

Tackling poverty and inequality in hard times: Why we need a socio-economic inequality duty in Scotland

Summary

This briefing argues that the Scottish Government and Scottish Parliament should act urgently to place a duty on public sector bodies that requires them to exercise their functions (including budget setting) in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage.

- The recent commitment from Scottish Ministers to protect the vulnerable in relation to the budget is welcome but more detail on how this will be done is required.
- Evidence shows that cuts already announced by the UK Government will hit the poorest hardest.
- It is unlikely that the Coalition Government will consider the impact of cuts on people living in poverty in Scotland. Therefore, the Scottish Government and Parliament must act urgently and legislate to ensure people living in poverty are protected.
- A socio-economic duty has not been commenced in the Equalities Act 2010. Notwithstanding the UK Government approach, the Scottish Government and Parliament should as an urgent measure, introduce a legal duty on public bodies which requires them to reduce socio economic inequalities, when making spending decisions. Potentially this could be introduced in the Budget Bill.
- In the medium term implement the socio-economic duty as part of a broader approach to equalities in Scotland. This could potentially be linked to the Equality Act or be a separate Scottish specific piece of legislation.

Background

Scotland faces unprecedented cuts in public spending. Initial projections suggest that in total, the purchasing power of the Scottish Government's Departmental Expenditure Level budget is expected to be cut by £3.7 billion or 12.5 per cent over the next Spending Review period to 2014-15.

These projected reductions are largest in the first year of the new Spending Review period (£1.2 billion in cash terms or £1.7 billion in real terms in 2011-12¹⁰), when the reduction of £332 million in the Scottish budget, which was postponed by one year, takes effect¹

At the same time Ministers have committed to setting out a budget “that protects the most vulnerable in our society”² In addition, in its review of public expenditure, the Independent Budget Review Panel (IBRP) was asked to take into account the importance of protecting and supporting the most vulnerable. Whilst these statements are welcome there is little detail available on how this will be done. It is anticipated that the draft budget will contain an equalities statement which is a positive step. Nevertheless, more needs to be done to ensure that individuals, groups and communities experiencing poverty are not adversely affected by spending decisions and one key element of a strategy to ensure this happens would be the introduction of a socio-economic inequality duty in Scotland.

¹Independent Budget Review: the report of Scotland's Independent Budget Review Panel - July 2010

² Cabinet Secretary for Finance and Sustainable Growth, evidence to Finance Committee 14th September 2010. Official Report Col 2445

Hitting the poorest hardest

Increasingly, evidence points to the fact that UK budget measures so far have hit the poorest hardest. The Institute for Fiscal Studies (IFS) found that following the Coalition Government's emergency budget in June “that once all of the benefit cuts are considered, the tax and benefit changes are clearly regressive as, on average, they hit the poorest households more than those in the upper middle of the income distribution in cash, let alone percentage, terms.”³ Initial analysis of the impact of the October Comprehensive Spending Review, by the IFS, also shows that, combining these changes with those announced in June, the impact is clearly regressive for all but the top 10% of high earners.

The Poverty Alliance believes that it is unlikely that any protection will be given to people living in poverty in Scottish society by the Coalition Government. In these circumstances, it is imperative that the Scottish Government and Scottish Parliament take urgent action to put in place mechanisms which ensure that the poorest are protected and supported as spending decisions are taken.

The need for a socio-economic inequality duty

The Equality Act 2010 came in to force on 1st October. The initial Bill was introduced by the previous Government, it has now been substantially watered down by the Coalition Government and the socio-economic inequality duty contained in Part

³ Institute for Fiscal Studies: The distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment

1 has not been brought into force. The duty in the Act is set out as follows:

“Clause 1. Public sector duty regarding socio-economic inequalities

- (1) An authority to which this section applies must, when making decisions of a strategic nature about how to exercise its functions, have due regard to the desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage.
- (2) In deciding how to fulfil a duty to which it is subject under subsection (1), an authority must take into account any guidance issued by a Minister of the Crown.

Initially the Bill set out that the duty would not apply in Scotland with regard to devolved functions. Thus, if the Bill had been passed as it stood the duty would only have applied to those public bodies responsible for reserved matters like the DWP. It would not have applied to those public bodies in Scotland which deal with devolved matters such as the NHS and local authorities, unless the Scottish Government took steps to extend the duty to cover those bodies.

In September 2009 the Scottish Government conducted a public consultation on whether the socio-economic inequality duty should also apply to bodies in Scotland. In January 2010 the Minister for Housing and Communities informed the Equal Opportunities Committee that the Government would be introducing the duty.

However, following the election of the Coalition Government, in evidence to the Committee in October 2010, the Minister stated that no decision will be taken on the implementation of a socio-economic duty until it is known what the UK Government intend to do in relation to its inclusion in the Equalities Act. The Minister added that there was no timetable for implementation and that he had asked Government lawyers to look at some of the complex issues that may be involved⁴.

Given the current economic climate and the scale of the UK Government imposed cuts, the Poverty Alliance believes that the argument for a socio-economic inequality duty in Scotland is overwhelming. There is now an urgent need for the Scottish Government and Parliament to act both in relation to the forthcoming Budget and broader equalities duties in Scotland. They should:

1. As an urgent measure, introduce a legal duty on public bodies which requires them to reduce socio economic inequalities, when making spending decisions. Potentially this could be introduced in the Budget Bill.
2. In the medium term implement the socio-economic duty as part of a broader approach to equalities in Scotland. This could potentially be linked to the Equality Act or be a separate Scottish specific piece of legislation.

The duty contained in the Equalities Act, should be improved upon and strengthened in a number of ways. The duty, regulations and guidance should set out:

⁴ Minister for Housing and Communities evidence to Equalities Committee 5th October 2010. Scottish Parliament Official Report col2109

- a clear definition of what is meant by socio-economic disadvantage and key targets
- a transparent system of monitoring so that progress (or lack of it) on tackling poverty and reducing socio-economic inequality can be tracked
- greater enforcement powers
- how people experiencing poverty will be involved in decision making.

A socio-economic inequality duty is needed especially now, in the midst of the cuts, but it is also needed for the long term as well. If Scotland introduced its own duty this would be the first time that socio-economic inequality and poverty would be explicitly recognised within legislation as an area, which should be tackled alongside other types of inequality. As such it would represent a significant step forward in tackling poverty and discrimination in Scotland.

Conclusion

Legislation on its own will not bring about socio-economic equality. Nevertheless, the lessons learned from the introduction of other anti-discrimination legislation in the past, show that it is an extremely important tool - amongst others. At a time when large numbers of people are losing jobs, those in receipt of benefits are placed under ever increasing pressure and services in local communities are increasingly stretched it is essential that the government put in place a robust strategy to ensure that people living in poverty are not discriminated against. A socio-economic inequality duty should be one part of such a strategy. A socio-economic inequality duty would be a key element of a wider strategy and would give Ministers and public bodies the mandate

and guidance that they need to ensure that the poorest are protected and supported in a time of unprecedented cuts.

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