

**Poverty Alliance submission to the Economy, Energy and Fair Work
Committee: Covid-19 - Impact on Scotland's businesses, workers and
economy**

August 2020

About the Poverty Alliance

The Poverty Alliance is Scotland's anti-poverty network. Together, we influence policy and practice, provide evidence through research, support communities to challenge poverty and build public support for the solutions to tackle poverty.

Our members include grassroots community groups, activists who are experiencing poverty, academics, large national NGOs, voluntary organisations, statutory organisations, trade unions, and faith groups.

Background

Covid-19 has had a profound impact on the lives of every person and community across Scotland. While this impact has been all-encompassing and has touched on every corner of our lives, it is clear that the social and economic impact is being – and will continue to be – felt most by people living on low incomes, and in particular by women, black and minority ethnic communities, and disabled people.

In response to the crisis, the Poverty Alliance has been engaging with member organisations from across our network as well as with people with experience of poverty about the impact on their lives. This submission is informed by this wide engagement, and provides insight into the immediate impacts of the crisis on people living on low incomes, as well as our key short and long-term priorities in the weeks, months and years ahead our Scotland's economic recovery.

Impact on young people

Q: How can employers be encouraged to employ young people? What levers does the Scottish Government have to incentivize employers to employ young people?

Q: Do you agree that a Scottish Job Guarantee Scheme is needed? How effective would it be in addressing the potential scarring effect of the crisis on the lives of young people? What practical steps and resources would be needed to implement it?

Q: In this time of unprecedented government support for business, how can the Scottish Government ensure its 'fair work first' principles are adhered to in relation to youth employment opportunities?

Poverty Alliance member organisations have, from the start of the pandemic, expressed serious concerns about the impact on levels of youth unemployment. With many of the sectors hardest-hit by the economic impact of the pandemic being those that have high numbers of young workers, it is clear that ambitious and far-reaching interventions will be required if we are to avert a youth unemployment crisis.

The Scottish Government does, though, have the power to design and implement a number of such interventions. This should include a Scottish Jobs Guarantee Scheme, as proposed

by the Advisory Group on Economic Recovery. If pursued, the scheme could represent a more impactful response than the Kickstart scheme proposed by the UK Government, in being more long-term (i.e. a two year scheme rather than a six month scheme) and also by paying the real Living Wage. It is essential that the scheme is conditional upon wider fair work practices beyond just the real Living Wage, that it offers opportunities for training and progression, and that it is flexible and inclusive (e.g. it allows for part-time and full-time working, to respond to the needs of those young people who may have caring responsibilities).

Critical to its success would be the financial support of the Scottish Government, rather than just relying on the brokerage of opportunities between employers and jobseekers, as suggested by the Advisory Group. It is only with significant government funding that such a scheme will be likely to have an impact at scale.

Alongside job creation schemes targeted at young people, wider job creation and employability schemes will also be required targeted at particular groups who may have been disproportionately impacted by the disruption caused by the pandemic, as well as groups who were already facing systemic disadvantage within the labour market including women, disabled people, carers, and people from BAME groups.

In addition to job creation schemes, a focus on skills and training for young people will also be required. If our economic recovery is to be both a just and green one that acts in support of a wellbeing economy, it is important that skills provision and training is targeted at the green jobs needed to achieve both social and environmental justice goals.

Q: How can we ensure that young people have sufficient means to meet the cost of living during the crisis?

Central to ensuring that young people have sufficient means to meet the cost of living during – and after – the crisis will be boosting incomes through employment and through the social security system. With young workers being disproportionately more likely to be earning less than the real Living Wage than older workers, all action to boost the number of workers earning the real Living Wage will have a beneficial impact on younger people. In particular, action to embed the real Living Wage in sectors such as retail, hospitality and tourism – in which high numbers of young people are employed – will have a significant impact.

Alongside this, the Scottish Government can also look at what more it can do with the social security powers at its disposal. Important commitments have already been made, such as the Scottish Child Payment, but much more will be required in the coming years to use these powers to their fullest extent.

As well as boosting incomes, the Scottish Government can also do more to reduce the cost of living for young people. For example, young people are less likely to have independent means of transport and are more likely to rely on public transport that, too often, is unaffordable and represents a barrier to employment, education and training opportunities. While the Scottish Government's commitment to free bus travel for under 19s is welcome, it is clear that – given the impact of the pandemic – there is a strong case to be made for this to be widened to all under 25s, given the specific impacts felt by this group.

Plans for economic recovery (including scrutiny of the AGER report)

Q: What are your views on the Scottish Government Advisory Group on Economic Recovery's report? If the recommendations are to be implemented, what practical action is needed now?

We broadly welcome the Advisory Group's report and its recognition that the stark levels of inequality in Scotland must be fixed as we undertake the necessary redesign of our economy. We are pleased that the report makes clear the need to avoid the mistakes of austerity, and also its statement that action must be accelerated to promote a wellbeing economy.

Areas of the report and recommendations that we particularly welcome include:

The greater use of conditionality within business support

In building a more just economy, we must set out a new relationship between the state and the private sector. More needs to be done to foster a sense of duty, responsibility and action on the part of the private sector to contribute to overall wellbeing. There are exemplars in the private sector - companies who lead with their values and put these into practice through, for example, becoming Living Wage-accredited employers.

When it comes to shaping the recovery it is these kinds of organisations, and those who aspire to be like them, that should receive the support of government. The report is right to make this point, and the Scottish Government should act to embed this recommendation as soon as possible into its approach to all business support and procurement.

The creation of a Scottish Jobs Guarantee

From the outset of the pandemic, Poverty Alliance member organisations have voiced fears about the medium and long-term impact on unemployment, and in particular in youth unemployment. The Scottish Jobs Guarantee proposal would represent an ambitious and much-needed measure that could help to avert a rising tide of youth unemployment and the knock-on effect on levels of poverty that would entail. It is important that the third sector is fully involved in the development of the Scottish Jobs Guarantee, and that it receives the necessary financial support from the Scottish Government to enable large-scale impact.

Fair Work sectoral bargaining

The pandemic has shone a light on the key sectors in our economy that are systemically under-valued and in which employment is too often insecure. The report's recommendation on Fair Work sectoral bargaining is therefore welcome and could have a positive impact on women and young workers, for example, who are over-represented in sectors like social care and hospitality.

Investment in digital infrastructure and action to tackle 'digital poverty'

The Covid-19 pandemic has starkly illustrated the extent to which people living on low incomes can be digitally excluded, and also the extent to which this has an impact on their lives, with people living in poverty in rural areas facing particular barriers to digital access. This must be addressed in the month and years ahead.

There are, though, some areas in which the report could have went much further and others where we believe a different approach may be required if we are to create a more just economy that addresses the multiple inequalities – including of gender and race - that the pandemic has exposed, and loosen the grip of poverty on people's lives in Scotland. We will provide further details regarding this in response to the next question.

Q: Are there areas of economic recovery not covered by the Report which you believe should have been included? If so, please provide details.

Areas in which we believe there is scope to go further or that the report does not address include:

Social security

The report does not contain any significant focus on social security, yet it is critical in securing adequate incomes for all and securing a genuinely just economic recovery. The crisis has made many people aware for the first time just how challenging it is to make ends meet on social security benefits like Universal Credit that often pull people into unaffordable debt, and it has also shown how fragile our system of social protection currently is.

As we reconfigure our economy, the Scottish Government must use its powers to ensure social security payments are increased to match an amount people can actually live on, and that our system of social protection supports people in accessing their social and economic rights. The commitment by the Scottish Government to introduce the Scottish Child Payment has shown the kind of action that can be taken to use our social security powers to boost incomes.

In the current context, and to aid economy recovery, we need to take bolder action. This could be done in the medium-term, for example, by increasing the level of support provided by the Scottish Child Payment (in response to the impact of the pandemic) and, in the longer-term, by exploring options for a Minimum Income Guarantee that would ensure nobody in Scotland has an income below a decent minimum living standard.

Participation

The report recognises that people experiencing inequalities must be given the opportunity to participate actively in decision-making to ensure that their voices are heard, but could go further in emphasising the critical importance of participatory approaches being embedded in all policy-making processes.

Communities know what needs to be done, how their localities need to change and what sort of economy will be in service of that. Community-led processes and solutions need additional support from the Scottish Government – including via long term funding – and these processes and solutions must be at the heart of our economy recovery.

Living Wage

The report would have benefitted from an increased focus on the central role that the real Living Wage can play in ensuring a more just economic recovery. Ensuring that more workers are paid the real Living Wage will sustain local economies as people are more likely to spend this additional income on goods and services locally, sparking the multiplier effect rather than waiting for wealth to trickle down.

There are a number of steps that can be taken to further increase the numbers of workers receiving the real Living Wage. For example, in light of the UK's exit from the EU, there is a need to review the Scottish Government's guidance on the mandating of payment of the real Living Wage in public procurement to identify whether any changes could be made to the guidance in order to further increase the number of workers receiving the real Living Wage.

Taxation

The report contains limited focus on the way in which Scotland's taxation powers. While the Scottish Government's taxation powers may be limited, they are still significant and there are a number of ways in which they could be used to support the interventions that will help create a more just economy and society.

In addition to using its income powers to their fullest extent in order to ensure that those with the most contribute the most, the Scottish Government must also explore all mechanisms for taxing wealth, economic rents and use of the commons. Council tax, which has been reviewed several times over the last twenty years, requires particularly urgent reform given its clearly regressive and disproportionate impact on low income households. Additionally, some firms based in Scotland will have made significant financial gains as a result of the crisis (or at least been able to protect existing surpluses). A windfall tax could also therefore be explored to ensure that these gains also help to support the collective good.

Pre-distribution

While the development of a fairer and more progressive taxation system is essential, redistribution is still an essentially 'after the fact' task that does not address the root cause of wealth and income inequality. The report would have therefore benefitted from a greater focus on models of 'pre-distribution', for example business models that distribute value more fairly (e.g. cooperatives) and the real Living Wage.

Q: How can longer-term ambitions, such as net zero greenhouse gas emissions targets, be achieved whilst responding to the immediate economic crisis?

In designing interventions to support Scotland's economic recovery it is essential to balance long-term ambitions with our short-term response, and it is critical that environmental justice and social justice and considered as mutually reinforcing goals. The patterns of inequality – whether gender, geographical or racial – that marked Scotland prior to Covid-19 were the result of decisions taken over the kind of economy we wanted, and were the outcome of the prioritisation of economic growth alone over the wellbeing of individuals, communities and our environment. There cannot and must not be any return to that approach, and our future economy must serve both people and planet.

There are several ways in which longer-term ambitions around climate change can act in support of efforts to create a more just economy and to loosen the grip of poverty on people's lives. Fuel poverty programmes, for example, can become a real driver in the move to a net-zero economy. Scottish schemes designed to increase energy efficiency and heat decarbonisation in the domestic sector need to be dramatically increased in both scale and pace. These schemes already make use of local suppliers and could be expanded to provide a significant number of jobs, and could be a key element in the goal of a just transition. As a starting point we would propose the at least doubling of current programmes such as Warmer Homes Scotland, HEEPS: ABS and others to at least £240m for 2020/21 to drive this change.

There is also need to protect and scale up community-based responses to climate change, and particularly to support those effects that are taking place in disadvantaged communities that are often most severely impacted by environmental degradation. Community-led solutions that have already been developed need additional support from the Scottish Government.

Q: To what extent might future ways of doing business change? And might this be a catalyst for a more considered view of how our economy interacts with wellbeing and tackles inequalities?

As detailed elsewhere in this response, the patterns of inequality – whether gender, geographical or racial – that marked Scotland prior to Covid-19 were the result of decisions taken around the organisations of our economy, and in particular were a result of the

prioritisation of economic growth alone over the wellbeing of people and communities. The pandemic has brought these inequalities into even starker light.

So it is essential that it acts as a catalyst for a new way of thinking about the role that our economy should play in promoting wellbeing and tackling inequalities and, by extension, a new way of thinking about how the private sector, for example, contributes toward wellbeing through a commitment fair work practices. There are already examples in the private sector of companies who lead with their values and put these into practice, for example those private sector employers that embed fair work practices and become Living Wage-accredited employers. When it comes to shaping the recovery it is these kinds of organisations, and those who aspire to be like them, that should receive the support of government.

More specifically, it is also essential that the pandemic acts as a catalyst for changing ways of doing business so that our economy works for women. As the pandemic has so clearly underlined, our economy systemically undervalues women's work and too often locks women into poverty. Women are more likely to work in low paid occupations, and in sectors that have been significantly impacted by the pandemic (such as hospitality and retail) and are more likely to provide unpaid care.

It is therefore critical that, as we emerge from the crisis, we do with a clear gendered perspective that seeks to address the systemic inequalities and discrimination faced by women in the labour market. This includes, for example, increased action to tackle low pay among sectors in which women are disproportionately employed, more action to embed and support forms of flexible working, and the urgent delivery of the Scottish Government's commitment to expanding free childcare entitlement.

Similarly, this crisis has exposed the deep racial inequalities that persist in our labour market. People from black and minority ethnic backgrounds are more likely to be employed in precarious jobs with higher risk and worse terms and conditions, in part due to racial discrimination in the labour market. The impact of this can be seen in poverty rates, with BAME families being disproportionately more likely to be living in poverty in Scotland than non-BAME families. Moving forward, this must act as a catalyst for increased action to address racial discrimination and inequalities in the labour market.

Central to ensuring that a more considered view of how our economy interacts with inequalities and wellbeing will be ensuring that civil society organisations continue to be centrally involved in plans for economic recovery as an equal partner. Third sector and wider civil society organisations embody the solidarity that we have seen during the current crisis, and can play an important role in determining the shape of our communities and society in the months and years ahead. How and whether the third sector is able to deliver on its potential is dependent not only on the resources that flow towards the sector, although that is critical. Much will also depend on the changes and responses that take place in local and national government and in the private sector. Ultimately, it will depend on whether there is a meaningful redistribution of power to enable the third sector to play a full role in shaping the future economy and recovery.

Many of the tools to facilitate the engagement of civil society and to ensure that participation and dialogue is part of our approach to economic recovery is already in place. Legislation such as the Community Empowerment Act, the Child Poverty Act, the Fairer Scotland Duty all emphasise the importance of dialogue with communities. However, this is all too often an afterthought, with few resources allocated to make dialogue processes robust and long term. It is critical at a time of planning for recovery that resources are made available and efforts

are made to engage those who stand to gain the most from the transition to a wellbeing economy and tackled the embedded inequalities that the pandemic has so clearly exposed.

Q: What lessons were learned from the 2008 economic downturn that could be applied now? How resilient is the labour market since the 2008 downturn? What type of interventions are needed to prevent increasing unemployment rates?

The key lesson to be learned from the response to the 2008 economic downturn was the destructive impact of the austerity agenda. Cuts to public spending, and in particular the cuts and 'reforms' to the social security system that were implemented from 2010, acted merely to create a rising tide of poverty across the UK that continued – even before the pandemic – to rise yet further. It is welcome, therefore, that the Advisory Group's report makes clear that our economic recovery should not be underpinned by the ill-conceived principles that underpinned that harmful and unjust austerity programme.

A key focus of the recovery must be protecting jobs, and in particular averting a youth unemployment crisis, and so the commitment by the UK Government to introducing the Kickstart jobs scheme is welcome. However, these jobs should pay at least the real Living Wage and should have been accompanied by measures to tackle the precarious work that too many young people have to rely on. Part-time jobs that pay only the minimum wage cannot be a long-term solution to the problems in our labour market, and the Scottish Government must bear this in mind when designing its own labour market interventions to support employment (such as the Scottish Jobs Guarantee Scheme proposed by the Advisory Group).

An additional lesson from the response to the 2008 economic downturn would be the importance labour market intervention to support jobs. The UK Government's decision to introduce a Future Jobs Fund in 2009 – which supported the creation of subsidised jobs for unemployed young people – had a positive impact and such intervention (and likely more) will be required again to avert a rising tide of youth unemployment and poverty.

Q: How can fair work policies be promoted and protected while promoting recovery to the economic crisis?

We should be clear from the outset that no just and sustainable economic recovery will be possible without putting fair work policies at the front and centre of all recovery plans. The economy that we rebuild must be one with fair work principles at its heart, and we must not simply replicate the pre-Covid economy that – for too many workers – locked them into poverty.

Scotland has a good track record in demonstrating how low paid workers can be better valued, with the most direct way of doing this being to provide just remuneration. The Scottish Government's support for the process of Living Wage accreditation has meant that Scotland has a higher proportion of Living Wage accredited employers than any other part of the UK. The Living Wage is central to the Scottish Business Pledge, alongside addressing the gender pay gap and reducing the use of zero hours contracts. Overall, the ten elements of the Scottish Business Pledge set out an agenda for action on decent work.

However, there is currently little to incentivise employers to actively adopt practices that would help them meet the pledge. Making the adoption of at least the three core elements of the Business Pledge a condition of receiving public funds would do more to encourage best practice, and would lay the foundation for a more just economic recovery that protects and promotes the foundational principles of fair work.

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