Oxfam welcomes this opportunity to respond to the inquiry into Scotland’s economic future post 2014. While Oxfam is best known for its work to overcome poverty all over the world, we also work to tackle poverty domestically. Our UK poverty programme has been operating since 1996, with specific country programmes in Scotland, England and Wales. In Scotland, we work to overcome poverty in three ways: we develop projects with people living in poverty to improve their lives and show how things can change; we raise public awareness of poverty to create pressure for change; and we work with policy makers to tackle the causes of poverty.

What are your views on the economic implications of Scotland’s constitutional options?

Oxfam does not take a formal position on the referendum. However, we do want the debate about Scotland’s economic future to fundamentally consider how we tackle poverty and inequality in our society. Last year we published ‘Our Economy’, a report setting out some of the problems with the Scottish economy and proposing a series of practical recommendations for change.¹ The analysis in that report showed:

- Scotland’s wealthiest households are 273 times richer than the poorest.
- In Scotland 700,000 people are in poverty. 280,000 of these are in work. Work is no longer a guaranteed route out of poverty.
- Across the UK a FTSE 100 Chief Executive is paid £4.8 million. That is 185 times the average UK salary.

Unless we make significant changes to our economy we will not tackle these imbalances. Fundamentally we need to rethink the purpose of our economy away from a narrow focus on GDP towards the things that people value as important to live a good life.² ‘Our Economy’ offers a series of recommendations to help us move towards this, including:

- Action to promote a living wage, adequate wage ratios, and shared work
- Support for alternative business models such as Cooperatives
- Greater emphasis on community-led approaches to regeneration and job creation
- A progressive taxation system that discourages socially and environmentally harmful activity
- A welfare state which treats people with dignity and respect, provides an adequate safety net in times of need, and recognises and supports individual circumstances

While welcoming this inquiry, we would note that the witnesses announced thus far represent business, political parties and academics. We hope that, as further announcements are made, consideration will be given to those who have direct experience or who represent people living in poverty. The purpose of the economy should be to effectively provide enough for everyone to live fulfilling lives. Unless we hear from those with the knowledge, skills and first-hand experience of living in
poverty (and lose out from the way the economy is currently structured), we will fail to generate sustainable long-term solutions.

Our specific responses are set out below:

**Fiscal policy**

Ensuring that all taxes are levied in a progressive manner - whether by the Westminster Government or under a future scenario where more tax raising powers are devolved to the Scottish Parliament - is crucial for a fairer distribution of Scotland’s resources. A rigorously-enforced progressive taxation system ensures individuals and companies with most opportunities to sustain their livelihoods and enhance their assets pay a fair amount of tax, while also allowing universal services and social protection to those most in need to be fairly paid for. Whether in the context of tax powers being held at a UK or Scottish level, Oxfam would like to see:

1) Proper enforcement of tax and more action on tax avoidance

It is estimated that between £32-120 billion is lost in tax avoidance and tax evasion in the UK annually.³ While politicians talk about cracking down on tax avoidance, iv not enough is being done. The UK Government’s General Anti Avoidance Rule (GAAR) has been heavily criticised⁵ while the Scottish Government, through financial assistance, has encouraged corporations with highly questionable tax records to set up and do business in Scotland.⁶ Oxfam believes tax avoidance should be tackled through the pursuit of tax havens, offshore earnings and closing of loopholes which allow avoidance. Moreover, business support, corporate social responsibility awards and government plaudits should be contingent on companies meeting their tax obligations.

2) A ‘Robin Hood’ or Financial Transaction Tax

Such a tax would collect funds from financial transactions, including those which contributed to the financial crisis, and use them to protect those now bearing the brunt of the budget cuts made in response. The money raised could also be used to mitigate against the impact of climate change, which we know will disproportionately impact upon the poorest people around the world.

It is extremely disappointing that the UK Government have opposed such a tax by mounting a legal challenge against eleven European Union member states over their decision to proceed with a financial transaction tax.⁷ It is also disappointing that there is no reference to a FTT in the Scottish Government’s White Paper, despite the majority of MSPs supporting the measure and Alex Salmond previously branding the measure ‘an attractive idea’.⁸

3) The tax base should be shifted to environmentally and socially harmful activities (such as pollution and the accumulation of wealth)

Tax can be used to create the kind of society we want. Shifting the tax base so that entities undermining the collective good pay more could help stimulate less harmful economic activity. The public health levy on large retailers selling alcohol in Scotland was an example of this. It is therefore extremely disappointing to see this measure dropped after a year. The principles of this should have been extended to other activities that harm Scotland’s prosperity – such as businesses which pollute, speculate on land and those which do not provide decent work. Concurrently, the tax
load could be lightened on activities contributing to environmental and social sustainability (such as renewables and work that gives employees time to meet family and community responsibilities) and organisations contributing to robust local economies (community and employee cooperatives and locally-focused enterprises that invest, recruit and source locally). In addition, more and better ways to tax wealth, as opposed to income, need to be prioritised as a matter of urgency. Scotland’s wealthiest households are 273 times richer than Scotland’s poorest households. Wealth and land value taxes should therefore be explored.

Economic focus

Management of natural assets, sustainability and the transition to a low carbon economy

Humanity’s challenge in the 21st century is to eradicate poverty and achieve prosperity for all within the means of the planet’s limited natural resources. That means we need to raise people above social floors while keeping below environmental limits. While the Scottish Governments commitments in the Climate Change Act and the Climate Justice Fund are very welcome, the commitment in the White Paper to develop an oil and gas tax regime "to support and incentivise production" and "to provide efficient fiscal incentives that encourage exploration and help maximise economic recovery rates" does not seem to be consistent with keeping global warming below a safe threshold. We need to stop damaging economic activity and prioritise economic activity that promotes the shift towards a low carbon economy and towards the sharing of wealth.

Collective business models such as community or employee ownership can be used to share prosperity, allowing communities and employees to own and control their assets. This can be vital in deprived communities where other sources of investment or service provision are not available. Models of community and employee ownership include credit unions, community or employee cooperatives and community trusts. In Scotland there are approximately 550 cooperatives, co-owned businesses and mutuals.

The presence of cooperatives in local economies is associated with lower levels of inequality. Cooperatives give greater influence in economic transactions to individuals who – as employees, communities, consumers or producers – would otherwise be unable to exercise significant market power. This distributes resources more fairly than other business models as the wealth received by employees flows into local economies.

Post 2014, we would therefore support, whether at a Scottish or a UK level an ‘Employee Right to Buy, Right to Control or Right to Manage’ which gives employees the option and support to buy or take over management of relevant businesses at certain junctures (such as when an enterprise enters administration or seeks to expand into new locations).

Labour market issues and economic development

In-work poverty is rising in Scotland as a share of all poverty. While the number of pensioners in poverty has decreased significantly in recent years, the number of people with jobs who are living in poverty has risen. In Scotland, in-work poverty
grew from 255,000 in 2008 to 280,000 in 2012. xx Research commissioned by Joseph Rowntree Foundation in December 2013 found that, across the UK, there are now more adults of working age in in-work poverty than out-of-work poverty. xxi Since 2010, 80% of jobs created across the UK pay less than £7.95 an hour. xxii

This problem of low pay comes at a time when pay at the top is rising. Over the past 25 years the top 1% of earners in the UK have seen their incomes rise by 117% in real terms. This compares to an increase of just 47% for the poorest 10%. xxiii This rising inequality is particularly stark when looking at the pay of large, multinational company directors. The average CEO of a FTSE 100 company is now paid £4.8 million per annum - 185 times the average UK salary. This has risen from £1.2 million in 1999 and is forecast to increase further in the coming years. xxiv

Alongside growing labour-market inequalities is an increase in work insecurity. Jobs accessed by people moving off Jobseeker’s Allowance invariably entail short spells of employment rather than sustained employment trajectories. xxv The jobs that are emerging often do not represent quality work; xxvi instead they are filled by a growing group (particularly women) described as ‘the precariat’ who face an ‘insecure working environment characterised by casual contracts, low pay and deskilled work’. xxvii The Labour Force Survey estimates that for the fourth quarter of 2012, 250,000 people were on zero-hour contracts across the UK, although this is likely to be a severe underestimate. xxviii Underemployment is also a key issue. In Scotland the number of people working part time, but wanting full time work has risen to 120,000, from 70,000 in 2008. xxix

At the same time as the total number of hours worked across the economy has fallen in recent years, we tolerate the ‘hoarding of work’ (the UK was alone in opting out of the EU maximum working hours legislation). xxx For those in work there is a growing divide between the hours worked by high and low-paid workers (now 2,450 compared to 1,050 hours annually). xxxi Polarisation is thus growing: between the highly-paid and those relegated to the lower-paid, insecure end of the labour market; and between professional and managerial workers (who retain considerable bargaining power) and those who lack the education and skills to be ‘competitive’ in the labour market. xxxii Projections suggest this ‘hourglass economy’ is likely to increase.

On top of these national issues of poor wages, insecure work and underemployment, changes in Scotland’s economic base and, consequently, its labour market have meant that, in deprived communities, employment options are limited. There are few permanent jobs, limited opportunities for high quality part-time work, and insufficient family-friendly policies (such as job sharing and term-time working). Even prior to the recession, there was a lack of jobs accessible to particular communities. Statistics from January 2013 show that for every Job Centre Plus advertised vacancy across Scotland (be it full-time, part-time or temporary), there were five Jobseeker’s Allowance claimants. For every full time job, the figure was 1 in 8, rising to 1 in 40 in West Dunbartonshire. xxxiii It is clear that jobs need to be created in areas that need them most.

The Oxfam Humankind Index demonstrated that when it comes to work people simply want to earn enough to live on. Alongside this they want secure, suitable and
satisfying work. We believe this should form the basis of an interventionist approach to the labour market - creating good quality jobs. Specifically we propose:

1) Promotion of a Living Wage
While the commitment in the White Paper and recent comments from the UK Chancellor to uprate the minimum wage in line with inflation are welcome, we must go further. Employers in the public and private sector should pay a living wage. While the Scottish Government commitment to provide its direct employees with a living wage and its support for the Scottish Living Wage campaign are welcome, the Scottish Government should use the Procurement Reform Bill to ensure that public money doesn't go to employers that pay poverty wages.

2) Action to lower wage ratios and consideration of a maximum wage
One area where little legislation exists is earnings equality - the ratio between the highest paid and the lowest paid in an organisation. This is despite its relevance to employee motivation, wider socioeconomic equality, and even societal solidarity. Greater earnings equality should be linked to state support - including reduced taxes and charges for those companies with lower pay multiples. Consideration should also be given to regulatory mechanisms to lower earnings ratio, including consideration of a maximum wage. In the meantime, transparency of earnings ratios (for example in annual reports) would enable Scottish civil society to pressure companies and regulators to deliver greater earnings equality.

3) Sharing work better
Sharing work better means limiting overwork where possible and reprioritising paid and unpaid time. This will require changes to regulation and remuneration, and new social norms that celebrate work-life balance above long hours. Consideration of a shorter working week in Scotland might be necessary. This has benefits for communities and wider society. The US state of Utah found when all public sector employees shifted to a four-day week, significant environmental benefits (decreased transport and energy costs) and a rise in volunteering resulted. The Scottish Government already leads by example with its flexible-working practices and job-share arrangements – and should incentivise the private sector to follow its example.

4) Investment in community-led job creation in post-industrial communities
We should support job creation in communities, based around a strategy that communities themselves determine. We need to ask people what they want to happen in their community and then resource them to do that. Instead of large-scale infrastructure and regeneration projects, we should support community-led infrastructure projects that prioritise job creation, meaningful activity, paying a living wage and bringing employment and regeneration in its real sense back into communities. Doing that may require direct Government money, but this money often seems to be available for large-scale infrastructure projects.

Welfare and equality
Across the UK 500,000 people are now dependent on food aid. In Scotland, 23,073 people used Trussell Trust foodbanks in the six months to September 2013. The Trussell Trust estimate that 19% of those using foodbanks are due to ‘benefit changes’ and 35% because of ‘benefit delay’. Low pay and underemployment are also cited as factors driving increased use.
Benefit sanctions are driving people into destitution. Moreover, the level of benefits an out of work adult without children receives is now only 40% of that which the public deem is required to live a minimum standard of living (MIS). For families with children it is no more than 60%. It is estimated that 390,000 people in Scotland lived below this standard in 2010/11 – a rise of 70,000 since 2008/09.

It is clear that fundamental changes to the welfare system are needed. While many of the Scottish Government’s commitments to reverse the UK’s welfare reforms are welcome, we need to go further. Oxfam proposes:

1) Sanctions should be scrapped
The experience of our partner, Clydebank Independent Resource Centre, suggests that someone who is sanctioned for four weeks is more likely to be sanctioned again. Many of these same people are the most vulnerable members of our society – often facing mental health or addiction problems. Any savings from sanctions are likely to be a false economy.

2) A system based on need rather than contribution
A contributory system based solely on earnings risks discriminating against women, people with a disability, the low-paid, part-time workers, the underemployed and carers. Any consideration of a contributory system therefore needs to go beyond financial contribution to consider social benefit. How that could be done is less clear. For this reason it may be more suitable to ensure any welfare system redirects support to those who need it most.

3) Improved childcare
Many of the childcare commitments in the White Paper are welcome. There needs to be investment into universal childcare provision in order to allow women (and some men) the choice of returning to work if that is appropriate to their circumstances. In some cases however, parents may prefer to bring their child up themselves (rather than pay someone else to do this) or there may be a lack of local job opportunities. Further consideration should therefore be given to ensure these parents can benefit from support between 0-5 years. Consideration should also be given to additional support up to the age of 16, both before and after school.

4) Explore options around the concept of a citizens income
It is suggested by Ailsa Mackay, and others, that a citizens income could help get rid of the poverty trap and the risks associated with accepting short-term insecure work. It would also redress the fact that women have historically been disadvantaged by our social security system with contributions linked to earnings (and will also be disproportionately affected by cuts). Such an approach should therefore be explored.

Scotland at home and abroad
Last year, Oxfam Scotland played an active role in coming together with other international development NGO’s (through NIDOS - the Network for International Development Organisations in Scotland) from across Scotland to develop and publish a policy framework relating to good international development practices. The
The report calls on any future Scottish Government, to consider the impact on international development of all of its policies. This concept of policy coherence, which has been successfully adopted in countries such as Sweden and Norway, would see all government departments and policies comply with, and contribute to, the goal of equitable and sustainable global development. Or in other words, ensure we don’t give with one hand and take with the other. The report focuses on six areas and makes recommendations in each. For the purposes of this inquiry we will highlight just two focus areas.

1) The Economy & Financial Systems
The world is economically unjust. This is not the result of geography or luck, but of global economic systems which reinforce power dynamics and keep people and nations in poverty. Regardless of the constitutional settlement, by promoting ideals of economic justice and investigating innovative ways of influencing the global economy, Scotland can become a strong voice in issues of justice. To that end, we propose introducing a new debt system which tackles economic injustice and promotes responsible lending, fairer tax systems and rules nationally, the regulation of food speculation, and the promotion of a new economy which supports socio-economic benefits over narrow fiscal growth.

2) Trade & Procurement
The impact that trade and procurement has on the economies of developing countries is much more significant than that of aid and they are therefore crucial for long-term sustainable development. We propose the introduction of fairer, sustainable and equitable trade rules that lead to development for the benefit of people, communities and livelihoods. We also call for Scotland to take the lead through legislation, guidance and practice, in pursuing ethical, social and environmental standards in public procurement.

Oxfam Scotland
January 2014

References
ii The priorities contained in the Oxfam Humankind Index offer a framework in which to do this, see: http://humankindindex.org/
iv See for example: http://uk.reuters.com/article/2013/10/31/uk-britain-tax-register-idUKBRE99U0MN20131031 and http://www.ft.com/cms/s/0/4983e1d8-5dae-11e3-95bd-00144feabd0.html#axzz2ru4zydD5

The ‘doughnut’ of planetary ceiling(s) and social floor(s) is an approach by Oxfam to frame that challenge: http://policy-practice.oxfam.org.uk/publications/a-safe-and-just-space-for-humanity-can-live-within-the-doughnut-210490

Research in Italy has found that a village where half the businesses are employee owned had more equality, larger social networks, children staying at school longer, higher turnout at elections, less conspicuous consumption, more disposable income and less stress-related illnesses than a nearby village with no employee ownership. See Erdall (2011)

Cooperative Development Scotland ‘Growing Scotland’s Co-operative Economy’ (no date)

Cooperatives themselves include consortiums, cooperatives run by workers, community cooperatives and consumer cooperatives.


TUC (June 2013): http://www.tuc.org.uk/economic-issues/labour-market/four-five-jobs-created-june-2010-have-been-low-paid-industries


By 2009 (distribution, hotels, restaurants, transport and communications, finance, IT, public administration, education and health) constituted almost 82 per cent of all jobs in Scotland and Glasgow, NO MIS (2010). ‘Labour Market Profile - Glasgow City’ Offical Labour Market Statistics: www.nomisweb.co.uk/reports/lmpa/2038432136/report.aspx?pc=G12%209Y7#tabemppocc


All other EU countries have a 48 hour maximum working week Erdall, David (2011) ‘Beyond the Corporation - Humanity Working’

OECD (2011). Divided We Stand: Why Inequality Keeps Rising – Country Note

United Kingdom: www.oecd.org.els/social/inequality


STUC interim written submission to the Economy, Energy and Tourism Committee’s Inquiry into Underemployment in Scotland: http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/STUC_submission.pdf

Trades Union Congress (2012) ‘Total Unpaid Overtime Worked is Equivalent to a Million Extra Jobs’: http://www.tuc.org.uk/workplace/tuc-20446-f0.cfm

Australian Conservation Foundation (2010). Better Than Growth – the New Economics of Genuine Progress and Quality of Life Melbourne:


http://www.scotland.gov.uk/Publications/2013/12/8757/2


http://www.jrf.org.uk/publications/households-below-minimum-income-standard


See for example: