to assist with some of these financial costs. Whilst Scottish Refugee Council welcomes the fact that the Home Office appreciates the difficulty that refugees face upon being granted status by offering an integration loan, we are not convinced this is the most effective way to provide financial support to refugees to assist in their integration.[74] Firstly, we are concerned that the refugees will be forced to take a loan to provide for areas where mainstream statutory support is actually available and should be available but where access to this is difficult, for example Community Care Grants and English

64 Section 95 of the Immigration and Asylum Act 1999.

65 People claiming asylum may apply for subsistence only support. This means that they are responsible for their own accommodation and thus may live in other parts of the UK.

66 Asylum Statistics, 2nd Quarter 2006, Home Office, http://www.homeoffice.gov.uk/rds/pdfs06/asylumq206.pdf

67 Poverty and Asylum in the UK, Oxfam and the Refugee Council, 2002, http://oxfamgb.org/ukpp/resources/downloads/poverty_report_jul02.pdf

68 Section 95 support.

69 Such as Crisis Loans, Community Care Grants, Maternity Grants, Child Tax Credit, Child Benefit, Guardian's Allowance, Carers Allowance, Disability Living Allowance.

70 Refugees are frequently the most educated members of their communities, but are unable to access the employment market or higher education. On being granted status and allowed to work many will not achieve their previous employment status.

71 See also Building Bridges: Local responses to the resettlement of asylum seekers in Glasgow, Karen Wren, Scottish Centre for Research on Social Justice, 2004, http://www.scrsj.ac.uk/Publications/BuildingBridges.pdf

72 Seeking Peace of Mind: The Mental Health Needs of Asylum seekers in Scotland, Iain Ferguson and Aileen Barclay, University of Stirling, 2002, http://www.dass.stir.ac.uk/staff/SeekingPeaceofMind.htm

73 See footnote 1.

74 See Scottish Refugee Council's response to the Integration Loan Consultation, April 2006 http://www.scottishrefugeecouncil.org.uk/pub/Integration_Loan

language training. Secondly, we are concerned that the imposition of debt will create yet another obstacle to integration into communities and will increase the risk to both individuals and communities of greater numbers of socially excluded refugees.

2.7 Scottish Refugee Council believes that the UK asylum system is wholly incompatible with UK Government and Scottish Executive strategies[75] to tackle and eradicate poverty in Scotland as it actively forces asylum seekers into poverty.

2.8 ***We would urge the Committee to assess the impact of the NASS system and the introduction of integration loans for refuges on UK Government and Scottish Executive cross-departmental policies to tackle poverty and social exclusion in their inquiry.***

3. *Destitution experienced by asylum seekers and refugees through withdrawal of statutory support*

3.1 Scottish Refugee Council continues to be extremely alarmed by the rising number of asylum seekers who are experiencing abject poverty in Scotland, stripped of their dignity and forced to live hand-to-mouth on the charity of others in order to survive when statutory support is withdrawn. The withdrawal of support can be for a number of reasons including administrative errors or delays in processing NASS support. Or, unlike other forms of destitution in the UK which arise because people have slipped through the social welfare net, the destitution of asylum seekers in Scotland can be as a direct result of UK Government policy. The aims of such policies are to: use the removal of welfare support as a coercive tool to ensure compliance with immigration control;[76, 77] be seen by the general public to be acting tough on asylum seekers; and act as a deterrent for asylum seekers to register an asylum claim in the UK in the first place.[78]

3.2 Scottish Refugee Council recently conducted a survey of destitute clients presenting at our offices and the offices of other voluntary-sector support agencies in Glasgow.[79] The research revealed that at least 154[80] asylum seekers, refugees and their dependents were destitute. 27 people surveyed were asylum seekers with active asylum claims, seven were refugees and had yet to access mainstream support and 78 had been refused asylum and were at the end of the process. However, only 33% were satisfied with their legal support, indicating that people may have been let down by the well-documented failings of the asylum system.

3.3 The research, which we append to this submission, made a number of recommendations including calling on the UK Government to accept that some asylum seekers cannot be immediately returned and that the support offered at the end of the asylum process needs to be reassessed. We also call on the Scottish Executive to ensure that legal aid is properly maintained to ensure that asylum seekers in Scotland have good quality and timely legal advice to enable them to pursue their asylum claim and allow them to appeal negative decisions. ***We would urge the Committee to review the findings and recommendations of this research in their inquiry.***

3.4 When Section 4 support[81] is available, Scottish Refugee Council is concerned that asylum seekers in Scotland are falling through gaps in procedural differences between Scottish and English legal systems and being left destitute and in appalling situations. This is due to NASS refusing to accept timescales for lodging appeals on asylum cases. The following case study gives an example of this situation.

---

75 Such as Closing the Opportunity Gap.

76 Such as Section 9 of the Asylum and Immigration (Treatment of Claimants etc) Act 2004 which removes financial support of asylum seekers with dependent children who have reached the end of the asylum process and fail to arrange to leave the country or fail to comply with removal directions.

77 Such as the restrictive conditions attached to Section 4 of the Immigration and Asylum Act 1999 the only support available to asylum seekers who have been refused protection but who cannot return to their country of origin through no fault of their own.

78 This is despite contradictory Home Office research which found that there was "*little evidence that respondents had detailed knowledge of UK or asylum procedures, entitlements to benefits in the UK, or the availability of work in the UK.*", Findings, 172, Understanding the decision-making of asylum seekers, Research, Development and Statistics Directorate, Home Office, 2002, http://www.homeoffice.gov.uk/rds/pdfs2/hors243.pdf

79 *They Think We Are Nothing,* A Survey of Destitute Asylum Seekers and Refugees in Scotland, Mhoraig Green, Scottish Refugee Council, August 2006. http://www.scottishrefugeecouncil.org.uk/pub/Destitution_Research The aim of the research was to capture a snapshot of the number of destitute asylum seekers and refugees presenting to voluntary sector agencies in Scotland during a one-month period. A quantative survey took place in Glasgow, where the overwhelming majority of Scotland's asylum seekers live, between 30 January and 28 February 2006.

80 These numbers significantly under represent the actual number of destitute asylum seekers because of the methods used and the problems associated with reaching a hidden population.

81 Regulations made under Section 4 of the Immigration and Asylum Act 1999, as amended by the Nationality, Immigration and Asylum Act 2002 and the Asylum and Immigration (Treatment of Claimants, etc) Act 2004 provide for support and accommodation to be available for refused asylum seekers who are destitute and unable to leave the UK immediately due to circumstances entirely beyond their control as long as they satisfy one or more of the following:
(a) she is taking all reasonable steps to leave the UK or place himself in a position in which he is able to leave the UK, which may include complying with attempts to obtain a travel document to facilitate his departure;
(b) she is unable to leave the UK by reason of a physical impediment to travel or for some other medical reason;
(c) she is unable to leave the UK because in the opinion of the Secretary of State there is currently no viable route of return available;
(d) she has made an application for judicial review of a decision in relation to his asylum claim;
(e) the provision of accommodation is necessary for the purpose of avoiding a breach of a person's Convention rights within the meaning of the Human Rights Act 1998. (this includes where the applicant has made fresh asylum claim).

A young Iraqi woman approached Scottish Refugee Council on many different occasions seeking assistance in connection with her case. She became destitute after NASS terminated her support despite her having an ongoing asylum appeal at Edinburgh Court of Session. NASS stated that the client's appeal was made out of time (an appeal must be made within 12 days from the previous court decision date according to English law. However, under the Scottish legal system this is 42 days). Evidence from the client's solicitor and Edinburgh Court of Session confirmed that the appeal was made in time but NASS refused the client's application for support re-instatement stating that according to its policy her appeal should have been made within 12 days for her to be considered for support. The client has been left destitute and homeless. She is now dependent on charitable support and temporary accommodation provided by friends to avoid having to sleep on the streets. Her lawyer is pursuing this case at judicial review.

3.5 Fundamentally however, we believe that Section 4 support is inhumane and that refused asylum seekers who cannot be returned through no fault of their own should not be subjected to protracted periods of severe poverty where the only support available is provided by vouchers. ***We call on the Committee to urge the Government to grant a legal status and rights to asylum seekers whose claims have been rejected but cannot return.***

4. *Destitution of asylum-seeking children*

4.1 Disturbingly, the research revealed that there were at least 24 asylum-seeking children from 16 families affected by absolute poverty living in Glasgow during February 2006. Seven of those families (a total of 10 children) had been destitute for longer than six months. Eight of the families who were recorded within the survey were destitute because they are at the end of the process. Three of those families had applied for Section 4 support but had become destitute while they waited for it to start. That means that a total of four children were destitute in Glasgow during February 2006 because of an administrative delay on the part of NASS.

4.2 A further four families were also at the end of the asylum process but were not receiving Section 4 support either because they did not meet the criteria for the support or were unwilling to apply. Such families should continue to receive NASS support until they leave the country.[82] However, this is often not the case either because a child has been born after the parents received their final refusal on their asylum case, or because they failed to register their child on their asylum claim, or because a dependent child had arrived in the country after the asylum claim had failed. In these cases Social Work Services are obliged to provide support for the children under Section 22 of the Children Scotland Act 1995, but in practice whether they also provide support to the parents varies depending on which social work team is responsible for the area the family live within.

4.3 Two families were destitute and potentially homeless because their NASS support had been terminated because of a breach of conditions (for example, being caught working or allowing destitute asylum seekers to share their accommodation). This is despite the fact that families with children whose NASS support had been terminated for this reason should be supported by Local Authorities under Section 22 of the Children (Scotland) Act 1995.

4.4 We are very concerned that Government policy forces children in Scotland into such appalling conditions and ***we would urge the Committee to recommend to the UK Government that:***

- ***all families should continue to be supported while they remain in the UK, regardless of whether the children were born after their parents became fully refused asylum seekers; and***
- ***the role and responsibility of local authorities in Scotland for supporting destitute asylum-seeking families should be clarified to ensure that children are not made destitute.***

5. *Destitution of asylum seekers with care needs*

5.1 Scottish Refugee Council is increasingly encountering difficulties securing financial support and accommodation for clients with special needs from Social Services in Scotland. In several cases Social Work Services in Glasgow refuse to support clients regardless of clear indications that clients' needs are above and beyond that which can be met by Section 4 support (if eligible). The threshold for accessing this support is set extremely high in Glasgow and the most vulnerable asylum seekers including those with mental health needs are being left in dire situations. This is due, in large part, to the different legislative framework in Scotland. One such recent case where a mentally-ill woman who was left without any support committed suicide attracted considerable media attention.[83]

5.2 Despite the changes in entitlements brought about by the Immigration and Asylum Act 1999,[84] asylum seekers retain entitlement to some Local Authority services. Existing Community Care legislation, the National Assistance Act 1948, which sets out the responsibilities of Local Authorities towards people

[82] Section 94 of the Immigration and Asylum Act 1999.
[83] http://www.theherald.co.uk/news/70321.html
[84] See 1.2.

with disabilities, mental health or other health needs, still applies to asylum seekers. However, many Local Authorities disputed their responsibilities and a resulting legal challenge in the English courts defined the parameters.[85]

5.3 Whilst this judgement settled the threshold for social work and other assistance in England and Wales and has subsequently informed policy since, it has no bearing in Scotland where existing social work policy remains unchanged. Policy Bulletin 82 in which NASS clearly states the limits of support it can provide under section 95 for those with care needs does mention Scottish legislation. However, it relies on the Westminster ruling which, although it could be considered persuasive, does not constitute legal precedent in Scotland.

5.4 This lack of precedent leaves asylum seekers with care needs in Scotland in a precarious position which subsequent Policy Bulletins have failed to address.

5.5 On an operational basis, Scottish Refugee Council caseworkers continue to make persuasive cases to ensure that clients with special needs receive appropriate support and entitlements. However, the Home Office, Scottish Office and the Scottish Executive have still to address this issue.

Gary Christie
Policy Officer

October 2006

Further memorandum submitted by the Scottish Refugee Council

About Scottish Refugee Council

Scottish Refugee Council provides help and advice to those who have fled human rights abuses or other persecution in their homeland and now seek refuge in Scotland. We are a membership organisation that works independently and in partnership with others to provide support to refugees from arrival to settlement and integration into Scottish society. We campaign to ensure that the UK Government meets its international, legal and humanitarian obligations and to raise awareness of refugee issues. We are also an active member of the European Council on Refugees and Exiles (ECRE), a network of over 80 refugee-assisting organisations across Europe.

1. Introduction

1.1 Further to our written evidence to the Committee in October 2006[86], we would be grateful if the Committee could examine this additional written submission in response to the oral evidence session of Tuesday 12 June[87] and comments made by Mr Iain Davidson MP.

1.2 The evidence session of June 12 was the first time that poverty experienced by asylum seekers was discussed by the Committee. Whilst there was brief debate about the right to work for asylum seekers as a route out of poverty, Scottish Refugee Council is very disappointed that no important issues were raised such as the abject destitution faced by refused asylum seekers as a direct result of UK Government policy. We would also challenge some of the statements made by Mr Ian Davidson MP during the evidence session which we believe are not substantiated by any quantifiable evidence.

2. Destitution of Asylum Seekers in Scotland

2.1 One of the key aims of the Committee's inquiry is to assess the impact of Government policy on poverty[88]. In recent years, asylum seekers in Scotland and the UK as a whole have become increasingly socially excluded as a result of UK Government policy. The fact that asylum seekers are not entitled to work, can claim only very limited welfare support and are excluded from support once they have been refused asylum, has led Scottish Refugee Council and many others to conclude that the UK Government is using poverty and destitution as a policy tool to deter people from claiming asylum in the UK and to force refused asylum seekers to return to their country of origin. The issue of forcing refused asylum seekers into destitution in Scotland is extremely serious and we believe falls within the scope of this current inquiry. We raised this issue and the scale of it in Scotland in our previous submission to the Committee.

---

[85] Westminster City Council v National Asylum Support Service (NASS).
[86] See: http://www.scottishrefugeecouncil.org.uk/pub/Poverty
[87] See: http://www.publications.parliament.uk/pa/cm200607/cmselect/cmscotaf/uc168-ix/uc16802.htm
[88] See press release: http://www.parliament.uk/parliamentary_committees/scottish_affairs_committee/sac_060522.cfm

2.2 Since our initial evidence, Scottish Refugee Council has joined forces with other refugee organisations, human rights and migration organisations, lawyers, faith groups and anti-poverty charities and voluntary bodies to campaign for the end to the scandal of asylum destitution in the UK.[89] The Still Human Still Here campaign aims to:

— end the threat and use of destitution as a tool of Government policy against refused asylum seekers;

— continue financial support and accommodation to refused asylum seekers as provided during the asylum process and grant permission to work until such a time as they have left the UK or have been granted leave to remain; and

— continue to provide full access to health care and education throughout the same period.

2.3 In March 2006, we welcomed the Joint Committee on Human Rights inquiry report[90] into the Treatment of Asylum Seekers which echoed our grave concerns about asylum destitution. The report recommended that:

> 13. We consider that by refusing permission for most asylum seekers to work and operating a system of support which results in widespread destitution, the treatment of asylum seekers in a number of cases reaches the Article 3 ECHR threshold of inhuman and degrading treatment. This applies at all stages of the asylum claim process: when an individual is attempting to claim asylum, during the period of consideration of their claim and during the period after their claim is refused if they are unable to return to their country of origin. Many witnesses have told us that they are convinced that destitution is a deliberate tool in the operation of immigration policy. We have been persuaded by the evidence that the Government has indeed been practising a deliberate policy of destitution of this highly vulnerable group. We believe that the deliberate use of inhumane treatment is unacceptable. We have seen instances in all cases where the Government's treatment of asylum seekers and refused asylum seekers falls below the requirements of the common law of humanity and of international human rights law. (Paragraph 120)
>
> 14. The policy of enforced destitution must cease. The system of asylum seeker support is a confusing mess. We have seen no justification for providing varying standards of support and recommend the introduction of a coherent, unified, simplified and accessible system of support for asylum seekers, from arrival until voluntary departure or compulsory removal from the UK. (Paragraph 121)
>
> 15. We recommend that the Immigration Rules be amended so that asylum seekers may apply for permission to work when their asylum appeal is outstanding for 12 months or more and the delay is due to factors outside their control. We recommend that where there is evidence that an asylum seeker will not be able to leave the UK for 12 months or more, he or she should be granted limited leave for a 12 month period with permission to work attached. (Paragraph 122)

2.4 We urge the committee to support the comments made by their colleagues in the Joint Committee on Human Rights.

3. Statements made to the Inquiry

3.1 During the evidence session Mr Davidson MP stated that:

> Mr Davidson: I understand why asylum seekers, many of whom are economic migrants, would want to say to us that they should be allowed to work. Have you taken into account the extent to which that would then be a substantial pull factor in attracting further people to come here on the basis that if you come here, say you are an asylum seeker and then immediately you are able to work there is obviously an attraction?[91]

Scottish Refugee Council contests the statements that many asylum seekers are economic migrants and that allowing asylum seekers the right to work will act as a "substantial pull factor" resulting in an increase in the number of asylum applications to the UK. Our reasons and evidence for challenging these arguments are presented below.

[89] *Still Human Still* Here is a campaign supported by: Amnesty International UK; Asylum Aid; Asylum Rights Campaign; Asylum Support Appeals Project; Church Action on Poverty; Citizens Advice; Immigration Law Practitioners' Association; Joint Council for the Welfare of Immigrants; Migrants Resource Centre; Refugee Action; Refugee Council; Scottish Refugee Council; STAR (Student Action for Refugees); and Welsh Refugee Council. No Recourse to Public Funds Network are observers. See www.stillhuman.org.uk

[90] The Treatment of Asylum Seekers, House of Lords & House of Commons, Joint Committee on Human Rights, Tenth Report of Session 2006–07, http://www.publications.parliament.uk/pa/jt200607/jtselect/jtrights/81/81i.pdf

[91] Hansard, Q628, http://www.publications.parliament.uk/pa/cm200607/cmselect/cmscotaf/uc168-ix/uc16802.htm

3.2 *"Many asylum seekers are economic migrants"*

3.2.1 The top 10 applicant nationalities for asylum to the UK Government in 2006 were Eritrean 2,585 (11% of total applications), Afghan 2,400 (10%), Iranian 2,375 (10%), Chinese 1,945 (8%), Somali 1,845 (8%), Zimbabwean 1,650 (7%), Pakistani 965 (4%), Iraqi 945 (4%), Nigerian 790 (3%) and Indian 680 (3%). Applications rose in 2006 compared with 2005 for five of these top 10 applicant nationalities: Eritrean (by 47%), Afghan (by 52%), Chinese (by 12%), Somali (by 5%) and Zimbabwean (by 53%).[92] All of these countries have well-documented cases of serious human rights abuses, torture and widespread violence.[93]

3.2.2 Some asylum applicants from these countries and others may not fit the narrow definition of a refugee under the 1951 UN Refugee Convention and may not be granted refugee status[94] in the UK, event although they have fled violently unstable countries and may have experienced violence, torture, rape, or loss of family members Even if the UK Government accepts that someone has been persecuted, the UK Government may refuse asylum unless it is proven that there is a significant risk it will happen again. In addition, even if a person is fairly refused asylum, it does not automatically follow that their claim for asylum is "not genuine" or that they are an "economic migrant". Many apply for asylum in good faith, unaware that their case does not meet the strict criteria of the 1951 Refugee Convention.

3.2.3 Moreover, until recently the UK Government more readily granted a temporary form of subsidiary protection—called "Exceptional Leave to Remain" (ELR)—to asylum seekers from unstable countries. In 2002 ELR was applied to one in four initial asylum determinations. In 2003 ELR was replaced in by two other types of subsidiary protection, Humanitarian Protection (HP) and Discretionary Leave (DL). In 2005 only one in ten received these forms of protection[95]. Therefore, many of those who would once have qualified for protection today find themselves refused and destitute.

3.3 *"The right to work acts as a pull factor"*

3.3.1 The assumption that reinstating the right to work will act as a "substantial pull factor" is based on no evidence whatsoever. In fact the little evidence available, from the Home Office itself, is wholly contradictory. The Home Office research says that:

> There was very little evidence that the sample respondents had a detailed knowledge of: UK immigration or asylum procedures; entitlements to benefits in the UK; or the availability of work in the UK. There was even less evidence that the respondents had a comparative knowledge of how these phenomena varied between different European countries. Most of the respondents wished to work and support themselves during the determination of their asylum claim rather than be dependent on the state.[96]

3.3.2 Recently, the Joint Committee on Human Rights (JCHR) rebuked the Home Office Minister Mr Liam Byrne MP for putting forward a similar argument to the Committee. Mr Byrne MP said:

> "I just think that there is an enormous danger that if people are given the ability to work then we will see this surge in abusive asylum claims."[97]

The Committee inquiry report stated that:

> . . . in his evidence the Home Office Minister Mr Liam Byrne MP stated that giving more asylum seekers the right to work would lead to a surge in abusive asylum claims, although we received no evidence from the Government to support this assertion. We recommend that in the development of asylum policy the Government should proceed on the basis of evidence, rather than assertion, which evidence should wherever possible be published.[98]

3.3.3 Asylum is fundamentally about human rights and giving protection to those who have been or fear being tortured or persecuted. It is not about finding employment. However, work is a vital component in helping people to integrate into the society where they seek sanctuary. It gives a sense of purpose and contributes to the well being of individuals and communities. Excluding people from work forces them into poverty and social isolation and allows vital skills to atrophy. This has a particularly negative impact on the prospects for people who remain in Scotland long term as refugees.

[92] Asylum Statistics United Kingdom 2006, Home Office, 21 August 2007: http://www.homeoffice.gov.uk/rds/pdfs07/hosb1407.pdf

[93] See for example Amnesty International report 2007, http://thereport.amnesty.org/eng/Download-the-Report

[94] In 2006, 17% of asylum applications were granted refugee status, 9% granted Humanitarian Protection; 57% were refused asylum, Asylum Statistics United Kingdom 2006, Home Office, 21 August 2007

[95] Asylum statistics United Kingdom 2005, Home Office, 22 August 2006: http://www.homeoffice.gov.uk/rds/pdfs06/hosb1406.pdf

[96] Findings, 172, Understanding the decision-making of asylum seekers, Research, Development and Statistics Directorate, Home Office, 2002, http://www.homeoffice.gov.uk/rds/pdfs2/hors243.pdf

[97] Hansard, Q477, http://www.publications.parliament.uk/pa/jt200607/jtselect/jtrights/81/81ii.pdf

[98] Para. 5, The Treatment of Asylum Seekers, House of Lords & House of Commons, Joint Committee on Human Rights, Tenth Report of Session 2006–07, http://www.publications.parliament.uk/pa/jt200607/jtselect/jtrights/81/81i.pdf

This was highlighted in research by the Scottish Executive in 2002 which found that:

> Given that large numbers of respondents had been waiting some time for a decision on their asylum claim, there may be a risk that refugees' and asylum seekers' motivations may lessen over time, their skills may become outdated and that they could become increasingly isolated and less easily integrated into the labour market.[99]

For those asylum seekers who will eventually return to their country of origin, work allows them to benefit from their time here and build up a source of capital or training before returning, thus making voluntary return more sustainable. For those who will stay in Scotland, it allows them to keep their skills fresh and contribute to the economy.

3.3.4 The cost of supporting asylum seekers is often cited by Government as a concern. Allowing asylum seekers to work and contribute to the public purse would be one way of addressing this. It is ironic that asylum seekers are accused of being a drain on the economy by many, yet they are denied the opportunity to support themselves and their families. In recent poll two-thirds of the respondents stated that asylum seekers should be allowed to work.[100]

3.3.5 On August 3 2007, the Scottish Government announced a series of issues that they would take forward with the Home Office[101]. One of these was a call to restore the right to work for asylum seekers:

> Our discussions with the Home Office will also focus on reinstating the right to work for asylum seekers. It does not make sense that the ability to work is denied when many have skills and experience which are in short supply in Scotland.[102]

In addition in a Scottish Parliamentary debate on 5 September, Stewart Maxwell, Minster for Communities and Sport stated that:

> "The Scottish Government agrees whole-heartedly with the statement from the Scottish Refugee Council in the motion that: 'It just makes absolutely no sense to have people sitting at home in enforced idleness when they could be contributing to the economy'."[103]

We are pleased that the Scottish Government will press the Home Office on permission to work for asylum seekers[104] and support this call. Similar calls have also been made organisations in Scotland and across the UK including trade unions and professional bodies.

A call was also made by the Scottish Parliament's European and External Affairs Committee in 2005 in their inquiry report on the Fresh Talent Initiative:

> The Committee also urges the Executive, in its discussions with the Home Office, to make the case for employment opportunities for [sic] asylum seekers[105].

3.3.6 We urge the Committee to echo these calls in its final report.

Gary Christie
Policy and Research Manager
Scottish Refugee Council

November 2007

Memorandum submitted by Kathleen Marshall, Scotland's Commissioner for Children & Young People

WHAT THIS IS ABOUT . . .

The Scottish Affairs Committee has agreed to undertake a major inquiry into Poverty in Scotland. The Committee will proceed in stages, producing reports as the inquiry progresses. The inquiry will begin by addressing such issues as:

What is poverty?

The extent of poverty.

Contributing factors.

Impact of Government policy on poverty.

[99] Refugees and Asylum Seekers in Scotland: A Skills and Aspirations Audit, Scottish Executive, 2004, http://www.scotland.gov.uk/Publications/2004/03/19169/35275

[100] http://www.strangersintocitizens.org.uk/latest_news/edm.html?ci=26875

[101] Scottish Government website: http://www.scotland.gov.uk/News/News-Extras/asylum-issues

[102] Ibid

[103] Col. 1427, http://www.scottish.parliament.uk/business/officialReports/meetingsParliament/or-07/sor0905-02.htm£Col1413

[104] Reference Scottish Government announcement 3 August 2007 and Scottish Parliamentary debate

[105] An Inquiry into the Scottish Executive's Fresh Talent Initiative Examining the Problems It Aims to Address, Its Operation, Challenges and Prospects, http://www.scottish.parliament.uk/business/committees/europe/reports-05/eur05-04-01.htm

The scope of the inquiry, which will cover poverty in both urban and rural areas of Scotland, will also include the availability of affordable money and the activities of loan sharks, as well as major Government programmes, such as Welfare to Work.

Contents

1 The Commissioner's Role
2 United Nations Convention on the Rights of the Child
3 General Comment
4 What is poverty?
5 Extent of child poverty
6 Contributing factors
7 Impact of Government policy on poverty

1. The Commissioner's Role

The office of Commissioner was established by the Commissioner for Children and Young People (Scotland) Act 2003. The general function of the Commissioner is to "promote and safeguard the rights of children and young people." In particular, the Commissioner must review law, policy and practice relating to the rights of children and young people with a view to assessing their adequacy and effectiveness. Specific regard must be had to any relevant provisions of the United Nations Convention on the Rights of the Child, especially those requiring that the best interests of the child be a primary consideration in decision-making, and that due account be taken of the views of affected children and young people.

The Commissioner must exercise this responsibility towards all children and young people in Scotland who are under 18 years of age, or under 21 if they have at any time been looked after by a local authority or in their care.

2. United Nations Convention on the Rights of the Child

The United Nations Convention on the Rights of the Child (UNCRC) was passed by the UN General Assembly in 1989 and ratified by the UK in 1991. Ratification commits the UK to bringing its law, policy and practice into line with the Convention. Whilst not directly enforceable in UK courts in the way that the European Convention on Human Rights now is, it should be noted that the European Court of Human Rights increasingly makes reference to the Convention on the Rights of the Child in its judgments, as a common standard amongst member states.[106] Section 2 of the Human Rights Act obliges UK courts to take account of European jurisprudence in making their own decisions.

The UNCRC sets out the fundamental human rights that all children around the world, without discrimination, are entitled to. It sets out minimum benchmarks in rights for children rather than "best practice"; countries are thus encouraged to exceed the standards laid out in the Convention, but should not fall short of its basic requirements.

When the UK ratified the UNCRC, it made promises to the children and young people in this country that it would make life better for them by respecting and promoting the standards set out in the Convention. The promises relevant to the inquiry include the four basic principles of the UNCRC:

- non-discrimination—that is, the rights in the Convention should be respected, no matter what the race, colour, sex, ethnic origin, or status of the child or the child's legal guardians (Article 2);
- the best interests of the child should be at least a primary consideration in decisions made by legislative bodies or administrative authorities (Article 3(1));
- the state should ensure, to the maximum extent possible, the survival and development of the child (Article 6); and
- the views of the child concerned should be given due weight in all matters affecting the child (Article 12).

The articles most closely connected with the inquiry are:

- the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development (Article 27); and
- the right of every child to benefit from social security, including social insurance (Article 26).

[106] A v United Kingdom—25599/94 (1998) ECHR 85 (23 September 1998), paragraph 22.

Other relevant articles include:

— the State is required to take appropriate measures to ensure that a child who is seeking refugee status or who is considered a refugee in accordance with applicable international or domestic law and procedures shall, whether unaccompanied or accompanied by his or her parents or by any other person, receive appropriate protection and humanitarian assistance (Article 22); and

— the right of every child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development (Article 32).

3. General Comment

I very much welcome this inquiry into poverty in Scotland and look forward with interest to seeing how it progresses and the outcomes it reaches for children and young people living in Scotland. I am familiar with the last inquiry the Committee undertook in 1999–2000 and of its principal conclusions and recommendations. Although these made no direct reference to addressing the problem of children living in poverty in Scotland, a number of the recommendations would have addressed this indirectly. With this in mind I feel that it is important that my response highlight for the Committee the issue of child poverty in Scotland. Where appropriate my response draws attention to the issues and recommendations the UN Committee on the Rights of the Child noted in its last set of Concluding Observations on the implementation of children's rights in the UK.

4. What is Poverty?

There are a myriad of definitions of poverty with the UK Government currently defining poverty as living in a household with an income below 60% of weekly median income after housing costs. Although Governments throughout the OECD countries like to use this formula to define and measure poverty, it is not particularly meaningful to the children it has the greatest impact on. Far more meaningful is the European Union's working definition of poverty which is: "*Persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State to which they belong*". Similar to the European Union definition I believe that, through Article 27, the UNCRC defines child poverty more succinctly and in a meaningful way for children and young people wherein child poverty can be defined as not supplying a standard of living adequate for a child's physical, mental, spiritual, moral and social development.

In Scotland people find it difficult to accept that there are children living in poverty. There is a tendency for some to equate child poverty with images they watch on their TV of ecological disasters or civil war. People do not equate poverty with going without a winter meal or with having little hope of doing well at school. In industrialised nations such as Scotland, there is a campaign for people to recognise that poverty is not purely an issue of income poverty but that there is poverty of expectation and opportunity, particularly in the case of children and young people.

I am particularly concerned with the problem of severe and persistent poverty which impacts on children and young people living in Scotland who are seen to be at greater risk of poverty such as children living in lone-parent or large families, or those children who are in care.

5. Extent of Child Poverty

In the Concluding Observations of the Committee on the Rights of the Child issued in October 2002 to the UK Government, it was noted that:

> "*The Committee is extremely concerned at the high proportion of children living in poverty in the State party, which limits their enjoyment of many rights under the Convention and leads to a higher incidence among those children of death, accidents, pregnancy, poor housing and homelessness, malnutrition, educational failure and suicide. The Committee welcomes the State party's commitment to eliminate child poverty and the initiatives taken in this regard, but notes the lack of an effective and coordinated poverty eradication strategy across the State party*".

The above concerns were confirmed more recently in a Unicef[107] report where it was noted that the UK amongst another five countries including Ireland and Italy was "*found to have exceptionally high rates of child poverty (15% to 17%)*".

As you are aware, in 1999 the UK Government announced that it was committed to eradicating child poverty within a generation. Statistics released in March 2006 by the Department for Work and Pensions and the Scottish Executive indicated that Scotland had met its first target towards eradicating child poverty by 2020. Households Below Average Income data for 2004–05 showed the number of children in absolute and relative low income households had fallen over the last decade, meeting the target of reducing the number of children living on low incomes by 25%.

[107] Child Poverty in Rich Countries 2005. Unicef Innocenti Research Centre, 2005.

While the achievements mentioned above are commendable, I am concerned that it is changing the living circumstances for the families and therefore the children who are on the margins of living in poverty and who are easier to move beyond the 60% threshold. According to the Child Poverty Action Group, there are currently 280,000 children living in poverty in Scotland, or more than one in four children.[108]

Part of the problem of talking about the extent of child poverty in Scotland is the lack of data collected and published on child poverty. This has been brought to my attention by a number of organisations including Save the Children Scotland and the Child Poverty Action Group. This is especially the case when accounting for children living in severe and persistent poverty, particularly children leaving care, children living in gypsy and traveller families or asylum seeking families. I recommend that not only for the purposes of this inquiry but in order to identify where children are living in poverty in Scotland that a regular survey on Scotland's poorest children be undertaken similar to Save the Children's survey of Britain's poorest children.

This is supported in the Concluding Observations of the Committee on the Rights of the Child when they recommended in 2002 that the UK Government: "*Establish a nationwide system whereby disaggregated data are collected on all persons under 18 years for all areas covered by the Convention, including the most vulnerable groups, and that these data are used to assess progress and design policies to implement the Convention*."

Although there is a clear lack of data when discussing the extent of child poverty, my work as Commissioner places me in a prime position to meet with groups of children and young people for whom poverty is one of the many issues they are tackling in their day to day lives. As noted by the Committee on the Rights of the Child in their Concluding Observations:

> ". . . *The Committee is concerned that the principle of non-discrimination is not fully implemented for all children in all parts of the UK and that there is unequal enjoyment of economic, social, cultural, civil and political rights, in particular for children with disabilities, children from poor families, Irish and Roma travellers" children, asylum-seeker and refugee children, children belonging to minority groups, children in care, detained children and children aged between 16 and 18 years old*."

I would like to draw the Committee's attention to the above groups that are seen to be at greater risk of severe and persistent poverty that I have met or received enquiries from:

Children affected by disability. The target of ending child poverty by 2020 cannot hope to be achieved without the UK government paying specific attention to children affected by disability. Children are affected by disability in numerous ways be it that they are disabled themselves or that their parent or sibling has a disability.

Children leaving care. My office has set up a Care Action Group of young people who are or have been in care in Scotland. The purpose of this group is to identify the issues children and young people face when they are in care or have left care. A specific issue concerns the age of leaving care and the fact that in some areas of Scotland young people feel pressurised into leaving care at 16. Young people have expressed concerns about the level of financial support they will receive when they leave care.

Children from asylum seeking families. A key issue that has been brought to my attention relates to young people when they turn 16 who are not entitled to the Educational Maintenance Allowance that other young people are. This creates problems in terms of remaining at school past this age or going into further education.

Children from Gypsy and Traveller families. Many in Scotland suffer from living in poor environments through lack of appropriate site provision.

All of the above are only some of the poverty issues that each of these groups face and I have merely mentioned them to give a flavour to the Committee of the current state of child poverty in Scotland. I do not suggest that these are the only disadvantaged groups in Scotland and I am very much aware of the problems faced by children from lone-parent or large families who are still being disadvantaged via the benefits system in Scotland; children whose parents or siblings may have addiction problems which impact on the way income is spent within the family; young people who are in secure or prison accommodation; young carers; and children or young people who are homeless.

6. Contributing Factors

A number of organisations, academic institutions and think tanks in the UK have undertaken research on contributing factors. I am sure you are aware of the range of research and would recommend you refer to it when undertaking this inquiry. In particular there is the work currently in progress by the Joseph Rowntree Foundation on child poverty, a range of material published by the Child Poverty Action Group. Save the Children UK and Scotland have set as one of their key priorities the need to tackle child poverty in the UK. To this end, they have sponsored a range of research.

[108] Ten steps to a society free of child poverty. Child Poverty Action Group, 2005.

7. Impact of Government Policy on Poverty

In the last set of Concluding Observations of the Committee on the Rights of the Child on the UK, it was noted that:

"*The Committee urged the State party*:

(a) *To take all necessary measures to the "maximum extent of . . . available resources" to accelerate the elimination of child poverty*;

(b) *To better co-ordinate and reinforce its efforts to address the causes of youth homelessness and its consequences*; *and*

(c) *To review its legislation and policies concerning benefits and social security allowances for 16 to 18-year-olds*."

Both the UK and Scottish governments are clearly committed to attempting to reduce child poverty and to this end are undertaking a plethora of initiatives to improve the quality of life for many children and young people. Due to the brevity of this response it would be impossible to comment on all these initiatives. I have therefore been selective in my response and focused on the key initiatives of the Scottish Executive.

I have noted above the advances made in Scotland in eliminating child poverty by the UK and Scottish Governments. Earlier this year the Department for Work and Pensions launched a new child poverty measure. The measure consists of three tiers: tier 1 focuses on absolute low income; tier 2 on relative low income; and tier 3 on material deprivation and low income combined. The thresholds set for these three tiers are set at 60%, 60%, and 70% respectively. To supplement these measures, I recommend that the UK Government adopt a set of indicators against which they can measure the extent of severe and persistent child poverty.[109] This would allow policies to be informed and therefore structured and targeted at reducing the number of children living in such circumstances.

As I mentioned in section 5, Scottish and UK Government policies are having very little impact on the poorest children, those living well below the benefits level. In Scotland we are talking in terms of 80,000—100,000 children and young people. I would suggest that Government policy needs to start to focus on the poorest families. I recommend that the targeting of disadvantaged groups and particular issues such as homelessness needs to operate in parallel with the policies the government has developed so far in tackling child poverty.

In 2004 the Scottish Executive announced a commitment to "Closing the Opportunity Gap" as a means to preventing poverty, providing routes out of poverty and sustaining individuals and families in a lifestyle free from poverty. One of the six stated objectives of this commitment was "*To improve the confidence and skills of the most disadvantaged children and young people—in order to provide them with the greatest chance of avoiding poverty when they leave school*". The six objectives are then underpinned by 10 targets. I find it difficult to comment on the success the government is having in meeting these targets as all of them are not due to be met until 2007 or 2008 or 2010. As part of the inquiry, I would recommend that the Committee request that the Scottish Executive provide them with an interim assessment in meeting the 10 targets.

The Committee on the Rights of the Child also recommended that:

> *"The State Party undertake an analysis of all sectoral and total budgets across the State party and in the devolved administrations in order to show the proportion spent on children, identify priorities and allocate resources to the 'maximum extent . . . of available resources'".*

To the best of my knowledge I do not believe that the Scottish Executive have undertaken this analysis of budgetary spending. One of the impacts of this lack of action was brought to my attention when I ran a consultation earlier this year on my work priorities for the forthcoming two years. A number of organisations working for and with children and young people asked that my priority be "improving family support". Many of them highlighted the lack of funding and the need to scrutinise funding streams, as issues of particular concern to them.

It would be appropriate at this point to commend the Scottish Executive on two recent policy initiatives on improving the wellbeing of children living in Scotland. There is currently before the Scottish Parliament the Schools (Health Promotion and Nutrition) (Scotland) Bill. This Bill seeks to build on early initiatives such as *Hungry for Success* and improve the nutrition of school meals and the provision of them. There may be means within this Bill to mitigate the adverse effects of poverty by providing nutritious school meals free of charge.

The Scottish Executive's childcare strategy seeks to provide affordable, accessible, quality childcare across Scotland. Recently and as part of a pilot scheme the Scottish Executive announced that it was making 900 free extra nursery places available to two-year-olds in Glasgow, Dundee and North Ayrshire. This is a two-year scheme and hopefully will be extended to other authorities in need after the pilot period.

The Committee on the rights of the Child also recommended that:

> ". . . the State party reconsider its policies regarding the minimum wage for young workers in light of the principle of non-discrimination."

[109] In Save the Children's *Britain's Poorest Children Revisited* Survey, 2005 they define "*severe poverty as living below 27% of median income".*

As yet the UK government has not addressed this issue and young workers continue to be exploited and economically disadvantaged in Scotland. The Equalities Act 2006 which recently came into force may be one way to tackle this problem as it legislates against discrimination on the basis of age.

Kathleen Marshall
Scotland's Commissioner for Children and Young People

19 October 2006

Memorandum submitted by One Plus

1. Introduction

1.1 *Background*

Government strategy to tackle poverty is a cross cutting issue that is dispersed across several policy areas, such as education, health, social security, employment, social work and housing, and spans both devolved and reserved policy areas of the Scottish and UK Governments. This document forms a submission to the House of Commons Scottish Affairs Committee Inquiry into Poverty in Scotland.

A family's access to resources is principally reliant on their earned income and/or state benefits. These are to a great extent affected by Westminster macro-policies in relation to the economy, employment and income redistribution. There are four broad goals of the government's strategy to tackle family poverty and social exclusion. Increasing employment opportunities for those outside the labour market is a key plank of this approach. (1)

- "Work for those who can", helping parents participate in the labour market. This includes targets of an 80% employment rate and reaching 70% of LP's into work.
- Financial support for families, with more support for those who need it most.
- Excellent public services that improve children's life chances and break cycles of deprivation.
- Support for parents in their parenting role so they can guide their children through life transitions.

A range of policies support the UK government's policy goals directed at families: Making Work Pay (Tax Credits, Minimum Wage, welfare to work initiatives and work/life balance policies); Giving Children the Best Start (Child Benefit & Child Tax Credits, Childcare and Education initiatives often delivered through the Scottish Parliament) and savings and asset-ownership policies (2)

The poverty and social inclusion policies of the Scottish Executive have a great deal in common with those of the UK Parliament that apply to the UK as a whole. However, devolution means that Scottish policy has the potential for divergence from that in Westminster. Relevant anti-poverty agendas include: Closing the Opportunity Gap; Workforce Plus; The Scottish Childcare Strategy; Working for Families Initiatives; Early Education for three year and four year olds; Sure Start Services; (3)

The economic position of families strongly affects the present and future welfare of children. Whether a family is able to meet the material needs of children depends more on whether it has income from work than directly on whether there are two parents. However, the much greater amount of time that lone parents spend out of paid work means that they are more often caught in a "Hardship Trap". Today's high level of child poverty is likely to have continuing negative effects on families as the present generation grows up. Equally, any measures that successfully address child poverty, especially by giving more households access to employment, are likely to have wide-ranging effects in the years ahead, that go beyond the improvement of the immediate welfare of children living in poverty.

1.2 *One Plus*

One Plus is a vibrant, independent organisation which employs over 600 people and delivers new opportunities to Lone Parents and others facing disadvantage. One Plus works in partnership in over 100 projects offering advice and support, providing training, employment and care-based services while contributing to the regeneration of local communities. Lone Parent and user involvement is central to the recognition of One Plus as a leading lone parent organisation and a key participant in Glasgow and Scotland's social economy.

One Plus Initiatives Include:

Services

- Advice and counselling for parents and children
- Initiatives around health
- Support for lone parent groups

— Daycare, Out of School Care & Sitter Services
— Social Care and Family Support Services
— Employment in Admin, Childcare, Playwork, Social Care and Family Support.

Learning Services
— Initiatives around literacy and numeracy
— Flexible open learning and e-learning
— Personal and Social Development
— Mentoring Initiatives
— Pre-vocational, core skills and ICT training
— Training in Childcare, Play work, Social Care, and Community Work to SVQ Level II or III.

Employment Services
— Vocational Guidance
— Sustainable Employment Service.

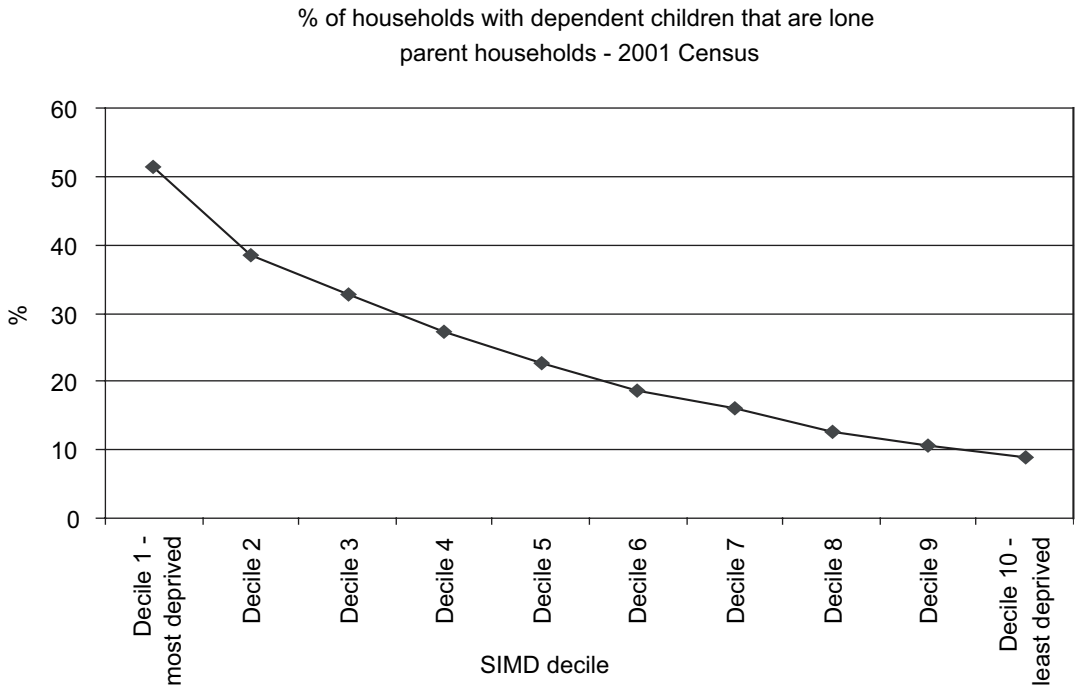
Development and Policy Services
— Information and on-line services
— Lone Parent Helpline Service
— Campaigning and Policy Work
— Developing new services and initiatives within the social economy.

2. Profile of One Parent Families

2.1 *In Scotland*

— There are 151,484 lone parents, 25% of families, and 93% women, with around 257,500 children [4]
— Over 82,100 lone parents claim Income Support or Incapacity Benefits. Of these, 14,700 are in receipt of IB or SDB [5]
— In 78% of the 200 most deprived areas across Scotland lone parent families make up over 50% of families living in these areas. Lone Parents are 52% of families in the poorest 10% of areas in Scotland but are only 9% in the 10% least deprived. See chart 1 below [6]

Chart 1



— 66% of lone parent families in Scotland live on an income of less than £15,000 compared to 11% of two parent families [7]
— Only 26,200 Lone Parents in Scotland benefit from the childcare element of tax credits. The average payment is £46.79 [8]

2.2 *In Glasgow*

— There are 27,900 Lone Parents, 46.4% of families [9]

— Scottish Executive analysts have ranked areas of Glasgow where more than 50% of all families are lone parents families. There are 113 data zones in Glasgow where lone parents make up 50% or more of all families. Analysts have also included the Scottish Index of Multiple Deprivation (SIMD) ranking which shows a clear link between deprivation and areas with high proportions of lone parents. 88 (78%) of these 113 data zones are within the 200 most deprived areas of Scotland as measured by the SIMD [10]

— Over 18,500 of Glasgow's Lone Parents claim Income Support or Incapacity Benefits. Of these around 4,100 claim IB or SDB [11]

— Lone parents are 61.7% of all households with dependent children in Glasgow (GHA) social housing. [12]

2.3 *Poverty in One Parent Families*

2.3.1 Poverty outcomes for different family types

The following data reflects the poverty outcomes for different family types in Scotland. Most of the workless households in income poverty are sick, disabled or lone parents.

Table 1

Household work status	*Household type*	*Individuals in income poverty*	*Proportion who are in income poverty*
Workless households	Unemployed	90,000	75%
	Workless long-term sick or disabled	200,000	55%
	Workless lone parent	180,000	75%
Working, but low-paid, households	Part-time work only	130,000	35%
	Some full-time work	150,000	5%
Pensioners	Not claiming Pension Credit	60,000	60%
	Claiming Pension Credit	140,000	15%
Total		950,000	20%

Almost half of all (both workless and working) lone parents are in income poverty, almost three times the rate for couples with children. A major reason for this is the high levels of Lone Parent worklessness: around half are working and half are not. [13]

2.3.2 Income Levels

In terms of income level, 66% of lone parent families in Scotland live on an income of less than £15,000 compared to 11% of two parent families. [14]

2.4 *Lone Parent Employment*

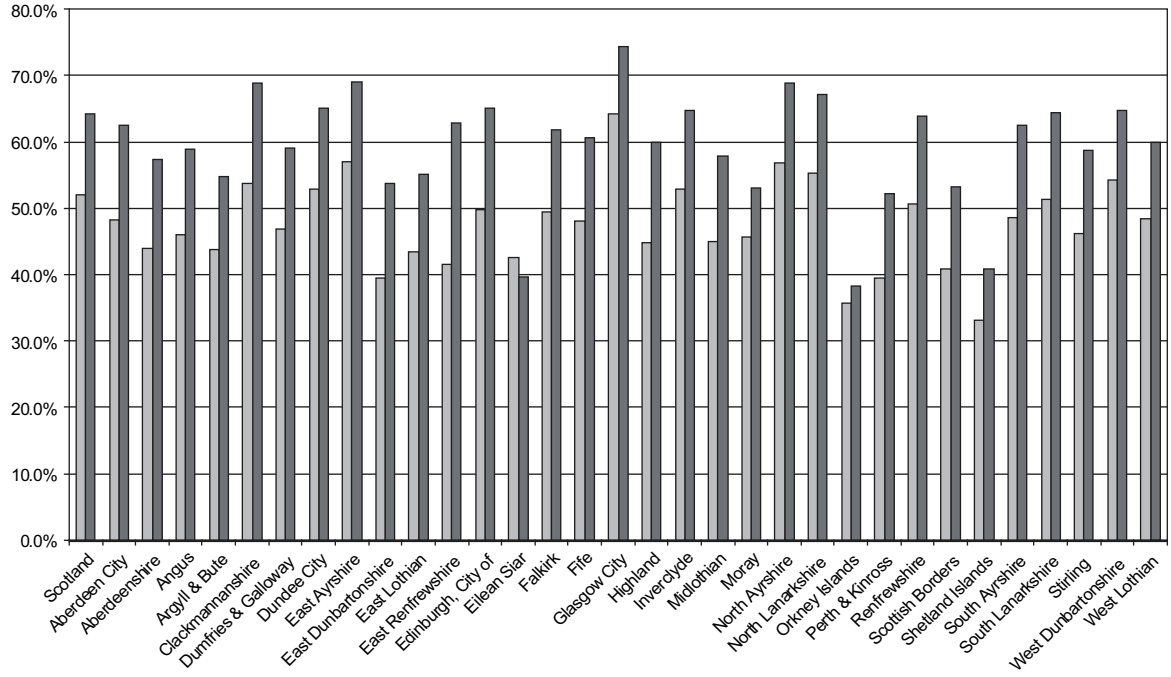
2.4.1 Percentage of female lone parents in Employment [15]

UK	56.6%
Scotland	49% (71% of women in two parent households)
Glasgow	35%
Pollock	33% (13% f/t 20% p/t)
Easterhouse	28% (8% f/t 20% p/t)
Govan	24% (11% f/t 13% p/t)

2.4.2 Worklessness Rates Amongst Lone Parents by LA area

Lone parents are concentrated in areas of deprivation (33% live in the most deprived 15% of areas), but rates of worklessness are much higher among the lone parent population in areas of deprivation than in the area as a whole (figure below). This suggests that although being a lone parent is a barrier to employment in itself, problems are compounded for those living in deprived areas. Glasgow City has the highest proportion of lone parents in its population (over 30%). Dundee, Inverclyde and West Dunbartonshire also have concentrations of over 20% and 44.6% of the lone parent population reside in the 7 CtOG target A local authorities. See chart 2 below [16]

Chart 2



Source: 2001 Census of Population

3. What has Changed?

One Plus has taken part in research into how Lone Parent's lives in Scotland have changed over the last seven years, since the Scottish Executive was established.[17] We asked 20 Lone Parents who are involved with One Plus about the important issues facing them. We also asked whether their life had changed for the better or for the worse since 1999.

The group agreed that although some factors had improved since 1999 such as provision of green space, other factors such as barriers to employment had remained the same with little improvement despite retraining for employment. This was identified a key pressing issue for Lone Parents. The transition to work was mentioned as a key factor which had prevented things from improving for Lone Parents. This was mainly focused around financial barriers to work such as childcare provision being expensive and inaccessible and in—work costs such as school meals. This was despite participants being offered employment.

> "*I am stuck with an education I can't use because of problems such as childcare*"
>
> "*In East Kilbride the cheapest nursery for me was £29 a day*"
>
> "*It's the unexpected costs that are the nail in the coffin—less help with rent and things like school meals*!"

On the whole the group felt with the exception of one participant that shopping facilities had improved. One participant argued that shops were lacking in their area. It was felt generally though that shopping facilities had improved since 1999. There was the development of more shopping venues of larger supermarkets which enabled people to get goods cheaper and in addition that there are now more out of town shopping centres. It was felt that some centres were difficult to get to as were targeted at people that could drive. There was also concern that larger supermarkets led to closure of smaller shopping venues.

Public transport was felt by the group to be improving but there were still concerns by the group in relation to the cost of the transport system in Glasgow. One participant had previously lived in London and found the Glasgow system of public transport to be more expensive than that of the system in London. It was felt to be a positive that there are more 24 hours buses as this enabled the avoidance of expensive taxi's in travel at night.

Schools were identified as in some ways having improved for people since 1999. In relation to this some schools now run breakfast clubs which was seen as positive change in helping children improve their health particularly in relation to diet. It was felt schools offering unhealthy food at lunches led to children choosing unhealthy food.

It felt that there was an increase in the number of communities with community committees since 1999 which some of the participants of the group had been involved with them. Other community work dedicated to improving the environment within communities was also cited as improving by some participants who had been involved in the process.

In relation to debt it was felt by the group that things had worsened since 1999 in that there was a rise in the number of companies trying to give credit this is a concern in that it leads to debt. The group's discussion focused around companies targeting poorer people this was felt to be immoral. It was recognised that for some people there was no option in that there are often difficulties in rent not being covered by benefits and they were often forced to go into debt. It was seen as some lone parents as a basic fact of life being in debt. Stress was also recognised as being a factor in life's for those in higher paid jobs with one participant pointing out stress was relative to individuals situations.

In terms of stress and depression a lack of support was highlighted as a concern for the group with many of the group citing personal experiences for this area. It was felt that mental heath services although it was recognised there are some available, were inadequately advertised in terms of what is available and where.

> "*I think the majority of the stress going on is people in low paid jobs and people in high paid jobs its one extreme to the other*"
>
> "*there's so many people suffering mental health problems*".

4. Lone Parents and Poverty: The Contributing Factors

4.1 *Overview*

One Plus has consulted Lone Parents on issues around poverty and social exclusion using feedback from case studies, questionnaires, focus groups and conferences.

Key themes were identified and the consultations reinforced the view that there are many complex factors that impinge on an individual Lone Parents situation ranging from:

- High level of economic disadvantage amongst those out of work
- Debt and financial exclusion
- Access to training and education to improve skills/employability
- Financial insecurity in an out of employment
- High and increasing housing and childcare costs
- Low pay-high turnover economy
- Work-family balance
- Access to information, advice and support from "trusted intermediaries"
- The issue of place.

All of these issues are interconnected and cannot be seen in isolation.

4.2 *The Barriers*

Lone Parents face a range of barriers. These tend to have a cumulative impact, with many lone parents facing three or more of these barriers as reasons for not being able to work. To facilitate the discussion around the issues which trap lone parents in poverty it is useful to group the barriers they face according to three broad areas. An individual Lone Parents situation very much depends on: Personal Attributes; Personal Circumstances and Structural Aspects.

4.2.1 Personal Attributes. (Self-esteem, confidence, essential, key and vocational skills levels, work experience.)

Many lone parents experience emotional barriers. Some find it hard to reconcile a caring role in the absence of a partner with paid employment and are reluctant to leave their children.

Some lone parents entered lone parenthood after fleeing disruptive or even violent relationships that have had an impact on self-esteem, self-belief and self-worth.

Confidence is also affected by lack of up to date work skills or experience and a lack of suitable qualifications.

Personal attributes, ie the possession of skills and personal qualities such as motivation and flexibility have long been seen as key to escaping poverty. Essential skills, key skills and vocational skills levels are critical areas for improvement, especially literacy and numeracy. Lone Parents tend to have fewer skills and educational qualifications.(18)

> "*Being at home is not valued. There is pressure on lone parents to return to work. Once your youngest child reaches 12, JC+ calls you in for an interview every six months. Parents should not be forced to return to work—bringing up children is an important job*."

4.2.2 **Personal Circumstances**. Affecting poverty (access to transport, childcare, caring responsibilities, health, isolation, benefits trap, debt, poverty.)

Many lone parents express fear that **in-work costs** mean they will be financially worse off in work. In order to work, lone parents must balance variable elements of income such as wages, tax credits, in-work benefits, any maintenance received and housing benefit. In addition, any gains made by working must take into account the costs of childcare and work expenses such as transport and having to pay for school meals.

Childcare is a one of the largest barriers facing lone parents considering entering the labour market. A recent focus group held by One Plus heard that many parents reported not being able to find childcare when they wanted it. Many reported that it was for work-related reasons that they wanted childcare. Shortages are particularly acute in deprived areas. Many actively looking for work said the scarcity or cost of childcare was stopping them getting a job. The pressure is greater for those who planned to start looking for work in the next few months.

> "*I would prefer to work part-time and be able to contribute. But I was offered only two days a week in a nursery—14 hours only. This doesn't reach the threshold at which tax credits kick in (16 hours) so I did not qualify. This meant I could not take the job*."

> "*If I worked full-time I would have to rely on a private nursery which costs £586 per month and then use After School Club for my other child*."

> "*You need to build in travel time to get to work, so you end up paying childcare on both work-time and travel time*."

> "*Child Tax Credit now covers 80% of childcare costs, but I am still paying £180 per month, which is a quarter of my wages*."

> "*The need to pay up-front for childcare is difficult*."

> "*State-run nurseries still ask people on benefits to give £2.50 for the Toy Fund. In theory it is voluntary, but there is pressure eg an envelope with your child's name on it for you to put your contribution in. You are asked to pay eight weeks ahead*."

> "*In Glasgow a lot of money is going into pre-school, but there is still a lack of places. The supply is not located where people are*."

> "*I had to leave my training course because of the lack of childcare*."

> "*The After School club is full and there is a waiting list*."

> "*There is no childcare cover to give you time to complete application forms*."

> "*Extended hours are needed.* (*One Plus nurseries offer 8 am to 6 pm.*)"

> "*If you have more than one child, you usually need a patchwork of provision involving nursery, childminder, out of school care—up to five people can be involved and more than one agency*."

> "*In school holidays, lone parents have to pay for additional childcare or, if you take time off, you have to pay for the nursery place you do not use*."

> "*Private study—colleges give students work to do in own time, but you need childcare. Lack of availability*."

> "*Out of school club does not do one-day provision, which is sometimes all I need. There is high demand and a waiting list*."

Debt is a serious issue for many lone parents. In relation to this issues it was felt that it was unfair of lending agencies to target people in poorer areas particularly "doorstep lenders". Door-stop lenders often charge 85% interest. These agencies offer loans at extremely high interest rates and provide too much

temptation for those in poorer areas. Council tax was argued to be high whether participants worked or not and it was thought that the systems way of dealing with people who didn't pay was ineffective and added to debt issues.

> "*They come round offering cash on the spot. If you are in dire traits and need quick cash . . . to buy clothes for children or carpets for your home . . . , it's hard to resist, even though you know you'll end up paying back much more than you borrowed. After the initial loan, they offer to top it up, so you end up always in debt to them.*
>
> "*When they come round to collect there is always more than one person—it feels intimidating. If you are one day late they phone.*"
>
> "*They only go to poor areas. They offer to take it off your benefits.*"
>
> "*I managed to stay clear of door-stop lenders for two years, because I knew it would not help me. But a situation arose and I needed cash and I ended up borrowing again.*"

4.2.3 **Structural Aspects/Managing the Labour Market**. (Availability of employment opportunities near to where Lone Parents live/government interventions).

The Benefits system and its inflexibility is a key barrier for Lone Parents. The "poverty trap" caused by the interaction of the tax and benefit systems affects many Lone Parents. To tackle poverty, welfare benefits must be adequate for both children and adults. Currently, measured against the recognised poverty line, they are not. Recent research from CPAG found the benefit level of income for a Lone Parent with two children to be around £116 a month less than the poverty line (19) The longer someone is on benefit & subject to hardship the more likely it is that low-self esteem, ill health and debt problems will intensify. The hardship trap is itself a barrier to training, employment or education. Many lone parents experience a cocktail of hardship, poor health and low self-esteem, which builds up often insurmountable barriers to work. The first step in restoring hope for the future and the sense of well being essential to supporting Lone Parents into paid work, is to improve present benefit levels.

> "*Being poor is drinking enough water every day, all day long to feel 'full,' three days before benefit day.*"
>
> "*I've known hardship, but I always knew it could be worse. There is one thing—I know where I came from, and I never want to return there with my children.*"

Hardship reduces morale and acts as a barrier to achieving the kind of optimism and forward planning that organisations such as One Plus aims to facilitate through Personal Development & Mentoring initiatives. Research suggests that substantially higher benefit levels are required in order for Lone Parents to enjoy an acceptable standard of living, which would provide a securer foundation from which to move on.

"**Making Work Pay**"—where employment is located, in-work costs (housing, childcare, school meals)—is a key issue for lone parents. Research shows the majority of Lone parents live in areas where there is a shortage of jobs. Navigating transitions from benefit to work can form serious barriers to Lone Parents moving into and staying in employment.

The infrastructure for the **provision of fuel** to our poorest families is seriously flawed. Direct debit payment methods for gas and electricity are the cheapest option but can cause a crisis if fuel companies claw back outstanding payments . Many of our poorest families have pre-payment meters.

> "*My benefits were £83. When I owed them money, Scottish Power agreed to take £57, which left me with almost nothing for food etc. The company can take what they want.*"
>
> "*They made a mistake that caused me to be overdrawn at the bank—the bank charges totalled £37, but the company only paid £10 compensation.*"
>
> "*My average bill is £160–200 per month. If you can't afford to pay the bill, they put in a pre-payment meter. With a meter, even if you're not using it, the meter clicks over to record a charge. When I left benefit to move into work, I asked for a payment card for weekly payments. Scottish Gas insisted that I cleared the large bill I had outstanding before they would give me the card. This meant I had to go into debt.*"

Financial institutions are not in tune with the governments strategy to eradicate child poverty and increase employment for Lone Parents to 70%. In relation to bank charges One Plus feels that it is unacceptable that charges could be taken out of people benefits leaving them short of essential money. Budgeting schemes could be more effective at helping people deal with money situations. It is difficult to save when on benefits providing no safeguard for emergencies.

> "*The benefits agency, income support and child tax credits offices all suggested that I open a basic bank account—benefit cheques can sometimes go missing in the post. I applied for a basic bank account with Lloyds TSB but they refused to open one because I have too many defaults, and too much bad debt due to my current financial situation.*"

5. Government Initiatives

This section covers three main areas of relevant policy which includes: welfare reform; the cities strategy and WorkForce Plus.

5.1 *New Deal for Welfare: Empowering People to Work*

One Plus welcomes the recognition that there are often a variety of pre-employment stages that lone parents need to take before they enter paid work, and the idea of a pathway into work rather than a single entry point.(20) Through many years of experience One Plus has developed a model, which demonstrates that providing a continuum of support and training creates pathways to sustainable employment. "The Training and Employment Continuum" links together group-based pre-vocational training, vocational training and employment, as well as access to specialist advice, and a range of support including travel, childcare, mentoring, aftercare and in work support.

5.2 *DWP Cities Strategy*

http://www.dwp.gov.uk/mediacentre/pressreleases/2006/jul/fmc080-270706.asp

Lone parents are a key target group for government welfare to work policies. Glasgow has a particular need to focus on one parent families because of their high representation in the poorest areas of Glasgow. Scottish Executive analysts have ranked areas of Glasgow where more than 50% of all families are lone parents families. There are 113 data zones in Glasgow where lone parents make up 50% or more of all families. Researchers have also included the Scottish Index of Multiple Deprivation (SIMD) ranking, which shows a clear link between deprivation and areas with high proportions of lone parents. 88 (78%) of these 113 data zones are within the 200 most deprived areas of Scotland as measured by the SIMD. There are a total of 6505 data zones in Scotland and the lowest ranking of these 113 is 795. (21)

Lone parents furthest from the Labour Market do not easily fit a model which is target driven based on short-term into work outcomes. Measures of Distance Travelled are required to be agreed by funders to enable a common set of indicators, which delivery agencies can work to. Without increased support for lone parents increasing benefit conditionality will put children at risk and increase hardship and poverty. Pressurising Lone Parents into work without boosting their skills or career prospects can lock them into dead-end jobs and entrenched poverty.

5.3 *Workforce Plus*

http://www.scotland.gov.uk/Publications/2006/06/12094904/0

A target has been set of helping a further 66,000 individuals, in seven local government areas, to move from benefits to work by 2010. This is the sum of local targets agreed with the seven areas, and represents a 26% reduction in benefit claimants in those areas. The SE has a shared target to eradicate child poverty by 2020. The Workforce Plus document says " by March 2008, the aim is to increase by 15,000 the number of parents from disadvantaged areas and groups entering or moving towards employment, by removing childcare barriers, thus supporting the UK target of 70% of lone parents being in employment by 2010." (21)

The achievement of these targets would be facilitated by the participation of specialist lone parent organisations such as One Plus who can offer a holistic approach and a continuum of services to lone parents and their children. Monitoring and review of Lone Parent specific targets across all local partnerships will be important in measuring the success or otherwise of local strategies.

The Scottish Childcare Strategy aims to provide affordable, accessible, good quality childcare in every neighbourhood, supported by Childcare strategy funding from the Executive to local authorities. Childcare has an important role to play in labour market growth and family prosperity by helping people back into work or training as well as supporting childcare businesses. The Working for Families programme supplements this with further support for parents in disadvantaged areas and groups. The childcare element of working tax credit aims to support those on a low income to get the affordable and flexible childcare they require. Many practitioners in the field of childcare argue that the Scottish Childcare Strategy needs to be re- visited to ensure it meets the needs of non-working as well as working parents.

6. Recommendations

6.1 *Service Delivery Focus*

6.1.1 Employability—Prioritising Specific Groups of Lone Parents

There are at least three broad groups of lone parents on Income Support:

— Those who are job ready but have not made the decision to work;

— Those who face some barriers to employment but with the right support and development might be encouraged to take up employment or enter the New Deal for Lone Parents; and

— Those who face multiple barriers to employment and are the least confident about moving off benefit.

It may be useful to set priorities or to target a specific group of lone parents.

6.1.2 Stages of intervention

As lone parents move from simply coping with life to work readiness, they progress through different stages. While each stage differs depending on the individual's background and circumstances, there are three that are particularly relevant to Lone Parent Employability.

In response service delivery should offer an holistic, integrated response, which is based on an understanding of the complex factors, associated with an individual Lone Parent's capacity to obtain and sustain employment.

6.2 *National Programmes (UK/Scottish)*

6.2.1 Range of support Services

Overall there should be improved access to realistic activities and proven services that have the confidence of Lone Parents and which have the capacity to engage and support at each stage, including post employment. However many Lone Parents prefer to have the support of a trusted intermediary. In many cases the voluntary sector will be best placed to provide the sort of personalised support that expanded programmes will require.

6.2.2 Work Related Activity

There should be a recognition that there are often a variety of pre-employment stages that lone parents need to take before they enter paid work, and the idea of a pathway into work rather than a single entry point.

6.2.3 Workforce Plus & City Strategy & ESF Funding

Lone parents are a key target group for government welfare to work policies. Glasgow has a particular need to focus on one parent families because of their high representation in the poorest areas of Glasgow.

There is a significant contribution to a variety of programmes through ESF funding. ESF funding withdrawal will leave a major funding gap for some of the key social economy organisations involved in employability services. This should be addressed by the Scottish Executive.

6.3 *Benefits System/In-Work Costs*

6.3.1 Individualization of benefits and taxation would help move forward the strategy to support Lone Parents into employment.

6.3.2 Lone Parents need to have a stable income during the transition into sustainable employment.

6.3.3 Local/City initiatives to subsidise in-work costs should be offered financial support from central government.

6.3.4 Housing Benefit should be adapted to support those moving from welfare to work. The design and delivery of Housing Benefit and how it interacts with Tax Credits should be reformed to provide immediate and reliable support for all those on Income Support and low income, including those with mortgages.

Housing benefit for full-time students should be simplified. Housing costs are one of the key issues raised by Lone Parent students who aim to improve their qualifications and therefore access to higher paid employment.

6.4 *Childcare*

Childcare costs and availability issues must be addressed immediately by the Scottish Executive if lone parents are to find social inclusion and economic independence. Accessible and affordable childcare is central to a strategy to end child poverty. Continued investment in affordable, flexible childcare and the development of the childcare workforce will be crucial for any strategy to support Lone Parents into employment.Childcare should also be available for lone parents who wish to take up training or continue their education before returning to work.

6.5 *Training & Education*

Education and training access is the route to economic independence and a means of breaking the poverty cycle. Lone Parents face a range of barriers to further and higher education—the financial impact is often insurmountable as is the lack of childcare.

6.6 *Employability*

Programmes to support confidence-building of lone parents are a vital stepping stone to help lone parents rebuild their confidence in themselves and their ability to support their families into the future.

More investment in sustainability is required to ensure employment, which is sustainable for Lone Parents. We require a more medium/long term approach to aftercare and in-work support, which offers a one to one caseworker approach provided by trusted intermediaries.

6.7 *Employment & Work Life Balance*

Renew efforts to improve women's pay, access to childcare and family friendly employment which can also help future parents to thrive in the labour market.

6.8 *Health*

The fact that most lone parents are women is important to understanding why so many one parent families are poor.

Lone parents fall into a "hardship trap" which means they suffer severe hardship, poor housing, and in the end ill health This in turn leads to low self-esteem, a lack of confidence and isolation, which are barriers to training, education and employment opportunities. It is of some consequence that one parent families are one of the groups most vulnerable to poverty. The introduction of welfare benefits which offered a decent standard of living would help the improve the poorest families health.

6.9 *Housing*

Lone Parents have often experienced overcrowded accommodation or has been forced into more insecure, expensive and poor quality privately rented housing. But acquiring a tenancy is only the first hurdle.

Housing provision for lone parents must address housing list allocation, social housing allocation and affordability, if lone parents are to have the security of tenure so fundamental to all individuals and families.

6.10 *Information & Advice*

Access to specialist advice when needed before and after entry to employment. This should include information about relevant skills training, financial advice about debt or benefit entitlements, childcare and information about sources of help for people with housing difficulties.

7. Conclusions—A Positive Policy Agenda

One Plus has long campaigned for the development of a comprehensive family policy with a funding package which supports families no matter their shape or composition. Poverty affects the lives of many lone parents and limits the life choices of their children. Tackling this requires both resources and commitment. There is a growing recognition by policy makers that lone parents face significant barriers in escaping the poverty trap. While many combine paid and unpaid work, the alternative of specialising in the unpaid work of caring for children and others should be a viable and valued option. Any vision for the future should provide genuine choice to parents as to whether to stay at home with their children or take up employment with the guarantee of affordable high quality childcare.

Lone parents are twice as likely to "cycle" between work and welfare and therefore the issue of sustainable employment and aftercare are crucial. This brings to light the complex issue of the interaction between "care work" and paid employment and "time and income poverty" Understanding better how to enable this crucial interaction is key to achieving the child poverty target and enabling lone parents into sustainable employment. A move towards an individual worker/carer model has the potential to effectively address the barriers to employment of the most disadvantaged families. One Plus is committed to working with others to develop positive policies that address the issues faced by lone parents.

One Plus

October 2006

8. Sources

1. DWP. Opportunity for All: the seventh annual report (2005), updates government progress on a broad range of indicators. It is available at Opportunity for All 2005.
2. HM Treasury. Child Poverty Review. 2004. Available at Child Poverty Review 2004.
3. Closing the Opportunity Gap. Scottish Executive 12 July 2004; Workforce Plus an Employability Framework for Scotland, Scottish Executive 2006; Workforce Plus 2006.
4. 2001 Census.
5. DWP (August 2005) Work and Pensions Longitudinal Study.
6. Scottish Executive, "Scotland's People Annual Report, SHHS 2005", (2006) and GROS, 2001 Census.
7. Scottish Executive (2006) op cite.
8. HM Revenue & Customs " Tax Credit Statistics April 2006 .
9. GCC (December 04) Glasgow's Housing Strategy Investment Priorities 2003–08.
10. DWP (August 2005) op cite.
11. GCC (December 04) op cite.
12. Scottish Executive (2006) op cite.
13. NPI, Monitoring poverty and social exclusion in Scotland December 2005. Estimates based on the Households below Average Income dataset, DWP.
14. Scotland's People Annual Report, SHHS 2005, Scottish Executive 2006.
15. Scottish Executive (2006) op cite.
16. J Able and G Scott, Employability Framework for Scotland, Final Report, Workstream: Workless client groups,Scottish Poverty Information Unit, Scottish Executive (March 2005).
17. One Plus (September 2006) Focus Group data for Poverty Audit Consortium & JRF.
18.
19. CPAG.
20. A new deal for welfare: Empowering people to work DWP, January 2006 http://www.dwp.gov.uk/welfarereform/legislation_green_paper.asp.
21. Scottish Executive "Workforce Plus" 2006 WorkForce Plus.

Memorandum submitted by EURespond

RURAL POVERTY OF ACCESS IN SCOTLAND: THE "DIGITAL DIVIDE"

Introduction

Poverty in Scotland is a product of multiple factors including socio-economic, geographic as well as historic influences. Recent strategies and plans focussing on poverty eradication have sought to address the issue from the perspective of enabling the Scottish people to help themselves. One key means of such self-help and consequently reduced poverty is accessibility to means of communications. But the latest figures show that only half of all adults have private access to the Internet.

Rural Poverty of Access

Scotland includes large areas where population is sparse and widely distributed. The Highlands and Islands regions especially suffer from lack of adequate means of communication, creating a wide digital divide. This leads to rolling adverse effects on employment opportunities, lack of access to basic amenities and services, social exclusion and lack of acceptable standards of living. E-Inclusion, and bridging the digital divide therefore, are high priority issues of the Scottish Executive.

A clear and unidirectional relationship exists between access to telecommunications services and poverty eradication. A recent study conducted by BBC's Newsnight on the impact of mobile phones across Africa showed how economic and social activity in the small town of Matatu in Kenya has been revolutionised by mobile phones.[110] Economic and social importance of access to affordable and reliable broadband has been identified by many sources as a method of promoting general economic interest for both business and residents alike. Digital inclusion fosters social inclusion in the knowledge and information society, opening avenues and possibilities for the population that would otherwise be unavailable. Digital inclusion and

[110] Mason, Paul—From Matatu to Masai via mobile, BBC Newsnight, January 2007.

broadband penetration are generally absent in areas where investment is not forthcoming from conventional terrestrial service providers. Even where terrestrial network upgrades lead to provision of DSL broadband, service is affected by poor quality lines and distance from exchange.[111]

Technological requirements of communities in remote rural areas, where population is distributed over vast landmasses, are a product of their geographical location. The overall population density for the Highlands is 8 people per square kilometre, in comparison with 66 across Scotland as a whole. 37% of the population live in Remote Rural data zones while 26% live in Super Sparse areas.[112] Many are not reached by land lines. Where they have them, according to BT estimated figures, up to 32,500 lines are unable to receive a basic 512kbps DSL broadband service.[113] These areas suffer from lack of access to resources compounding the multi-dimensional character of remote rural poverty, and making up disproportionately more than the 49% of adults and 52% of households who don't have Internet access.[114] Others rely on mobile phones with patchy reception.

Benefits of Digital Inclusion

Rural broadband could provide multiple benefits leading to better quality of life. These benefits include:

Tele-working

Commuting to work is widely understood to be one of the biggest issues concerning employability in remote Scotland. Working from home is often a convenient and practical alternative, allowing for greater economic growth of both businesses and individuals.

Tele-medicine

Elderly members of society require more medical attention and monitoring. Mobile medical databases can be used for timely medical responses given the correct communications infrastructure.

Access to essential services

Digitising society enables easy access to essential services such as banking and financial advice, enabling greater self-reliance and flexibility of operations, especially as rural banks and post offices continue to be closed.

Access to timely information

Remote rural areas are also regions that are susceptible to natural disasters, the damage caused by which can be minimised by systems that enable early warning to be provided to residents of the areas.

Greater social inclusion

Bridging the digital divide leads to reduction in rural isolation and greater integration of population with mainstream.

However, conventional means of digital inclusion through the wired local loop are incapable of addressing the specific needs of all of this target population. Rules for the allocation of spectrum to facilitate the provision of satellite telephony for all are currently being considered by the European Union.

The Case for Mobile Satellite Systems with Complementary Ground Components

The alternative to wired broadband is wireless broadband, which comes in a number of forms. Advances in technology have enabled the integration of terrestrial and satellite systems to provide an integrated, interoperable, seamless and ubiquitous Mobile Satellite System with Complementary Ground Component (MSS/CGC). MSS/CGC combines the benefits of satellite systems (high levels of coverage, disaster resilience, possibility of lower roaming charges) with conventional advantages of terrestrial systems (small, user-friendly handsets, indoor and in-building coverage). In addition, the technology incorporates interoperability, from a common user terminal, with other conventional telecommunications applications such as TETRA, making it ideal for Public Protection and Disaster Relief purposes.

[111] A study points out that "the main measure of availability is the length of the line as the ADSL signal is attenuated with length until it becomes unworkable"—Scottish Executive, A Study into Broadband Reach into Scotland, December 2006.

[112] The Highland Council's submission to Scottish Affairs Select Committee on Poverty in Scotland Inquiry, October 2006.

[113] Scottish Executive, A Study into Broadband Reach into Scotland, October 2006.

[114] Scottish Household Survey, Scotland's People: Annual Report, 2005.

Mobile satellite services, including voice, data, video, GPS and other applications, have demonstrated their flexibility in serving remote areas and in extreme environments. These systems are not location-dependent and can be used where terrestrial networks are unavailable. Mobile satellite services that add a Complementary Ground Component combine the best features of both technologies enabling instant and seamless transition between satellite and terrestrial wireless networks and reusing frequencies.

Using MSS/CGC technology, a mobile terminal communicates with a satellite when out of terrestrial network range, when both the satellite and the terrestrial network are in range, the terminal automatically links with the stronger signal. For mobile communications, the user experiences seamless, un-interrupted communications transitioning between the satellite and terrestrial coverage. CGC and inter-operability with Land Mobile Radio systems ensures networks can also be extended underground to enable communications inside structures, buildings, and transportation tunnels.

Primary characteristics of an MSS/CGC network include:

- Interoperability with existing European standards and TETRA interfaces.
- Multiple levels of security insure secure communications.
- Flexible definition user groups allow for frequently changing response teams.
- Allowance of available bandwidth to be re-directed from one spot beam to another, enabling expanded capacity in periods of high-traffic.
- Different service levels, by prioritisation, ensure spectrum availability for high-priority groups such as disaster relief teams on a relief operation.
- SIP (Session Initiation Protocol) architecture for access to information databases remotely throughout the coverage area of the network.
- Database accessibility from multiple terminals for varied purposes—from small hand-held devices to vehicle-mounted terminals.
- In-built two-way redundancy allows for the satellite component to be operational in the event of damage to the terrestrial segment.
- Spare battery pack and solar charger cover the eventuality of power failures that impact other communications systems.
- Operation in the 2 GHz band, which is highly compatible to existing terrestrial UMTS networks.
- Underground operations possible with a fully deployed terrestrial component.

Conclusion

Mobile satellite systems with Complementary Ground Component are well placed to serve the policy objectives of remote rural broadband penetration and provision of resilient public protection communications systems. It is imperative that the value of these systems be recognised for public good in Scotland, and they then be deployed across Europe for the fulfilment of broad pan-European, national and local government policy objectives.

EURespond UK
Campaign for resilient communications

13 February 2007

Memorandum submitted by the Equalities Coordinating Group

Poverty in Scotland Inquiry: Relevance of Inequalities

I am writing on behalf of the Equalities Co-ordinating Group (ECG) to welcome the Scottish Affairs Committee's inquiry into poverty in Scotland. The ECG, which includes the three equality Commissions in Scotland and the newer strands of sexual orientation, religion and faith and age[115] meets regularly once a month to discuss equality issues in Scotland with a focus on enhancing legislation and good practice, often meeting and working with Ministers and MSPs and MPs in order to move the equalities agenda in Scotland forward. The Group:

- acts as a forum for information and communications exchange;
- examines approaches towards equality and in Scotland and promoting anti-discrimination in a devolved Scotland; and

[115] The ECG comprises: Disability Rights Commission (Convener for 2006/7); Commission for Racial Equality; Equal Opportunities Commission; Equality Network (sexual orientation); Age Concern Scotland and the Scottish Inter Faith Council. In addition the Group includes participating observers from the Scotland Office; Equality Unit of the Scottish Executive; Equal Opportunities Committee of the Scottish Parliament; Convention of Scottish Local Authorities (CoSLA).

— appraises devolved policy and legislation for its impact on equality.

The ECG welcomes the Committee's decision to inquire into poverty in Scotland and, in particular, to examine contributing factors to poverty and the impact of Government policy on poverty. We believe there are clear links between inequalities and poverty, which can be demonstrated across a number of indicators as a result of age, disability, ethnicity and gender (and potentially the other two strands of religion and sexual orientation), and as a consequence we believe policies that seek to provide routes out of poverty must also tackle discrimination and promote equality. In this letter we therefore seek to highlight four issues: the disproportionate impact of poverty on equalities groups; the data problems that may mask unassessed poverty; the potential of closer matching between reserved and devolved poverty initiatives on equalities groups, and potential areas for enhancing current anti poverty policy and delivery with regard to equalities groups.

Key indicators in regard to equality and poverty in Scotland include:

— Scottish households with one or more disabled persons are twice as likely to live in poverty than those with no disabled people.

— According to the 2001 census, people in Scotland describing themselves as belonging to the "Other South Asian; African and Black Scottish or Other Black" ethnic groups have higher than average proportions of their population living in the most deprived areas of Scotland. In 2004–05, 25% of all individuals living in households headed by an adult from a minority ethnic group were living in relative low income households, compared to 16% of those living in households headed by an adult from a white ethnic group.

— 93% of all lone parent households (with dependent children) in the 10% most deprived areas are female lone parent households compared with 88% in the 10% least deprived areas.

— 19% of pensioners and 280,000 children currently live in poverty.

However, as the Scottish Executive High Level Summary of Equality Statistics acknowledges,[116] it is not possible to break down all social and welfare trends by all equality dimensions—for example, there is at present little data to show whether there are links between religion or sexual orientation and poverty in Scotland. In the case of religion the Summary of Equality Statistics shows that people from some religious groups including Muslims, Buddhists and Sikhs are more likely to be unemployed than people from other religious groups in Scotland and more likely to be economically inactive, and therefore potentially more likely to be in poverty, but the data does not go far enough to establish links. There appears to have been little research into poverty and sexual orientation, with the exception of a survey carried out by the Glasgow Women's Library in 1999 on poverty and exclusion of lesbians and gay men.

There are also limitations on how far some data can be broken down, as it often contains small numbers, particularly in the case of smaller ethnic groups and to some extent disability. The ECG therefore has a concern that although poverty has a disproportionate impact on minority groups in Scotland, this impact often goes unacknowledged and unaddressed because the data to inform evidence-based policymaking is lacking.

There is a further aspect regarding effective anti-poverty planning and equalities in Scotland that arises out of the practical impact of the devolution settlement. There have recently been a number of welcome initiatives to reduce poverty in Scotland including, on a reserved basis, incentives to work—such as benefits and tax changes and the Access to Work Scheme—and in skills, training, employability policies and issues—which are all devolved matters. We feel however that some of these different sets of policies on a reserved and devolved basis do not always connect sufficiently, and that greater alignment and synergy may be necessary to maximise impact and effectiveness in reducing poverty in order to avoid a "devolution gap" between reserved and devolved policy.

In addition to the devolved Closing the Opportunity Gap and the Smart Successful Scotland Strategy initiatives, the Committee may also wish to explore what else is required to identify the underlying causes of exclusion and to measure the impact of policies on disadvantaged groups. The refreshed Smart Successful Scotland strategy already includes the important challenge to overcome disadvantaged groups' under representation and reduced economic activity in the labour market. Other recent initiatives such as Workforce Plus and the NEET strategy are also likely to have significant positive impacts on reducing poverty and reaching disadvantaged groups. Nonetheless even more value could be achieved by ensuring that such initiatives are equality impact assessed more effectively, particularly in the development of their targets and outcomes. The recent Scottish Executive Working Group Report on Disability and the Scottish Parliament Disability Inquiry are two examples of recent initiatives which have positively included proposals for reducing poverty by disabled people.

As indicated above since routes into poverty are influenced by inequalities as a result of age, disability, ethnicity and gender (and potentially the other two strands of religion and sexual orientation), then policies that seek to provide routes out of poverty must also tackle discrimination and promote equality. New data collection systems also need to be developed and implemented to provide accurate measures of trends in poverty and inequality.

[116] Scottish Executive, *High Level Summary of Equality Statistics: Key Trends for Scotland 2006,* November 2006.

Key is the need for the undertaking of equality impact assessments and the mainstreaming of equalities into approaches to poverty—one such opportunity being the recent proposal to establish a central poverty unit within the Scottish Executive. Without the mainstreaming of equalities into anti-poverty approaches there is a danger that they could simply reinforce existing inequalities. The ECG therefore hope that during the inquiry the Committee will consider the links between inequalities and poverty and the need for policy measures to tackle poverty which take account of and seek to address the role played by inequalities.

If you would like further information about these issues from the ECG during the course of your inquiry then please do not hesitate to contact me as above, or Harriet Hall at the Commission for Racial Equality Scotland.

Adam Gaines,
ECG Convener

27 March 2007

Memorandum submitted by Scottish and Southern Energy

Scottish and Southern Energy (SSE) is grateful to have this opportunity to submit evidence to your Committee's Inquiry into Poverty in Scotland. The company is involved in the generation, transmission, distribution and supply of electricity and in the storage, distribution and supply of gas. It supplies energy to customers throughout Scotland.

Goal

As Energy Action Scotland (EAS) stated in its evidence to the Inquiry, poverty is a "very complex, multifaceted issue, of which fuel poverty is only one aspect". It is, however, the aspect which is the subject of this evidence. EAS has set a goal of eliminating fuel poverty and it is one which SSE endorses. There is no reason why, in the 21st century, anyone in Scotland should be forced (by whatever circumstances) to live in a home which is not warm and dry.

Component Parts of Fuel Poverty

Fuel poverty should be broken down into its three component parts: income; fuel prices; and volume of fuel required to keep the home warm and dry.

1. *Income*

The government is clearly best placed to deal with the issue of income; energy suppliers are not in a position to influence this.

2. *Fuel prices*

Wholesale energy markets, which are influenced by national and international factors, largely determine fuel prices—although it is possible for different energy suppliers to adopt different pricing policies. That is why, during 2004–06, customers of SSE paid on average around £320 less for their gas and electricity than did customers of British Gas. This demonstrates the competitive nature of the UK's energy supply industry.

The competitive nature of the market was confirmed by the European Commission in March 2007 when it exempted the UK's energy suppliers from onerous procurement regulation. Finland is the only other country in the European Union to be acknowledged as sufficiently competitive to warrant this exception. Before that, in January 2007, Ofgem confirmed that over four million customers in the UK switched their energy supplier during 2006 and stated: "This is clear evidence that Britain has the most competitive energy market in the world and that customers are taking full advantage of this."

At the same time, it should not be perceived that energy suppliers adopt a "one size fits all" approach to pricing; and it should not be perceived that this is an area in which suppliers have no obligations. In addition to ensuring that competition works for the benefit of all customers, Ofgem monitors suppliers' compliance with social obligations such as providing for the needs of a variety of customer groups.

In other words, suppliers seek to support their competitive position and corporate reputation and fulfil their social obligations with products and services designed to help customers whose circumstances make it difficult for them to meet their energy bills. In SSE's case, these include:

— providing "tailor-made" payment arrangements for customers who may be having difficulties in paying for the electricity and gas they use (over 200,000 SSE customers take advantage of such arrangements);

— offering an "energyplus care" tariff and package of services for the most vulnerable customers, enabling an eligible family living in a three-bedroom house to cut their total energy bill by around 30%;

— providing and promoting an energy efficiency advice line to offer high quality advice, with specialist staff able to do home visits;

— abolishing the extra charge levied on all of electricity pay-as-you-go (or pre-payment) meters;

— enabling debt avoidance through no "back-charging" for the period between a price rise being implemented and the pre-payment meter being adjusted to reflect the increase; and

— supporting the Home Heat Helpline, a free phone number offering practical energy advice for vulnerable people (many of whom are unaware of the extent of the help that is available to them).

These issues are all significant. For example, in February 2007, Jackie Baillie MSP, convener of a cross-party Scottish Parliament group on debt, described the "practice of back-charging people for their pre-payment meters" as "iniquitous", and noted it is one that SSE had ended.

The approaches that suppliers adopt clearly vary, but this demonstrates the effectiveness of a competitive market in practice in spurring suppliers into action. If suppliers' approach to responsible practice falls short, they will ultimately lose customers.

3. *Volume of fuel*

It is in the issue of the volume of fuel required to keep the home warm and dry that there is scope for the government and energy suppliers to work together to deliver measures designed to provide a warm, dry home. The majority of households in fuel poverty occupy homes with an energy efficiency rating which is below average. By focusing fuel poverty policy on homes with the lowest ratings, there would be the correct focus on the homes most in need of improvement and on people at high risk of fuel poverty. The first target should be to bring homes with a poor rating up to the national average. The target can then be adapted and upgraded as the least efficient homes are dealt with.

To achieve this simple goal, there needs to be a single government-sponsored scheme for tackling fuel poverty in the private sector (by integrating the central heating programme in Scotland and Warm Deal and the "social" aspects of the Energy Efficiency Commitment (EEC)—that part which is currently assigned to households in priority groups). This would be a better use of existing resources, and to maximise the synergies, should be supervised by a single, bespoke agency, working with all energy suppliers. This would give a single point of contact and a more comprehensive range of measures, which should—in turn—be easier to publicise. Incentivising suppliers to become involved in the delivery to a greater extent would give the new scheme greatly increased reach compared with the existing models.

Other Options

New technology has a part to play in addressing fuel poverty. So-called "smart' meters give customers information about the energy which they are using, thus giving them more effective control over their energy consumption. Awareness of energy consumption is clearly a higher priority to customers who may be fuel poor.

SSE believes that there may be scope to support the fuel vulnerable by providing them with a combination of energy efficiency information and aids to enable them to better manage their energy usage. This could be done, for example, through the installation of prepayment electric smart meters with CDUs (Control and Display Units). This could be complemented by the establishment of a local infrastructure to support a tokenless pre-payment service, under which customers can make payments remotely, that has been successful in other countries.

Such a combination of much greater information and a better, more flexible customer service could play a meaningful role in making people better able to manage their fuel consumption and, thus, their exposure to fuel poverty. Concepts such as this are being trialled in a programme sponsored by Ofgem and UK government departments.

In addition, for hard-to-treat homes, micro generation technologies may offer a solution over the long term. SSE is engaged with the charity National Energy Action to examine how micro generation technologies such as air source heat pumps and solar panels could contribute to alleviating fuel poverty in hard-to-heat rural properties. This is an example of the importance of suppliers engaging with key stakeholders in this area.

Summary

In summary, SSE believes that the competitive energy market in the UK clearly the environment in which the lowest possible prices for customers will be delivered. It allows suppliers to adopt a variety of approaches to assisting vulnerable customers. Clearly, there is scope for reform of the delivery of schemes to address fuel poverty. At the same time, new technology may contribute to the alleviation of fuel poverty.

If you or any members of the Committee would like to see the delivery of customer services in the energy supply market, I would like to extend an invitation to you and them to visit our company operations in either Portsmouth, Perth or Cardiff. We would be very happy to welcome members as individuals or as a group. I would also be happy to supplement this evidence with more detail on any specific points if that would be helpful.

In the meantime, I hope these observations are helpful.

Ian Marchant
Chief Executive

8 May 2007

Memorandum submitted by The Energy Retail Association

Introduction

The ERA, formed in 2003, represents Scotland's domestic electricity and gas suppliers in the domestic market in Great Britain. All the main energy suppliers, operating in the domestic market, in Great Britain are members of the association—British Gas, EDF Energy, npower, Powergen, Scottish Power, and Scottish and Southern Energy. Since its inception, the ERA has ultimately focused on finding ways to continually improve customers' experiences with their electricity and gas suppliers. This means that we lead on issues such as:

- Tackling fuel poverty and protecting vulnerable customers.
- Delivering energy efficiency schemes.
- Ensuring good sales practice.
- Developing hassle-free systems for changing electricity or gas supplier.
- Developing industry standards for customer billing.
- Preventing debt and disconnections.

The Energy Retail Association (ERA) welcomes the opportunity to respond to Scottish Affairs Select Committee's inquiry into poverty in Scotland.

Key Issues

Social Tariffs

The ERA does not believe that the term social tariff fully explains or describes the range of social support initiatives and schemes suppliers provide for vulnerable customers. The term is not and should not be seen as a panacea to the problems of 3m+ people (600,000 in Scotland) in fuel poverty and, therefore, should be open to flexibility and innovation in order to adapt and target resources to specific problems faced by vulnerable customers.

Furthermore, the ERA does not agree with the premise of a universal social tariff and does not hold the view that such a move would assist the competitive market. Fundamental questions exist regarding the targeting of vulnerable customers who would be eligible for such a social tariff; the criteria used; and the role of Government benefits and tax credits.

Given the changing energy market—both nationally and internationally—it is unlikely domestic energy prices in Scotland will return to pre-2003 levels. In that context the ERA believes that income maximisation must form the bedrock of initiatives to eradicate fuel poverty. Although energy suppliers do not support a universal social tariff they are willing to assist the Government and other delivery agents develop practical, sustainable and results-driven solutions to fuel poverty.

The ERA does not believe that social tariffs would have any discernible effect on reducing fuel poverty without an integrated strategy that addresses the three elements of fuel poverty—low income, poor housing stock and energy costs.

Fuel Poverty

The ERA welcomes the approach taken by the Scottish Executive in tackling fuel poverty in Scotland and the cross-party consensus which has been achieved. The ERA hope the good work continues under the new administration. In particular, the ERA notes the success of the Central Heating Programme which it considers to be the flagship fuel poverty programme in Scotland—87% of those who have received fuel poverty or energy efficiency measures under the programme have been taken out of fuel poverty. The Warm Deal programme has also delivered similar results.

The ERA believes that one of the key issues that needs urgent attention with the fuel poverty debate is the poor targeting of fuel poor households and the need for the Government to direct funds—especially benefits—to those vulnerable households which require them the most. We know from a recent programme of benefits health checks that vulnerable customers are under-claiming benefits of, on average, £1200 per year. The Government has to make the process of applying for benefits simpler, better target those who genuinely need help and put social equality at the heart of its financial inclusion agenda.

One of the ERA's key proposals is the reform of the Energy Efficiency Commitment (EEC) to provide separate carbon saving and fuel poverty initiatives. The ERA estimates that a total fund of £300m could be created specifically for programmes in fuel poor households by reducing the amount of high cost measures which currently exist within the EEC model. This should be coupled with a review of the Winter Fuel Payment which would be remodeled to target those most in need. These reforms could reduce the numbers of households in fuel poverty from 2.5 million to 100,000 homes by 2010. In addition, suppliers would provide energy audits, hardship funds, special tariffs and energy audits as part of a suite of measures to complement the reforms.

The ERA believes the Government should support suppliers in establishing a separate Fuel Poverty fund which will enable all stakeholders to deliver integrated solutions that have the biggest impact on improving fuel poor households.

The ERA agrees with the statement made in the recent Fuel Poverty Advisory Group Fifth Report that the Government should provide an assessment of the resources and policies needed to meet the 2016 target of eradicating fuel poverty in all households and should draw up a Fuel Poverty Business Plan for the initial years.

In addition, the Government's increased VAT receipts from the rises in energy prices over the last few years should in whole, or in part, be used to fund additional programmes to tackle fuel poverty.

Energy Efficiency

As we have indicated above the ERA recommends that the EEC model should be reformed. The ERA believes that EEC3 should become a carbon focused programme where its impact on climate change can be focused, and thus, more significant. In addition, the ERA is concerned that the Government has overestimated what can be achieved at reasonable cost through EEC. In order to achieve financial equity a Priority Group (PG) target of 25% will give suppliers flexibility to offer additional support to fuel poor households and a PG of under 25% would bring additional benefits to the market.

In the short term the ERA recommends that the Government should introduce additional incentive mechanisms (whether within or separate from EEC) to support the roll-out of new technologies (i.e. microgeneration or ground source heat pumps) which could include multiple EEC credits in the early years to subsidise the initial start-up expenditure.

The ERA recommends that the Government should, in addition to the services already promoted by energy suppliers, (notably the Home Heat Helpline) establish a central point of contact for all schemes providing energy efficiency and fuel poverty and that this contact point be promoted locally, regionally and nationally.

Smart Meters

The ERA and its members is an advocate of smart metering and has been developing a framework for the establishment of smart metering in Great Britain for some time working with key industry partners and other stakeholders. Within the next ten years suppliers will roll-out smart meters to 25 million homes in Great Britain for both gas and electricity, provided the Government gives a clear mandate in the Energy Bill.

Suppliers will install 2-way communication systems that will involve customer display units giving real time information on energy use in the home. The nature of the display will be a competitive market issue and will allow suppliers to continue to differentiate themselves in the market.

In addition:

- Smart meters will enable suppliers to introduce flexible tariffs that measure consumption over set time periods.
- Automatic and actual meter reads will bring an end to estimated bills.
- Smart meters will have the capability for import and export, which will facilitate microgeneration technology.
- Suppliers will cater for both credit and debit customers for electricity (in other words a customer will be able to switch between credit and pre-payment) and dependent upon the cost issues from manufacturers the same benefits could apply to gas customers.
- For electricity customers suppliers will be able to remotely disconnect and reinstate supply, which will reduce the costs of debt recovery.

PRE-PAYMENT METERS

All energy suppliers are currently pressing ahead with replacement programmes with the objective of having all token PPMs replaced with smarter technology (allowing for tariffs to be adjusted remotely) within the next few years. These new meters will deliver a number of practical benefits to both customers and energy suppliers including the ability to reset prices and also collect accurate meter readings remotely. Some meters also enable suppliers to operate more family friendly policies including the ability to prevent disconnection due to lack of credit at particular times such as evenings and weekends.

The pace of replacement programmes will obviously differ from one company to another. The regulator, Ofgem, has said that they recognise that each energy suppliers' token PPM portfolio is different, in terms of size, demographic and geographical split as well as in metering arrangements they may have in place.

The numbers of meters being replaced is currently being monitored by Ofgem. The returns submitted for January 2007 show:

— There was a 150,000 decrease in the number of token PPMs accruing debt—falling to 256,000 from 409,000 in December 2006.

— A removal of around 90,000 (including some February activity) token PPMs

— 86,000 recalibrations were carried out in January 2007

— There has been action to write off debts for customers.

Ofgem has proposed a new licence obligation as part of the supply licence review this summer requiring licensees to take all reasonable steps to ensure that the meter is reset within a reasonable period of time after a price change. By adopting a "reasonable steps" approach, Ofgem recognise that the recalibration of an electricity token meter is dependent upon successfully gaining access to a customer's property—without the consumer's co-operation, this continues to hamper recalibration programmes.

There has been some criticism aimed at energy suppliers for their failure to recalibrate electricity token meters in a timely manner. Ofgem records the estimated build up of under-recovery, based on average consumption for an electricity token PPM that had not been recalibrated for 12 months, to be between £25 and £73. Of all types of PPM customers only 20% of gas customers and 13% of electricity customers are repaying a debt.

Current concerns regarding PPMs are currently being addressed by the industry and monitored by the regulator and a timeframe is in place for replacement programmes. The regulator has undertaken to monitor the situation on a monthly basis and energy suppliers have made individual commitments in regard to their PPM stock.

The Home Heat Helpline

The Home Heat Helpline (0800 33 66 99) was launched in October 2005 by the ERA to provide a dedicated central point of contact for customers requiring help and advice on paying fuel bills and energy efficiency issues

Fuel Poverty and the Home Heat Helpline in Scotland

Scotland faces a slightly different set of challenges regarding fuel poverty to the rest of the UK. This is due to the climatic situation in Scotland as well as the nature of its housing stock—both structural as well as their locations. In light of these considerations the ERA has ensured that the Home Heat Helpline (HHH) has a dedicated PR, marketing and public affairs strategy in Scotland. To date, we have secured positive coverage in both the national and local media in Scotland for the HHH as well as undertaking activities to maximise the awareness of the service in order to drive as many calls to it as possible. In addition, HHH has worked with various MSPs in order to raise the profile of the helpline, both in the Scottish Parliament and in their local constituencies.

Given the number of households in Scotland suffering from fuel poverty the ERA believes it is critical to provide an accessible and responsive service in order that those most in need can receive the advice they need. A HHH guide which has been distributed widely explains that by taking very simple steps households can heat their home more efficiently and pay less for their fuel bills.

For people for whom English is not their first language, a qualified advisor is available to give advice and information over the phone using an interpreter through the Language Line facility.

What does the Helpline Offer?

The Helpline encourages vulnerable customers to talk to their suppliers, either directly or through a third party, and access benefits to which they are entitled. HHH advisers can offer advice on grants such as winter fuel payments for older people, as well as inclusion on Priority Service Registers (PSR's) for the disabled,

and tips and hints on saving energy. In addition, advisers carry out benefit entitlement checks whilst the customer is on the line to ensure they are receiving maximum income. Advisers also give advice on how to stay healthy in cold weather and how to conserve heat.

HHH advisers are also trained to take calls from intermediaries calling on behalf of vulnerable people, such as friends, family, carers, social workers or health visitors.

In essence, the HHH is a one stop shop for energy advice.

Background Information

The Home Heat Helpline is a free service for all British citizens. It is funded by Britain's six major energy suppliers, and staffed by experts (including former health professionals and social workers) based in Glasgow. To date, in excess of 50,000 calls have been received by the HHH. The HHH can be contacted on 0800 33 66 99.

Energy Retail Association

23 May 2007

Memorandum submitted by ScottishPower

1. Introduction

ScottishPower welcomes the Committee's inquiry into poverty in Scotland. As one of the largest providers of gas and electricity to domestic customers in Scotland, ScottishPower takes seriously the contribution we can make to assisting vulnerable households, in particular through measures to address fuel poverty and energy efficiency.

This submission outlines the action we are taking to target assistance to households in greatest need in Scotland. Our activity is shaped by the recognition that energy price is an important factor affecting levels of fuel poverty, but that it is not the sole contributor. Overall household income and the energy efficiency of the home also have a major impact on levels of fuel poverty. Notwithstanding the energy supply industry's activities through the Energy Efficiency Commitment, measures to improve income and the quality of the housing stock also require the attention of a range of stakeholders.

2. Fuel Poverty

ScottishPower provides a range of services to focus assistance to the vulnerable households that need help most, and we consider these to offer innovative and targeted approaches to addressing fuel poverty.

In November 2005 we set up the **Energy People Trust**, an independent charitable trust fund to support not-for-profit organisations and groups that work directly with those in fuel poverty. As well as crisis funding, the Trust invites funding applications for research, energy efficiency improvements and income maximization projects, with a key focus on projects which target families with children and young people. By June 2007, ScottishPower will have donated £4 million to the Trust, and to date £2.2 million has been awarded to 57 not-for-profit organisations, assisting over 56,000 households across the UK. In Scotland, 24 projects have received almost £1m in funding, helping over 22,000 individuals (see attached Annex). Further information on how to apply to the Trust is available at www.energypeopletrust.co.uk.

We offer targeted and detailed face-to-face advice to customers through our unique network of **Community Liaison Officers (CLOs)**. Twelve dedicated staff represent ScottishPower within the community, assisting customers and providing training across the business, including on how to identify and deal with vulnerable customers. Last year ScottishPower's CLOs undertook 14,500 customer visits, 1,200 of which specifically related to providing energy efficiency advice.

We are working on a number of other community outreach approaches through our current trial programmes with the **Citizens Advice Bureau**, including a dedicated phone line for all CAB advisors to call our Collections Team for specialist advice on accounts in debt. The Energy People Trust is also funding a project with **Dumfries & Galloway CAB's Fuel Advice and Benefits** to set up a specialist service that engages low income families, lone parents and other hard to reach groups in order to maximise their income and reduce fuel/household poverty. The funding covers the cost of employing two welfare benefits specialists who conduct benefits checks, assist at welfare benefit appeal tribunals, advise of sources of grant funding for energy efficiency measures, issue information leaflets and refer customers for additional assistance. The main aim of our association with CAB is to encourage consumers to seek independent advice and prevent debt and disconnection, particularly for vulnerable customers.

At a UK level, ScottishPower worked last winter with other energy suppliers to support the **Home Heat Helpline** for a second year, which assumed greater importance in the wake of the Department of Health's decision to withdraw its "Keep Warm-Keep Well" helpline. We supported the pilot scheme led by Ofgem

and DWP to target 100,000 pensioner households with energy advice and assistance. This activity was supported by our **Winter Warmer Campaign**, an integrated media campaign across Scotland, North West England and North Wales which we ran for a second successive year to raise the profile of our work to assist young families and pensioners during the cold winter months. This included information on the Energy People Trust, the role of our Community Liaison Officers, and the Home Heat Helpline, as well as promoting energy efficiency tips and insulation offers.

Last winter, we took mitigating action against the impact of retail price increases on our most vulnerable customers. For customers who paid by pre-payment meter or weekly card, and who were also on our Carefree Priority Services Register, ScottishPower provided £80 in total **payments for vulnerable customers** to help towards reducing their fuel costs. We also mailed these customers with a package of advice and information on energy efficiency services such as free insulation, and supplied them with four free energy efficient light bulbs and a free thermometer card.

3. Energy Efficiency

Through the **Energy Efficiency Commitment (EEC)**, ScottishPower and other energy suppliers make a significant contribution to household insulation, appliance efficiency and heating standards for public and private sector housing stock. The current arrangements for the second phase of EEC are scheduled to run until 2008, under which ScottishPower's current expenditure on energy efficiency projects across the UK is some £50m per annum. In the past two years under EEC2, we have delivered more than 55,500 heating and insulation measures in Scotland. We have provided over 120,000 low energy lamps, and have installed more than 11,900 "A" rated boilers in Scotland to deliver energy efficient heating systems. A further 2000 Scottish homes have benefited by converting from electrical or solid fuel heating to full gas central heating system, and on some occasions this has involved the extension of the gas infrastructure network in partnership with local authorities and the private sector.

As part of this programme, we are making a substantial commitment to energy efficiency improvements in Scotland through partnerships with over 53 local authority and registered social landlords, and have delivered approximately 19,300 measures with our local authority project partners. These include our involvement in major schemes such as the **Keep Edinburgh Warm** programme, which will begin next year, as well as successful existing projects such as:

- three Combined Heat and Power (CHP) District Heating Schemes in partnership with **Aberdeen Council**, to which ScottishPower has provided more than £250,000 in funding. These include schemes at Stockethill (288 electrically heated flats in two high-rise blocks, completed in 2004), Hazelhead (184 flats, 30 sheltered accommodation dwellings and the local academy), and Seaton (503 electrically heated flats to benefit from a new 0.4 MW CHP unit later this year;
- the **Dundee Community Energy Partnership**, through which more than 5000 fuel poor homes were helped between 2002 and 2005; and
- the **Lanarkshire Community Energy Partnership (LCEP)**, which was set up in 2004 as a partnership between North and South Lanarkshire Councils, the Scottish Executive, Transco and ourselves. To date we have contributed more than £190,000 to LCEP's running costs and have provided more than £700,000 of energy efficiency funding. Measures carried out by LCEP include 2600 cavity wall insulations, 2000 loft insulations, and 8300 home energy surveys. We have extended our relationship into non-core activities, including the provision of 30,000 energy efficient light bulbs for North Lanarkshire's 2006 Winter Warmer Pensioner campaign.

In addition to these EEC-related measures, ScottishPower actively promotes a **free energy efficiency advice line**; domestic and non-domestic codes of practice on energy use reduction; specific business customer 'Smart Packs' that provide energy saving advice; and a range of promotional literature on all aspects of financial help with energy efficiency products including lighting, insulation, heating, energy efficiency home audits, and guidance on appliance usage. Energy efficiency information is also communicated to customers on bills and bill inserts, via the news and internet media, and through our partnership with a variety of organisations including local authorities and other community organisations.

4. Wholesale and Domestic Energy Prices

There has been significant public interest in wholesale and retail energy pricing in recent months, and it may be helpful to set out ScottishPower's current position on pricing.

Between 2003 and 2006 wholesale energy costs rose dramatically, and although retail price increases were required to offset these high wholesale costs, we were able to protect our customers from a substantial part of this increase. At their peak in April 2006, wholesale prices had increased by more than 200% from January 2003. Over the same period, our retail gas prices went up about 90%, and our retail electricity prices about 50%. Our approach to wholesale procurement meant that we were able to absorb and delay much of this impact, and we estimate this approach to have benefited a typical dual fuel customer by an average of £200 per annum over the past two years, which is a subsidisation of our customers' bills of at least £1 billion in that period.

To reflect the fact that wholesale costs are now starting to subside, ScottishPower announced energy price cuts for domestic customers which take effect from 15 June 2007. Gas prices will drop by up to 16.5% and electricity by up to 6%, taking the typical direct debit bill down £75 to £836 per year. The decrease follows the launch of ScottishPower's Price Fall product, which at an average of £811 per year is one of the cheapest offline deals in the UK. This offer shields customers from any potential increases until October 2008 and guarantees to pass on future decreases should standard prices fall below Price Fall rates. We have also launched the Savings Challenge to encourage existing customers to ensure that they are on the best deal. Over 80% of our customers could pay less by making simple changes to their energy account. For example, switching to direct debit could save up to £125 and managing accounts online up to a further £64.

Under the new price structure, ScottishPower is now the only UK supplier to support customers using prepayment meters with prepayment rates for gas and electricity that are cheaper than standard quarterly payment rates. Our prepayment customers will accrue the benefit of this reduction immediately, as it will be effective for all customers from 15 June and not delayed until recalibration. Given the higher proportion of vulnerable customers choosing to use prepayment meters as a payment option, we believe that this initiative should be regarded as a welcome step in reducing consumer debt. We recognise that there has been significant interest in the issue of prepayment meter tariffs and recalibration. Working with Ofgem, the energy regulator, we have redoubled our efforts to recalibrate meters from the time of our last price increase in July 2006, and we have accelerated the roll-out of new key meters which do not require manual recalibration.

5. Conclusion

ScottishPower supplies a high number of vulnerable customers and we take seriously the issue of fuel poverty. We are actively involved in tackling many of the factors that contribute to fuel poverty through our direct assistance to vulnerable households, our product offerings, our energy efficiency programmes, and our wider investment in the UK economy. The levels of effort and investment undertaken through the above initiatives demonstrate our commitment to playing a role in addressing the issue of fuel poverty in Scotland and throughout the UK.

The issues of energy pricing and fuel poverty are complex, and require interventions not solely the energy supply industry, but also from government and other stakeholders, if they are to succeed. Other market developments that increase innovation in the products and services suppliers offer their customers, such as the national roll-out of smart metering, have the potential to drive improvements in domestic energy efficiency and to help reduce fuel poverty.

A note on the projects in Scotland currently supported by the Energy People Trust projects is attached. If the Committee would like further information on these or any other aspects of ScottishPower's activities, we would be very pleased to provide it.

ScottishPower

11 June 2007

3499063020

Annex

Organisation	*Organisation Location*	*Project Name*	*Project's Geographical Location*	*Expected No of Individuals*	*Expected No of Households*	*Funding Amount Approved*
Health Connect	Scotland - Thornliebank Mearns Village, Barrhead and Neilston	Home Connect	Barrhead/Neilston/ Thornlibank		104	£1,959.00
Starter Packs Dundee	Scotland - Dundee (postcodes DD1-DD9)	Starter Packs Dundee	Dundee DD1 - DD9		500	£12,000.00
Lothian and Edinburgh Environmental Partnership (LEEP)	Scotland - East Lothian Edinburgh and Midlothian	Warm & Well for Infants	East Lothian/ Edinburgh/ Midlothian	40 Community Groups (approx 400 people) +	200	£117,620.00
SCARF (Save Cash and Reduce Fuel)	Scotland - Aberdeen Aberdeenshire, Angus, Dundee, Moray and Perth & Kinross	North East Cosy Homes Project	NE Scotland LA of Aberdeen/Angus/ Dundee/Moray & Perth & Kinross		600	£76,744.00
North View Housng Association Ltd	Scotland - Windlaw area of Castlemilk, Glasgow	Youth Housing Project	Windlaw Castlemilk		4	£12,000.00
Dundee City Council	Scotland - Dundee	Crisis Fuel Payments Project	Dundee	130		£2,900.00
Calman Trust Ltd	Scotland - Inverness and Easter Ross (Muir of Ord-Tain) Scottish Highlands	Temporary Accommodation Package (TAP)	Inverness & Easter Ross	42		£11,500.00
Granton Information Centre	Scotland - North Edinburgh (GrantonPilton, Muirhouse/Drylaw)	North Edinburgh Income Maximisation Project	North Edinburgh Granton/Pilton/ Muirhouse/Drylaw	250		£29,866.00
Dundee Woman's Aid	Scotland - Dundee	Settling-In To Refuge & Follow-On	Dundee (countrywide)		60	£4,944.00
Drumchapel Law and Money Advice Centre	Scotland - Glasgow	Young People & Families Money Advice Support Project	Glasgow West - Drumchapel/ Knightswood/ Anniesland/Scotstoun	500	400	£21,559.00
Inverness Woman's Aid	Scotland - Inverness	Refuge Upgrade	Highlands of Scotland	83	50	£5,467.00
The Action Group	Scotland - Edinburgh	The Lothian Income Maximisation Project for Families with Children with Special Needs	Lothian/Edinburgh/ Midlothian/East & West Lothian	60	30	£24,585.00
RSABI	Scotland - Edinburgh	RSABI Fuel Poverty Fund	Scotland Towns/Citys & Rural Areas	200	95	£15,000.00
Quarriers	Scotland - Bridge of Weir	M-Power	West of Scotland		2,000	£9,205.00
Clydebank Unemployed Community Resource Centre	Scotland - Clydebank	Faifley Welfare Rights Scheme	Faifley/Duntocher & Hardgate	1,700	400	£13,340.00
Dumfries & Galloway Citizens Advice Bureau	Dumfries	Fuel Advice & Benefits The FAB Project	Dumfries & Galloway	2,300	1,500	£126,046.28
Dundee Anti-Poverty Forum	Dundee	Dundee Family Support Project	Dundee	1,000	500	£32,902.83
Reaching Out	Dalkeith	Dalkeith & District Citizens Advice	Midlothian Rural Areas	100	50	£28,162.00
Onthank Energy	Ayr	Energy Agency S.W. Scotland	Onthankt North Kilmarnock	400	400	£105,000.00
CLIC Sargent Scotland	Glasgow	Care Grants Supporting Families with Children with Cancer	West of Scotland	150	150	£15,000.00
Venture Trust	Edinburgh	Emergency Loans	Wester Hailes Edinburgh	1	1	£650.00
Eileanan Blath ı meaning Warm Isles (Islands)	Isle of Lewis	TEAS: The Energy Advisory Service	Western Isles / Postal codes HS1-HS9	200	90	£75,000.00
Glasgow Housing Association	Glasgow	GHA Benefit Take Up Service for Older People	Glasgow	15,000	12,000	£150,000.00
			TOTALS	**£22,516**	**19,134**	**£891,450.11**

Memorandum submitted by Scottish Gas

Introduction

Scottish Gas is the largest provider of domestic energy in Scotland. We are very conscious of our responsibility as energy providers towards our more vulnerable customers and have put in place a broad range of measures to meet our social responsibilities. The chief limitation to better targeting of these measures is our capacity for identifying qualifying customers and to this end we advocate better data exchange between energy companies and relevant NGOs and agencies.

Details of the main steps we take towards addressing fuel poverty are set out below.

Winter Rebate

Scottish Gas' Winter Rebate offered a rebate to our most vulnerable customers at the time of high consumption and to offset the impact of recent price rises. Two rebates were offered to customers, one of up to £60 (£30 for gas and electricity) over the winter of 2005/2006 and another of up to £90 (£60 for gas customers and £30 for electricity) over the winter of 2007.

Targeting of Winter Rebate

The qualification criteria for Scottish Gas' Winter Rebate essentially mirrored the Government benefits prescribed for Fuel Poverty/EEC measures and were based on the existing tools we had available.

For Winter Rebate I we identified those eligible customers through direct mail outs. These mailings were targeted based on MOSAIC and our own fuel poverty indices. In addition we ran numerous campaigns in local and national media to highlight the rebate. These campaigns included editorials and adverts in key areas of high poverty.

Winter Rebate II was extended to offer 80,000 Winter Rebate Payments. Those additional qualifying customers were identified though charity referrals through our charity partners.

Essentials Social Tariff

Scottish Gas' Essentials Tariff was launched in February 2007 offering 140,000 eligible customers the equivalent of our monthly direct debit rates which is our lowest standard gas and electricity tariff. Identifying those customers who qualify for the Essentials tariff is a phased out process.

Those Scottish Gas customers who have already benefited from our Winter Rebate have automatically been rolled onto the Essentials tariff. In addition existing Scottish Gas prepayment customers who are in receipt of at least one of a number of Government benefits will be eligible for the Essentials tariff.

Awareness of the *Essentials* tariff will also be driven through local and national media. We are also working with our charity partners (Help the Aged, Save the Children, Scope, RNIB, National Debtline, Capability Scotland) to effectively signpost those customers who might be eligible. We have also recently embarked on a mail out to our Prepayment meter customer base to encourage take up.

Here to HELP

Here to HELP is an innovative fuel poverty programme aimed at improving the lives of people living in some of the poorest communities in Britain. The scheme not only offers free insulation which can help reduce energy bills, but also brings an improved standard of living through benefits heath checks and other free products and services offered by Scottish Gas' charity partners.

Customers are also given direct access to the services, products and support from charity partners under the scheme who include Help the Aged, Capability Scotland, Save the Children, RNIB Scotland and National Debt Line).

Home Energy Care Register

Home Energy Care is a priority service register providing essential services for some of our most vulnerable customers. The service includes annual safety checks, a password scheme and the provision of specially designed appliance controls and adaptors for older people, those with disabilities and those who are chronically sick. It enables the company to record any specific requirements customers have and provide them with the right services. It will enable us, for example, to ensure that the sick and elderly are not left without heating, hot water or cooking facilities for extended periods of time regardless of their ability to pay.

Scottish Gas Energy Trust

Scottish Gas Energy Trust is part of the £10 million British Gas Energy Trust set up to help customers who are having difficulty with their energy and other essential household bills. In addition to making grants to people in debt the Trust provides funding to the voluntary sector and registered charities assisting in the prevention and relief of poverty, with particular emphasis on fuel debt.

IDENTIFYING VULNERABLE CUSTOMERS

We identify "vulnerable" customers through a number of different methods.

- Through Scottish Gas' existing programmes such as our Winter Rebate and our Essentials social tariff—customers are identified as being potentially vulnerable using receipt of prescribed government benefits as an indicator;
- Face to Face assessments—our front line Debt Representatives for example have been given training to identify symptoms of vulnerability when carrying out their day to day visits as part of our normal debt recovery processes;
- Our front line agents may also identify customers vulnerability through general contact from the customer

BETTER INFORMATION EXCHANGE WITH OTHER AGENCIES

It is true to say that, nothwithstanding the above measures, one of the barriers we encounter in extending fuel poverty schemes to a wider range of customers vulnerable to fuel poverty is our ability to identify them. We can and do work with our charity partners subject to the requirements and limitations of data protection legislation.

In the past we have worked with Government agencies, including the Department of Work and Pensions to identify customers who are in receipt of benefits and who may therefore qualify for our social tariff or inclusion in one of our schemes. This partnership working has been withdrawn to reflect a stronger emphasis on data protection. It has had a negative effect on our ability to target vulnerable customers to maximum effect. In our view it would be of significant benefit to us, and more importantly to those customers who may be vulnerable to fuel poverty if we had more formal and systematic data exchange mechanisms with Government and government agencies including:

- Department of Work and Pensions.
- Social Services.
- Health Agencies, especially those working at community level such as health visitors
- Community groups, such as community health partnerships.

Carol Aitken
Corporate Affairs Manager

June 2007

Memorandum submitted by Scottish League of Credit Unions

CREDIT UNION AND CO-OPERATIVE LEGISLATION REVIEW 2007

Proposals from the credit union movement

Area	*Problems*	*Section in CU Act/ IPSA needing revision or removal*	*Suggestions for change*
Membership	Restricted common bond legislation	s1(2)(b), s1(4), s1(5), s21(3)(b	Allow credit unions to determine their own common bond
	Non-qualifying member rules causing problems in mobile society	s5(5), s5(6), s5(7), s5(8)	Introduce once a member, always a member and abolish 10% limit on NQM
	Minimum age 16 stops younger savers from belonging to credit union	s9(1), IPSA 1965 s20	Abolishing minimum age will encourage saving amongst young people and encourage financial capability

Area	*Problems*	*Section in CU Act/ IPSA needing revision or removal*	*Suggestions for change*
	Inability to provide services to organisations limits ability to help local groups, encourage enterprise and benefit from capital from companies and local organisations	s5(1)	Allow credit unions to provide services to organisations.This will also facilitate the creation of a Central Services Organisation for credit unions.
Savings	Inability to pay interest on savings	s12(4)	Allow credit unions to pay interest on savings will encourage more sophisticated savers to use credit unions
	Confusion over attachment of shares	s7(5)	Allow all shares to be withdrawable unless securing loan or member is in arrears
Other Services	Credit union objects may not enable the credit union to provide all the services their members need	s1(3)	Objects need to enable credit unions to provide services members need and have flexibility to adapt to the future.
	Restrictions on credit unions' ability to charge for auxiliary services limit their ability to offer other services to members.	s9a(1)	Abolish requirement that charges must 'cover the cost of providing the service'
Structure	Requirement to maintain register of members does not comply with Data Protection Act	IPSA 1965 s44(1)	Abolish requirement to maintain register of members.

This paper is agreed by all of the credit union trade bodies.

Memorandum from Scottish Illegal Money Lending Unit

This memo is further to our meeting on 18 June 2007 and your invitation to submit requests for assistance.

The Scottish Illegal Money Lending Unit has been operational since September 2004 and has demonstrated a good degree of success over that time. However, there are issues which if addressed would greatly facilitate the work of the Unit enabling them to deal more efficiently and effectively with illegal money lenders and thereby helping an increased number of people escape the pernicious cycle of debt.

Currently the Unit does not have direct access to the Police intelligence database (S.I.D.) and are reliant on the Police to disseminate relevant intelligence and to carry out searches on their behalf. Direct access to this database would allow staff from the Unit who have specialist knowledge of the investigations to carry out their own searches. Being able to access this intelligence would allow investigations to be conducted with more focus from the outset enabling the Unit to bring them to a successful and speedy conclusion.

Unfortunately a problem that keeps arising concerns the prosecution of illegal money lenders. As so little enforcement work has been done in this area there is little experience amongst Procurator Fiscals of dealing with this offence. Where a case is being dealt with by way of Summary Procedure the Fiscal will often not see it until the day of the hearing. This means that they have little understanding of the issues surrounding the matter and in the instances where a guilty plea is tendered may not draw out the most important facts to be presented to the Sheriff in order that an appropriate sentence may be imposed. It would be of great benefit to the work of the team if Crown Office were to assign a Procurator Fiscal, based at Crown Office, to assist the team in strengthening their relationship with the service and to ensure that cases concerning illegal money lending are dealt with appropriately. This is not intended as a criticism of the Procurator Fiscal Service we recognise that the Service has to deal with an enormous amount of work, however the issues that have arisen demonstrate that there are problems with the system. Examples of the problems we have encountered can be provided if required although we do not wish to single out individual Fiscals for blame in what we perceive as faults with the system.

Securing access to the Scottish Intelligence Database and ensuring that prosecutions concerning illegal money lending are dealt with in a way that reflects the criminality surrounding the offence and the impact that such individuals have on their victims would greatly increase the effectiveness of the Unit's work.

One remaining issue concerns the recovery of assets under the Proceeds of Crime Act. The Unit are not authorised to carry out their own financial investigations under this legislation but have referred a number of individuals to Police Forces in order that appropriate action can be taken. As a result a substantial amount of assets have been identified and are currently the subject of recovery actions. Any funds that are recovered are passed to the Scottish Executive and fed back into communities which suffer from crime. Any money recovered as a result of work undertaken by the Unit is placed into this fund. The Unit has no input into how the money is used and as the Unit is funded by Central Government none of the recovered money is fed back into supporting its continued work. The ability to access these funds would help to ensure the future of the Unit which is currently only funded until March 2008. It is likely that without a specialist team to tackle illegal money lending we would return to the situation where little enforcement action is conducted in this area.

We would be grateful for any assistance that the Committee could provide in resolving these issues.

Fiona Richardson
Team Leader

9 July 2007

Printed in the United Kingdom by The Stationery Office Limited
12/2007 349906 19585