

## DRAFT BUDGET 2014-15

### SUBMISSION FROM OXFAM

Oxfam works to overcome poverty all over the world, and believes that in a rich country such as the UK the existence of poverty is completely unacceptable. Our UK poverty programme has been operating since 1996, with specific country programmes in Scotland, England and Wales.

Oxfam welcomes the opportunity to respond to the Economy, Energy and Tourism Committee call for evidence on the draft budget 2014-15. In particular we welcome the link to the Scottish Government's National Performance Framework (NPF). Oxfam have been involved in a series of round table meetings chaired by the Cabinet Secretary for Finance, Employment and Sustainable Growth, Mr Swinney. These have been informal gatherings of interested and relevant individuals and organisations to share views and ideas on Scotland Performs. Oxfam, the Carnegie Trust, new economics foundation, Scottish Environment LINK, and members from all parties across the Parliament have been involved. The group will be exploring ways in which the presentation and coverage of Scotland Performs can be improved along with considering how best to engage with both the public and the Parliament. There have been two meetings to date and the next is due to take place in October.

We hope that through the inquiry of the EET Committee the scrutiny process of both the budget and the NPF can be strengthened and improved.

In summary, our key points are:

- The NPF is a useful starting point in setting out the objectives of the Scottish Government and tracking progress towards this. Yet unless key aspects of it are amended, particularly the overarching focus on sustainable economic growth, then we risk chasing the wrong goals
- The Oxfam Humankind Index and the latest assessment of the Index, gives us an indication of Scotland's progress towards what people value as important to live well in their communities (and thereby a flourishing Scotland).
- The budget should be amended to reflect the priorities of the Humankind Index. Within this, how the money is spent – ensuring that Scottish Government funding delivers social and environmental benefits as well as financial benefits - may be as important as which budget line it is spent on.

#### **Concerns with areas of interest laid out in the call for evidence**

While Oxfam welcomes the focus on the NPF, in our view there are a number of issues with the areas of interest, relevant purpose targets, and national indicators laid out in the table contained in the call for evidence. At the highest level, we believe the overall purpose of the Scottish Government needs to change. Rather than focussing on sustainable economic growth, the purpose of the Scottish Government should be amended to focus it and public services on creating a more successful country, with opportunities for all of Scotland to flourish, *through reducing socio-economic inequality and poverty rather than through increasing sustainable economic growth.*

Alongside this, there are a range of issues with the areas laid out in the Committee's call for evidence. Specifically, *with regards to the NPF*:

- The participation purpose targets, while of course important, do not deal with the *quality of work* in the labour market. As Oxfam knows from our work on the Humankind Index, people value satisfying work (whether paid or unpaid) as well as secure and suitable work.<sup>i</sup> As we have seen with the increased number of zero-hour, low paid, part-time and temporary contracts in recent months, this is an increasingly important area. While recent Scottish Government announcements around zero-hour contracts are encouraging,<sup>ii</sup> the participation targets do not deal with the quality of labour market participation.
- The economic growth targets are given too much prominence. In Oxfam's view, decades of economic growth have failed to change the lives of too many Scots who still face premature mortality, economic inactivity, mental and physical ill-health, and poor educational attainment. In the communities where Oxfam works the economic and social policies pursued in recent years have largely been ineffective in reducing deprivation, while unquestioningly prioritising economic growth has produced social and environmental damage - perhaps most evident in our large and growing health inequalities.<sup>iii</sup> We need a much more nuanced debate about the type of economic growth and the type of business that will assist people to live better lives. The growth of a business in Scotland that pays poverty wages, on zero-hour contracts, while polluting the local environment is not equal to the growth of a business that builds high-skilled, well-paid employees undertaking meaningful work.
- In a similar fashion the national indicators to 'increase the number of businesses' does not take into account the type and quality of those businesses.
- The cohesion purpose target, to narrow the gap in participation between Scotland's best and worst performing regions by 2017, is welcome. However we would like to see it given more prominence in Scottish Government policy.<sup>iv</sup> Crucially too, the work created must be *good quality*.

Specifically, *with regards to EET's areas of interest*:

- "Maximising the public sector's direct contribution to the economy through smart use of public procurement and to help SMEs compete effectively for contracts". While the focus on SMEs is welcome, in general this statement neglects the question of what type of business/employer we are supporting. In Oxfam's view, we should not be using the public sector's direct contribution to the economy – whether that be through procurement or other forms of business support – to support businesses which do not pay their taxes or meet other important social and environmental considerations.
- "Maintaining and further developing a supportive business environment". Rather than blanket support for all businesses – including those who do not pay tax, those who do not provide decent, secure working conditions for their staff, and those who engage in ethically questionable activities such as pay day lending or arms manufacturing - the Scottish Government should develop a much more nuanced, quid quo pro relationship, supporting businesses which deliver genuine social and environmental returns and not those that benefit at others expense.

Unless these issues are addressed, the budget and scrutiny of it, risks chasing the wrong goals.

### **Progress towards a flourishing Scotland**

The Oxfam Humankind Index, created through a participatory consultation involving 3000 people, sets out 18 factors of prosperity which the people of Scotland deem important to live well in their communities. The latest assessment of the Oxfam Humankind Index was published in June 2012. The assessment sets out progress between 2009/10 and 2010/11 (the last year for which data is available) across each of the 18 factors. Overall, while the Index is estimated to have increased by 1.2% because this is within the margin of statistical error, and because of varying progress across different factors (self-reported health satisfaction is responsible for a large part of the increase, while satisfaction with housing is down), our analysis suggests a society where progress is largely flatlining. Importantly the poorest communities continue to lag behind the rest of Scotland, although the gap has narrowed slightly from 11- 10%.<sup>v</sup>

While we acknowledge the Index is not perfect, we do believe it reflects what people value. We therefore hope the NPF is amended to better reflect this. In particular we need better objectives and indicators for good quality work and account needs to be taken to relationships between family and friends.

### **Resource allocation in the 2014-15 budget**

In the same manner in which the Oxfam Humankind Index can help ensure the NPF reflects what really matters to people, it also offers a tool to the Scottish Government and the Scottish Parliament to ensure the Scottish Government's budget allocates resources to those areas that really matter to people.

Given decent, safe, secure and affordable housing tops the list of priorities, investment in affordable housing is crucial. While funding increased in the last budget, funding was significantly down in the years before that so we hope that investment in this area is prioritised.

Often however, the way in which money is spent is as important as the total amount in any given budget line. Because the Oxfam Humankind Index emphasises the importance of living in a clean and healthy local environment where people can enjoy going outside, we need to think about the services that go alongside new affordable housing. A recent SURF recent study shows that cuts to basic physical maintenance of streets and local areas can have a disproportionately negative impact.<sup>vi</sup> Similarly, because the Oxfam Humankind Index emphasises the importance of relationships and feeling part of a community we need to look at the models of housing being built and the wider regeneration that goes along with it. Consideration should be given to more communal approaches such as co-housing and the sharing of white goods, similar to that in Denmark.

With regards to the enterprise budget, priority should be given to business models such as cooperatives that deliver a wide range of social and environmental benefits beyond the bottom line. Scottish Government support should be contingent on delivering on these factors including – payment of taxes, employing staff on a living

wage, and not using zero-hour contracts. Unfortunately this is not the model that we see at the moment. Our recent publication 'Our Economy' deals with these considerations in-depth.<sup>vii</sup>

We also believe that we need to see more participative approaches to public policy, including participatory budgeting. An evaluation of a pilot project Oxfam was involved in - distributing £200,000 to a range of community groups and causes in Govanhill - showed extremely positive outcomes.<sup>viii</sup> While funding for this is no longer available, we believe consideration should be given to top slicing local budgets for participatory budgeting schemes.

Finally, with substantial cuts to the welfare budget from Westminster, we believe the Scottish Government should do all it can to mitigate these cuts. The worth of Scottish welfare fund should be maintained in real terms – uprating the fund to account for inflation; the council tax reduction scheme should be maintained and the Government should invest in passported benefits. Given the social return on investment offered from welfare rights centres, a financial security change fund could also ensure individuals and local communities are benefiting from available benefits.<sup>ix</sup>

Given the Committee asks where money should come from we believe consideration should be given to large infrastructure projects that are not designed with local communities at the heart of them. This may include new road schemes, such as the second Forth Road Bridge, as well as large-scale regeneration projects such as the Buchanan quarter in Glasgow.

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<sup>i</sup> For a full list of the factors of prosperity that make up the Oxfam Humankind Index, see: [Humankindindex.org](http://Humankindindex.org)

<sup>ii</sup> 'Ministers consider zero-hour contracts clampdown', Herald: <http://www.heraldscotland.com/news/home-news/ministers-consider-zero-hours-contracts-clampdown.21800300>

<sup>iii</sup> Up until 1981 the gradient of poor health in Glasgow mirrored that of similarly-sized UK and European regions. Since then health inequalities have deepened - premature male mortality which is 30% higher than in these comparable cities; suicide is 70% higher; there are 32% more violent deaths and 225% more alcohol-related deaths. These excesses emerged at a time when the Scottish economy grew by almost 2% each year.

<sup>iv</sup> We see little mention of it in Government policies and legislation such as the new planning policies or regulatory reform bill, where economic growth is put front and centre.

<sup>v</sup> Oxfam Humankind Index, second results (2013): <http://policy-practice.oxfam.org.uk/publications/oxfam-humankind-index-the-new-measure-of-scotlands-prosperity-second-results-293743>

<sup>vi</sup> SURF study (2013): <http://www.scotregen.co.uk/projects/reality-resources-resilience/> and Carnegie (2012): <http://www.carnegieuktrust.org.uk/publications/2012/pride-in-place--tackling-environmental-incivilltie>

<sup>vii</sup> Oxfam Scotland Our Economy report (2013): <http://policy-practice.oxfam.org.uk/publications/our-economy-towards-a-new-prosperity-294239>

<sup>viii</sup> Participatory Budgeting – learning from Govanhill Equally Well test site (2012): [http://www.gcph.co.uk/publications/321\\_participatory\\_budgeting-learning\\_from\\_govanhill\\_equally\\_well\\_test\\_site](http://www.gcph.co.uk/publications/321_participatory_budgeting-learning_from_govanhill_equally_well_test_site)

<sup>ix</sup> Jim McCormick report for SCVO (2013): [www.scvo.org.uk/wp-content/.../01/welfare-reform-report-part-11.pdf](http://www.scvo.org.uk/wp-content/.../01/welfare-reform-report-part-11.pdf)