



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 18 January 2012

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FINANCE COMMITTEE

2nd Meeting 2012, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)

*Mark McDonald (North East Scotland) (SNP)

*Michael McMahon (Uddingston and Bellshill) (Lab)

*Elaine Murray (Dumfriesshire) (Lab)

*Paul Wheelhouse (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Peter Kelly (Poverty Alliance)

Colin Mair (Improvement Service)

Dr James McCormick (Joseph Rowntree Foundation)

Euan Page (Equality and Human Rights Commission)

Laurie Russell (Wise Group)

CLERK TO THE COMMITTEE

Jim Johnston

LOCATION

Committee Room 5

Scottish Parliament

Finance Committee

Wednesday 18 January 2012

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Kenneth Gibson): Good morning and welcome to the second meeting in 2012 of the Finance Committee. I remind everyone present to turn off mobile phones, pagers and BlackBerries if they have not already done so.

Agenda item 1 is to decide whether to take items 3 and 4 in private. Are members content to do that?

Members indicated agreement.

Fiscal Sustainability (Inequalities and Socioeconomic Deprivation)

10:00

The Convener: Item 2 is the second of our round-table discussions on fiscal sustainability. This session will focus on inequalities and socioeconomic deprivation. I welcome to the meeting Peter Kelly from the Poverty Alliance, Colin Mair from the Improvement Service, Dr James McCormick from the Joseph Rowntree Foundation, Euan Page from the Equality and Human Rights Commission and Laurie Russell from the Wise Group.

As the committee is taking evidence in a round-table format, there will be no opening statements and we will proceed straight to questions. I intend to throw out a question, and whoever wishes can pick it up. Anyone who wants to follow up on the question or progress the discussion should please indicate to me, and I will call people in sequence.

Before we start, I will touch on some of the themes that we might wish to cover. We have received a substantial series of submissions, and there is a huge subject to cover in a relatively limited time. We might like to cover: what poverty actually is in 21st century Scotland; the poverty gap and how to close it and have a more equal society; whether wellbeing or gross domestic product should be the measurement for quality of life and wealth creation; the role of public sector reform and preventative spending; and job security and low pay. People around the table should feel free to touch on any of those issues or others that I have not mentioned.

I will kick off by asking about the poverty gap. In the Improvement Service report called "Making Better Places: Making Places Better", there is a stark comment that the gap between the top and bottom of the distribution is much more significant in health, learning, safety, employment and income outcomes in Scotland than in other European countries. The report states that, for example,

"the gap between the top 20% and the bottom 20% in Scotland is the widest in developed Europe with the bottom 20% at age 15 performing as if they have 5 years less schooling than the top 20%".

Colin, will you comment further on that? We will then progress the discussion from there.

Colin Mair (Improvement Service): First, I clarify that the report was based on data on all 7,000 neighbourhoods in Scotland and comparisons across that information.

One thing that we did for the Christie commission was to look at how Scotland

compares with the rest of Europe. In average terms, the answer is not badly and, in some cases, surprisingly well. The distribution around the average—the gap between the top and bottom 20 per cent—is the standard type of figure used.

The particular quotation that you drew on, convener, comes from the Organisation for Economic Co-operation and Development, which on a three-year cycle does objective testing of children's educational development and capacity at the age of 15 across all OECD countries and some non-OECD countries such as China and Malaysia. Within that, Scotland looks quite good against European averages, but the gap is truly striking when we dig down into the data. It is the OECD's assessment that we have quoted—that at the age of 15 the gap between the top 20 per cent and bottom 20 per cent is equivalent to five or six years of education.

Put very simply—I think that this is true, more generally, of how issues such as health, safety, education, employment and income come together—there are people in some communities in Scotland who live lives that are exemplary by international standards. Their living standards are among the best in the world in that they have very good health, very good incomes, a very high level of safety in their communities and so on. There are other parts of Scotland where all those things cluster negatively, which is the crux point of the "Making Better Places: Making Places Better" report. In the areas where children are doing particularly badly in education, most other outcomes for those communities are also relatively negative compared with the Scottish average. The evidence that is available in Scotland indicates that if a community is doing badly in one domain, it tends to be doing badly across a range of domains, such as health, income and safety. That is striking.

Up until now, our approach to community planning at local level in Scotland has been to set averages as targets for whole areas—for example, we have said, "Let us improve the average in Glasgow." In the light of the work of the Christie commission, our report and a range of other reports by parties who are represented here, in the next round of single outcome agreements and community plans there will be much more of a focus on where communities are suffering in the round. We need to target those communities and make raising their living standards a matter of priority as we go forward.

I accept that the picture is not rosy, but there is a ministerial and a parliamentary commitment through the programme for government to targeting, localising and integrating those communities that are highly vulnerable.

The Convener: On page 11 of your report, you say:

"People experiencing positive outcomes tend to control and direct their own outcomes and make selective and periodic use of public services as a resource to support the lives they wish to lead. Public services do not control or deliver their outcomes: They do it themselves."

However, in relation to the areas that you have commented on, the report says:

"the 20% of areas with the highest rate of emergency hospital admission for adults ... are also areas with ... high levels of unemployment, low educational attainment, high crime rates".

Therefore, it appears that all those factors continue to interact.

Colin Mair: Indeed they do. The point about chaotic interaction with public services is important. The pattern of use of, say, the health service by the top 20 per cent is fundamentally different from that of the bottom 20 per cent, which is also extremely expensive. A discussion is taking place across Scotland about priorities and how we prioritise areas with real difficulties, but the honest truth is that we are prioritising them at the moment—a lot of public money is being spent on those communities because of the circumstances of the people in them. The question is whether we should prioritise positively and preventatively or whether we should simply continue to react to the difficulties of people in those areas.

Mark McDonald (North East Scotland) (SNP): I am interested in that and would like you to elaborate further. Are you talking about targeted service delivery in local authority areas? If I can be mildly parochial, which is not my habit, I think that Aberdeen provides an interesting example. On the face of it, it is a very affluent place, but behind that affluence there are pockets of deprivation and areas that require significant investment. Are you suggesting that local authorities should look at their neighbourhood areas and decide which of them can be maintained on a basic suite of services and which of them require more targeted support? Are you talking about targeting funding at those areas that most need targeted funding, rather than spreading it across a local authority area?

Colin Mair: I am suggesting exactly what you say. Of all the Scottish cities, Aberdeen is the most interesting example of a city that is largely seen to be an affluent growth point in the Scottish economy, but which has areas that are suffering extremely severe deprivation against a range of measures and indicators.

I will put a slightly different question back to you. There are some universal services that we will provide universally because we have to, such as hospital services and schools that serve quite

large catchment areas across communities. Those will continue to exist. The question is how we can enable all our citizens to get value out of those universal services. At present, some of our citizens are bouncing off them rather than getting value out of them. Others are getting a lot of value out of what schools and hospitals offer on a planned basis.

There is an issue to do with what we are targeting. In the areas that we are talking about, issues to do with employment, employability and so on are fundamental. Part of the debate that has followed the work of Christie has been that, on the one hand, there is economic recovery and, on the other, there is prevention. I do not agree with that. On the basis of the evidence, I think that the most preventative thing that you can do for people is to ensure that they are employed.

If you look at all the data across every community in Scotland, you see that people in employment enjoy far better outcomes in terms of health, wellbeing, safety and so on than people who are not in employment. In one sense, I do not think that the two elements—economic recovery and preventative public services—are separate, because I think that a focus on the economy is the same thing as a focus on prevention. A report that was done for this committee two or three years ago by—I think—David Bell, made the point that people who experience disrupted employment in the first 10 years of their working lives will have disrupted careers thereafter, much poorer physical and mental health and much poorer prospects for the rest of their lives.

We need to bring those two agendas together and think about whether we need to target services or economic development, employment and similar activities.

Mark McDonald: I agree, and I think that prioritising one over the other might lead to one being neglected. However, if a large number of people are in low-paid employment, the fact that they have jobs might not do much to boost their living standards and so on. Are you defining employment in any way? For example, temporary employment is still employment.

Colin Mair: Indeed. All the research evidence suggests that it is consistent employment that has a useful prophylactic effect on people's lives. What I would say is that the data allows you to measure all the outcomes against income deprivation, as the Government defines it, employment and benefit dependency, independent of deprivation. That enables us to see that, independent of income, employment appears to have beneficial effects on the lives of individuals and communities, in and of itself. From a health and wellbeing point of view, even if you are on a low income, it is

better to be in employment than not to be in employment.

Paul Wheelhouse (South Scotland) (SNP): This question might be addressed to both Colin Mair and James McCormick, as it links into the Joseph Rowntree Foundation report.

Mark McDonald was talking about the need to be slightly more sophisticated about our understanding of the geographic dimension of deprivation. Obviously, there are a lot of references to the Scottish index of multiple deprivation. That is quite right, as it is probably the best measure that we have, although it is not perfect.

Recently, the Scottish Agricultural College produced a report that considered the fate of 44 towns across Scotland. I will be slightly parochial, in the same way as Mark McDonald was, and point out that Eyemouth and Hawick, in the Borders, were the two areas that were most exposed to public sector cuts, as they are heavily dependent on public sector jobs. Coincidentally, they are the two areas of the Borders with the highest levels of poverty.

The recent Spartacus report—that is how it is referred to—showed that the child poverty rate is 26 per cent in the Hawick and Denholm ward, which is the most deprived ward in the Scottish Borders Council area, and is only 17 per cent in the East Berwickshire ward. However, I wonder whether the level of geography that that study uses is right. For example, even though everything looks quite rosy in the East Berwickshire ward, if you were to look at data zones for the SIMD, you would probably find a higher level of deprivation in Eyemouth, which is the main town in that ward. Do you feel that councils are sophisticated enough to look beyond the ward level to the data zone level?

On the issue of people who are in work but still in poverty—who are not on high levels of pay and are barely covering life's essentials, let alone getting anywhere near having any luxuries in life—do you think that, in terms of overall policy in Scotland, we are sufficiently targeting resources at those areas that, although they look okay from the point of view of their levels of employment and life expectancy, have high levels of in-work poverty and other manifestations of deprivation?

Colin Mair: You are right to say that, at ward level, you see a very varied picture and that it is only once you get down to a much more granular level that you begin to identify communities in which people are experiencing similar outcomes across the range. The point that our report is trying to make to our colleagues in councils and community planning partnerships is that even though wards are a good unit for political organisation, they are not necessarily the best unit

for identifying issues and targeting resources. Although the targeting may be below the ward level, some of the political and organisational accountability might properly be at the ward level—we can do different things at different levels. You are right to say that it is once you get down to the neighbourhood data zone level that you begin to see how these things come together.

10:15

Your point about people being in in-work poverty is true of rural areas. Apart from anything else, if we measure poverty solely on income, we are not measuring what would give someone a decent life in the area in which they live. The cost of living is significantly higher in rural areas. Some indicators are measures of deprivation in an urban context, such as the fact that someone does not have a car because they are poor; however, in rural areas, some people are poor because they need a car and must pay the costs of owning one. When reading measures we must be sensitive to the contexts in which people are living.

I agree that there is a serious issue. One of the difficulties at the moment is the fact that much of how people who are in work and need support are dealt with is a non-devolved matter. That is not to say that the Scottish Parliament cannot scrutinise the United Kingdom Government's operations in Scotland, but it is currently not a devolved matter over which the Parliament has direct control or on which it can hold ministers directly to account. We are in an interesting position just now regarding both the social security system and the tax credit system, which are probably changing in ways that, on the whole, would not find full political endorsement in this Parliament.

Elaine Murray (Dumfriesshire) (Lab): You have touched on some of the issues that I wanted to raise.

The statistic that you mentioned is pretty shocking. I would never have thought that the level of inequality in Scotland would be so high compared with the rest of Europe—that came as quite a shock to me. Have you looked at whether the inequality is as bad in rural areas as it is in urban areas? You talk about looking not just at the ward, but smaller areas—going down to the granular level. In a rural village, people can be living in poverty just a couple of streets away from people who are living in reasonable affluence. How is that reflected in rural areas? How would the targeting that you suggest work in practice? What would be the mechanism for trying to lift the life chances of those people? You would not give money to the whole village, as that would not be targeting the people who really need it. Do you have examples of mechanisms for targeting those people?

Colin Mair: The honest truth is that the type of spatial targeting on which the paper focuses has, rightly, been challenged by colleagues in rural councils, who say that it is fine only as a model for urban areas, where there are tidy concentrations of deprivation, although they are much less tidy even in urban Scotland than we sometimes suggest. That is a fair challenge, as incomes are lower, on the whole, across the rural economy; yet the link between income and outcome is quite different, as the life outcomes even for relatively poorer people in the rural economy tend to be significantly better. That is true across education, safety, healthy life expectancy, life expectancy and so on. So, in a way, there appears to be a rural effect of staggering benefit in people's lives.

However, that is not to say that we should have no concern for rural poverty. Many of the standard ways of measuring poverty are deeply insensitive to the distribution of poverty in rural areas because they were never devised to measure that. On the whole, we have urban spectacles on in Scotland, and when we talk about deprivation and poverty we think largely of people living in urban concentrations.

So, I make two clear points in response to your question. Quite a lot of the work that is being done in rural areas is about sustaining outlying and fragile economies and communities. For example, the work on school closures that is being carried out through the commission on the delivery of rural education is getting into the rights of people who live in rural areas, what sustains local economies and communities and what happens if a school in a rural area closes. The benefits system is targeted at individuals and households, so it operates down to the level of the individual's or family's income.

That said, compensation for the 1.5 times cost effect in rural areas is not routinely built into the calculations of social security benefits. There is no standard level of poverty in the United Kingdom. What you could get by on in an urban area you could not get by on, in my view, in a rural area, so discrimination is therefore built into the structure of the system as it stands. A lot of councils have got sensitive to the fact that some families need more support than others, rather than the whole community needing to be targeted, and the smaller numbers involved make that more feasible. In urban Scotland, large concentrations of people are dealt with, and I suspect that urban differentiation is less precise and refined than it is in service-targeting in a rural context.

Dr James McCormick (Joseph Rowntree Foundation): I will pick up on a few points. It is helpful to recognise from the outset that the pattern of disadvantage in Scotland or anywhere else is often quite complex. There is a world of

difference between a family that experiences a temporary spell of being on a low income and then bounces back—across a three-year period in Scotland that is about 30 per cent of the population, which is a large number—and families who are more or less permanently or persistently in poverty. The number of those is much smaller, but it is still significant, being between 8 and 10 per cent.

I want to draw the committee's attention to the neglected but important issue of what we would call recurrent poverty, particularly those who find themselves stuck in the revolving door between benefits and low-paid work—people who cycle back on to benefits within six months on average. Even before the recession came along, there was a big spike across the whole UK in the number of people moving quickly back on to out-of-work benefits.

Looking in retrospect at the decade of growth, in the relatively good years up to the eve of recession, even in the neighbourhoods in Scotland with the highest rates of out-of-work benefit claims, worklessness fell by about 20 per cent. That is not a guide to what will happen in the future, but we should not allow ourselves to think that the issue is wholly intractable. We saw during the years of growth some inroads being made into worklessness and some reduction in poverty. The problem, though, is that the inroads that we made were at risk of and vulnerable to what is now happening.

What we found was that when people who have been living in long-term poverty move into work, they are at the highest risk of moving back on to benefits quickly and of finding work that is low-paid, temporary, casual or part-time. We therefore have the major problem of in-work poverty. In fact, as Peter Kelly and others know, more children in Scotland today live in poor families where someone is in work rather than out of work.

We need a serious conversation in Scotland about what the future labour market looks like and how we ensure that our labour market policy generates less poverty and inequality than it did in the last decade. Although Colin Mair is right about where powers lie over the economy and welfare reform, we should not forget that we have major powers in Scotland over adult skills. If we look at what we have done over the past 10 years on adult skills, that is not a pretty picture, either. The one indicator that I will share with you is that people of working age who started the decade that began in 2000 with the fewest skills—they had no skills or few qualifications—saw their odds of being in work over that period fall, while everyone else's odds rose. What is significant for us to reflect on is that their odds of getting access to on-the-job training flatlined across those good years.

Even before we look to Westminster and having other powers, let us look at our powers in Scotland and ask ourselves how we can do much better in the next decade to ensure that our investment in adult skills goes much more to those at most risk in the long term. If we crack some of those skills progression and labour market progression issues, there is quite a lot that we can already do within our devolved powers.

The Convener: Paul Wheelhouse wants to comment.

Paul Wheelhouse: If we invest in adult skills or, indeed, young people's skills, to what extent can we deal with the situation of what I have previously described as low skills equilibrium, which is when there is low demand for skills by employers in an area?

We are investing in adult skills and youth skills, but there is not enough demand in the local economy to absorb those skills. Do we need a strategy, in concert with investing in adult skills, to ensure that people have meaningful jobs that ultimately use those skills?

Dr McCormick: That is a great question. As regards the role of the economy, all roads lead back to economic demand, which is not just a Scottish or UK issue but a European Union and an international issue. I do not have a simple answer to the question. At JRF we are doing some major work in looking at economies across the EU that are comparable to the Scottish economy and carrying out modelling to see what type of skills investment and what kind of macroeconomic demand we could invest in over the next 10 years to try to close the supply-demand gap in different types of economies—rural economies, inner-city labour markets, and so on. Examples from comparable neighbour economies such as Denmark, the Netherlands and Finland show that even in remote, isolated and fragile economies, there is still a lot that we can do, despite globalisation, to close some of the gaps. There are no simple answers, but we are trying to invest in getting better evidence to answer that question within the next 10 years.

The Convener: Is it not the case that the opening up of eastern Europe has led to a huge increase in the supply of available labour—often highly educated people who are willing to work at relatively low wages—that will probably have made it more difficult for some people on the margins of the domestic labour market to get employment at a time when there is growing demand for more high-tech skills in a knowledge economy?

Dr McCormick: I confess that I am not an expert on migration, but I know that since the accession states joined the EU, the impact on the

UK has been broadly positive. For example, inflation has been held down, which has benefited consumers. There have, however, been negative impacts on low-paid, vulnerable workers in certain parts of the labour market, including depressed wages.

In the UK and Scotland, we have had an almost obsessive focus on employability. In the longer term, whatever happens on migration, we need to shift from concentrating on how we get people to the starting line, which basically means throwing them at the market until they stick—and guess what, lots of them do not—towards much more of a focus on how employers behave. We need to think about the trade influences, policy-wise and otherwise, that could make employers develop more creative human resource models. We must focus much more on behaviour in workplaces so that when people do get to the starting line, their odds of staying in the race are increased by improving their skills and progressing. If there is a uniquely British and north American issue, it is about the lack of mobility of low-skilled workers in the labour market. It is no longer true, as it once was, that someone can start off with low skills and work their way up. We need a longer-term, 20-year strategy whereby we learn from international evidence and factor in migration but also, crucially, factor in the role and behaviour of employers as well as government.

John Mason (Glasgow Shettleston) (SNP): In your report you talk about the three different categories of poverty. In my mind, poverty is a long-term thing, so I was a wee bit surprised at the existence of transient poverty, which occurs only briefly. Is it too simplistic to say that we do not need to worry too much about that and should concentrate on persistent and recurrent poverty because they are the big problems?

Dr McCormick: It is helpful to look at some of our policy targets. When the former Prime Minister said that his ambition was to halve, and ultimately abolish, child poverty, that would mean the UK and Scotland becoming as good as the best in Europe—that is, about 5 per cent of people, not zero, experiencing poverty in any one year—and ensuring that almost all poverty consists of short-term, temporary spells instead of being a persistent state.

10:30

We must ensure that the risks of poverty are not clustered with everything else in the way that Colin Mair has described, resulting in a very complex and cumulative experience. If all Scotland's poverty were short term and did not include discrimination related to disability and so on, it would not concern us as much. However, given the level of persistent and recurrent poverty, we

need more sophisticated policy tools to address those different experiences and pathways and should not assume that we are always dealing with the same people year in, year out.

Colin Mair: Picking up on Jim McCormick's useful comments about poverty in employment and people who are at risk of entering a cycle of going into short-term employment and then going back on to benefits, I think that in certain disorganised labour market areas the public sector has historically played a role as employer and on the whole has introduced slightly better employment practices. Scottish councils have a very significant amount of what might be called entry-level employment—in other words, people do not need to be highly skilled to get into such employment but once they are in they can develop their skills in care, facilities management, land management, waste management, environmental services or whatever.

In looking at the relationship between our public expenditure, our services and our outcomes, the committee might consider whether the public sector's role as employer should be part of the effort to achieve outcomes. According to the most recent Experian data on fragility in local economies in Scotland, 60 per cent of Scottish council areas are in the top 10 per cent of the UK's most fragile areas. However, Experian based much of its measurement of fragility on dependency on public sector employment and the likely pressures that that kind of employment will experience in the next three to five years.

As a result, one question that we should consider is: given that it is going to shrink overall, in what ways can we use what is still a massive public sector wage bill? Can we get more employment out of a big sum of money that accounts for about 60 per cent of total public expenditure in Scotland? Committee members should be aware of interesting case studies that are emerging down south. Sunderland is a very good example of a council that has had to cut its expenditure by more than 15 per cent but has been able to grow more employment across a range of sectors because it prioritised cuts that led to more, not less, employment in the local economy. As pressures continue in Scotland, we might need to examine that employer role.

Perhaps I can put this in perspective. The prognosis for kids in Scotland who have been in council care and leave at the age of 18 is fairly poor for the subsequent five years. According to our calculations, it might well be cheaper to employ those young people or create an apprenticeship for them and consider that to be the social work intervention instead of leaving them unemployed and in housing difficulties and then having to deal with the subsequent social

consequences. We might be able to find more imaginative ways of using councils' purchasing power to address the very agenda that Jim McCormick talked about and build skills development and progression into our approach to employing and deploying people.

Mark McDonald: With regard to jobs and the behaviour of employers, with the steady decline of traditional manufacturing and so on over the past two decades, have we inadvertently created a mindset in which certain roles or jobs have become undervalued in society? I am thinking in particular of the way parents or teachers used to say, "If you don't stick at school, you'll end up doing job X," with the result that job X became the thing that you did not want to do, despite the fact that there was a need for people to do it.

The convener mentioned the influx of people from eastern Europe. A great many employers have told me, "You know, we couldn't fill these jobs because local people didn't want them." With the migration from eastern Europe, they were able to fill those positions because they could find people who wanted to do the jobs. Are there certain jobs that, for whatever reason, society has essentially labelled as the thing you do if you do not stick at school instead of as a valuable job that should not be simply ruled out and which actually plays an important role in society?

Elaine Murray: On the similar theme of those with no skills being squeezed out of the labour market, although 50 per cent of young people in Scotland go to university a lot of them are not necessarily getting graduate-level employment when they come out and are taking the jobs that used to be taken by those with lower qualifications. That has created almost a downward pressure, with low-skilled people at the very bottom not having the opportunity to get into the employment market. Does that situation have any implications for our economic policy with regard to the types of employment that we want to develop in or attract to Scotland? Should we be encouraging everyone to go to university and get a degree if they then find that they cannot get employment, which in turn leads to the situation that I have described?

In his submission, Dr McCormick lists a number of areas in which regulation could be used, one of which is implementation of the EU directive on agency working. I imagine that that will have to be addressed at the UK level, but I was quite interested in hearing what might be done to help in that respect. He also mentioned the role of public sector procurement and I wonder whether there are any lessons in that for the procurement bill that will be introduced in this parliamentary session.

Michael McMahon (Uddingston and Bellshill) (Lab): In last week's discussion, there was

consensus on the view that, although free personal care might be a very expensive policy, not to have it would be even more expensive. Listening to this discussion about the income economy and bearing in mind the current debate in wider society and among politicians about whether there should be pay freezes, I wonder whether we are in a similar situation. There will be a greater detrimental impact if incomes do not keep pace with the economy; after all, it costs more not to pay people properly instead of ensuring that they have a proper salary in their pockets that they can live on. The Joseph Rowntree Foundation report says:

"An important part of the picture was that people in the study felt that incomes in and out of work were too low compared to what people said they needed to survive."

Is that argument not the same as the one that was advanced last week? Can we make any comparison between the two positions?

Peter Kelly (Poverty Alliance): I will not come back on that immediately, but I think that it is certainly an issue. Maintaining even the lower incomes in this period will be absolutely crucial and the point that you have highlighted needs to come into play in any consideration of public sector pay policy.

The discussion so far suggests to me that in our policy making we need to bring economic and social objectives much closer together than we do at present. At the moment, we talk about sustainable economic growth, but we need to think about inclusive growth. We want the economy to grow but in a way that ensures that inequalities are tackled. Various suggestions in that respect have already been made. For example, Jim McCormick and Colin Mair have mentioned the problem of in-work poverty, and members will be familiar with the concept of the living wage, which has been implemented by some local authorities. Our work on the issue suggests that that provides a useful case study of the public sector—in this case, the local authority—as an exemplar employer.

Of course, that links to the issue of procurement, which has always been held up as a barrier to extending the living wage and the benefits that it has beyond raising income, which include improving job retention, training and so on. I do not consider procurement to be necessarily the barrier that it has been presented as up to now. The legal opinion that we have received is that the European directive on procurement should not form a barrier to the inclusion of social objectives in procurement processes, which would have a significant impact.

I will not quote the figure, because I will probably get it wrong, but at a recent meeting of the Local Government and Regeneration

Committee we looked at procurement and the fact that spend on procurement in Scotland is significant. If we were able to use that spend more effectively for social objectives, we could make a significant impact on some of the inequalities in our labour market.

The point that was made about undervaluing certain jobs is undoubtedly correct. We need to work with employers and people who will possibly move into those jobs to change that understanding of the role of those jobs in the economy. That again links to the point that Jim McCormick made about having a much longer-term skills strategy.

John Mason: Does Laurie Russell want to comment on some of the suggestions that have been made? On moving people into the public sector or giving the public sector more of a role, Colin Mair seemed to suggest that the public sector would look after and move on its employees better. Obviously, there are also the private sector, in which I presume the results are a bit mixed, and the social enterprise sector. How do you see the picture? Does where people get a job matter?

Laurie Russell (Wise Group): I am not sure that where people get a job matters. I come at the issue from the perspective of an organisation with 28 years of experience of working with people to get them off benefits and into work using various methods, from running area-based projects and intermediate labour market projects to straightforward contracts with the Government. In 2010, we supported 5,350 people to get off benefits and into work. One public sector agency was included in the report about the top 10 employers that we gave to our board. We find it very difficult to get the different levels in the public sector to understand an employability strategy that focuses on the people in greatest need. Actually, that is not totally fair. Some public sector agencies and local authorities in particular are good with young people in apprenticeships, but across the board, they do not take into account people who might be coming off health benefits, ex-offenders or young people in care.

Colin Mair made a point about local authorities and young people in care. Some 70-odd per cent of Polmont young offenders institution is filled with young people coming out of care. The cost of those individuals continues through the system, and we often see them at a later stage as long-term unemployed people who are looking for support to get into work.

You also made a point about who the employer is. I do not think that that matters. The issues that matter are whether the job is sustainable, whether a person can get above the minimum wage at the entry level—the living wage has been helpful in trying to promote that—and whether a person's skills can be increased when they are in work.

There is increasing awareness that taking an individual out of a family and getting them a job is not the answer if that family has a number of issues. There must be more consideration of issues in families and support for them.

Jim McCormick was right. There are two customers when people work with long-term unemployed people: the long-term unemployed person and the employer. If we cannot get the right person to meet the employer's needs, the employer will not be happy and the person will not stay in the job. Therefore, we must work with employers.

My fundamental view is that we do not really have anybody in Scotland who is working at creating jobs for people who are outside the labour market. The agencies that create jobs do not really focus on them. I am interested in the public sector doing more, and I think that there is scope for that.

There is also scope for organisations such as ours to think about projects that can create jobs and to encourage anybody who is out of work to set up a business if they can. I am not necessarily talking about people becoming self-employed—many people find that a lonely life or do not have the skills for it—but about people setting up businesses in groups. There is scope to be more creative and imaginative about the job creation role. Things should not simply be left to the private sector with the assumption that it will create jobs. As we have said, there are dangers with the group of people that we are talking about—the bottom 20 per cent or so—being at the end of the queue if graduates and other people with skills are coming into the labour market, as they will look at any job to get into an organisation, including jobs at a lower level than they might have looked at previously as a fit for their skills.

10:45

The Convener: Does Colin Mair want to come back on that, before I let Paul Wheelhouse in?

Colin Mair: I want to make one clarification for John Mason's benefit. If it sounded as if I was saying that we should get everybody into the public sector, I should emphasise that I definitely was not saying that. The point was more that, in the public sector, and particularly in local government, we tend to be focused on our services, which are what we think will have the beneficial impact. In reality, it is our employment capacity and not our services that might have the beneficial impact on people's lives. Therefore, we should think much more about how important we are economically and how we use that power. Much of that will be through procurement, because procurement is 30 per cent of total public expenditure in Scotland, and, in relation to its size,

is second only to the wage bill in the public sector. How we use that capacity is critical to the beneficial economic impact that we can have.

Laurie Russell's point about the family is important. To come at it the other way, if we make a big social work investment in a family, we should consider whether some part of that should be about how to create employment opportunity for that family. He put the issue the other way round by saying that, if we are to create employment opportunity, we must provide social work support. Far too often, we put the family into the care system and try to maintain it there, rather than spend part of the resource to create a better economic opportunity for that family.

Paul Wheelhouse: I want to pick up on the important point that Peter Kelly made about combining our economic activity more with socioeconomic dimensions. The Government economic strategy in Scotland has a commitment to improve the rate of sustainable growth but, as well as that, the characteristics of growth are supposed to encourage solidarity between income groups and cohesion between geographic areas. Has that desire at the Scottish Government level trickled down to the local level, where the single outcome agreements are delivered by local authorities and community planning partnerships?

I also want to pick up on the point that Peter Kelly and Colin Mair discussed about public sector employment and the opportunity that the public sector has to do more as an employer. To give an example, I have been told by a councillor in Scottish Borders Council that there are about nine modern apprenticeships in total in the council area. That is a low level. If the Borders was punching at its weight, given the number of employers in the area, the number of modern apprenticeships should be nearer 100. How typical is that of the experience in local councils in Scotland? Perhaps they are protecting existing employment and trying to avoid redundancies, with the result that they are not thinking about the other end of the pyramid, which is about building from the base by taking on apprenticeships.

Colin Mair: You are absolutely right. To an extent, we became used to using external moneys over and above the core budget to fund apprenticeship schemes. As that money has diminished, there has been a tendency for people to think that that was never a problem, and that they have to protect their workforce. Scotland's councils have rationalised the labour force, with about 9 per cent of staff going in the past three years, which has cost a lot of money. One oddity is that it costs a lot of money to reduce the labour force under such circumstances. I absolutely take your point about how we capture the kids who, as the evidence shows, tend to go into a drift pattern

on leaving school. It is critically important for the future that we do not allow that to happen.

On geographical cohesion, one difficulty is that we have 32 councils and community planning partnerships in Scotland. One of their strengths is that they are fabulously committed to their areas but, to be brutally honest, they are sometimes not that concerned about the area down the road. To an extent, national politicians must consider how to maintain geographical cohesion.

Interesting evidence has been given to the commission on delivery of rural education that one argument for not maintaining very small rural schools is cost and the implications not just for other schools, but for other services. It is a zero-sum game in the rural area—it is not about redistribution from more urban areas to rural areas.

The national Parliament probably has the role of ensuring that the politics of geographical cohesion across Scotland are managed well, fairly and equitably as part of our economic development. If we take it down to the community planning partnership, they will fight like cats in a sack for their area and, if it comes to it, over the dead bodies of other areas. In a sense, that localism is admirable, but it could not be the basis for all national policies.

Peter Kelly: I think that Colin Mair has answered Paul Wheelhouse's question about whether the high-level national objectives have filtered down to local community planning partnership areas.

Our experience is that the objectives have not filtered down. They do not seem to be integrated effectively at the local level around some of the social dimensions. As part of the end child poverty group in Scotland, we did some work a few years ago to look at where child poverty indicators and targets featured in single outcome agreements. At that time, only nine or 10 local SOAs prioritised child poverty. That shows that, despite the fact that reducing poverty was one of the national targets and indicators, it did not feature across the piece.

We talked earlier about how we target—we were talking mostly about how we get public services to target more effectively down to smaller and smaller local areas. However, when we talk about economic growth, we perhaps also need to think about how we target high-value or high-performance sectors. In the economic recovery strategy, we identified hospitality and retail as important sectors for job growth. We need to target those sectors and their low-value jobs. They are the sectors that we are looking to for economic growth, but they are also the sectors that have the highest concentrations of low pay—the rate is

about 60 per cent in retail and 70 per cent in hospitality.

Our targeting therefore should not be on just places and people but sectors and the support that employers in those sectors need. Those sectors are dominated not by the public sector or large employers but predominantly by smaller employers. If we are looking for those employers to do better, whether in job retention, pay or progression, they will need more support. That should be another part of the longer-term strategy.

Gavin Brown (Lothian) (Con): I want to ask a question about a comment on wider policy drivers in the Equality and Human Rights Commission submission. The paper refers to the Christie commission's recommendation that the Scottish Government should

"work with the EHRC and other stakeholders to identify ... equality gaps ... and address these gaps through further development of the ... National Performance Framework".

To what degree has that happened thus far, and where do you think that the agenda needs to go over the next five years or so?

The Convener: Does Euan Page want to answer right away or does he want a couple of minutes first? I can let someone else in.

Euan Page (Equality and Human Rights Commission): The answer might take a bit of elaboration, so I am happy to wait if you want to come in with another quick question.

The Convener: No, I was just saying that you do not have to answer right away—[*Laughter.*] You can have a few minutes to think about it.

Euan Page: I have had plenty time to ruminate.

The Convener: Fair enough.

Euan Page: It is an interesting question—I am glad that Gavin Brown is limiting me to just the next five years. [*Laughter.*]

Before I address the question, it might be useful for me to situate the quotation in a wider consideration of the interplay of what might be described as discrimination-based inequality and socioeconomic deprivation and poverty. Dr McCormick alluded to that earlier, and there are a couple of examples that might illustrate the point.

Scotland's black and minority ethnic population is roughly 2 per cent of the whole population. Within that 2 per cent, there is a huge disparity in outcomes, for example in employability and educational attainment, between different groups.

The BME population in Scotland has not spread uniformly across the country: there are pockets of communities, particularly in urban Scotland. Undoubtedly, in some instances those communities will be geographically congruent with

areas of most need—we have discussed the geographical model—but that is not always the case. The commission would argue that it would be fruitful to explore further how we take account of those communities of interest, for want of a better term, that lie outwith geographical areas of multiple deprivation but which have, nevertheless, significant problems with persistent negative outcomes—in employability, for example, which is today's topic. That may help to illuminate the granularity point that several people have made.

Another example is the independent living agenda for disabled people and the need to shift from interactions with public services that are perhaps not chaotic but which are certainly persistently negative and unsatisfactory in relation to the realisation of the independent living principles of freedom, choice, dignity and control for disabled people. That may bring to the table an increased granularity, moving beyond even the neighbourhood concentration down to the individual and family level, in looking at how we turn around persistently negative outcomes. With a view to not unhelpfully complicating but rather—I hope—enriching and bringing further nuance to the geographical model that the EHRC wholeheartedly endorses, if we look at communities that do not fall within those geographical areas, with an additional level of granularity within and outwith those communities, we may be able to identify important areas that require consideration if we are to reach the full potential of the thesis advanced by the Improvement Service and others.

In that context, I move to Gavin Brown's question on the various statutory policy drivers at our disposal and the Christie commission's recommendation that further work with the EHRC be undertaken in this area. There is already a general duty on all public authorities in Scotland and the UK to eliminate discrimination, advance equality of opportunity and encourage good relations between different groups. That will be underpinned and strengthened by new regulations that are due to come into force in Scotland later this year. The three nations of Great Britain have determined exactly how their regulatory frameworks will work, and we will have new regulations covering key public authorities such as councils, health boards and police forces—the bodies that constitute the bulk of community planning partnerships and the single outcome agreement process. From later this year, they will work to a regulatory framework that will set out exactly how the three elements of the general duty are to work. That will involve setting equality outcomes, identifying data gaps and justifying their decisions to concentrate on one equality group and not another in their areas. A key element of what we are advancing is that we have that ready-made regulatory framework couched in terms of

statutory duties. However, it is just as important that it should be seen much more as a useful framework for making better decisions than as a compliance-led exercise in what public authorities need to do to get the EHRC off their backs.

Allied to that is the issue of the availability of data. It is undeniable that we have a much richer data mine for socioeconomic and geographical disadvantage than we have for disadvantage and inequality across all equality groups. A lot of work on that remains to be undertaken at the national and local levels. An absence of data should not be taken as the absence of a problem.

Let us look again at disability and the independent living agenda as an example. We know that there is huge untapped potential for disabled people who want to contribute to the labour market and who have the skills to do so. However, as well as facing barriers of socioeconomic disadvantage, they face barriers such as employers' attitudes and wider social attitudes to disability, and physical barriers of poorly designed and built environments and inaccessible transport. There are also barriers around unsatisfactory and non-person-centred public services that, without overegging the situation, in some cases almost imprison disabled people in their homes and communities because of the lack of straightforward, simple single assessments of needs that are based around the four principles of independent living.

11:00

There is an enormous amount to do. The EHRC is working with a number of local authorities on pilot projects to look at local data gaps around equality. Those projects will come to fruition this year, and I will be happy to share the information with the committee. We are also looking at collaborative regulation with the audit scrutiny sector, considering how to be better at embedding equality principles into the work of Audit Scotland and the other bodies that are working in the post-Crerar audit scrutiny landscape.

The advent of the new specific duties on public authorities gives us an enormous spur and opportunity to ensure that we marry those and the legal requirements and regulatory frameworks with the way forward that has been mapped out by the Improvement Service and others. That also gives us an opportunity to ensure that there is a resonance with the Scottish Government's national solidarity outcome and the revised national indicator on responsive public services. We need to ensure that we work with the grain in adding all that up. Those are some of our ideas about how we could do that in practice.

Dr McCormick: I want to return to a couple of earlier points. The committee will see from our written submission that we commissioned an evaluation of a raft of employability and training interventions across the UK in the past 10 years or so, comparing what we do in Scotland with what is done elsewhere. Interestingly, we found that the progress that has been made in Scotland is not obviously because of what has been done with devolved powers and is much more to do with the macroeconomy, welfare reform and so forth. However, if we dig down a little into the detail, we find that we have had highly effective devolved interventions such as the working for families programme, which in particular helped parents—usually lone parents—to get back into work or into education and training.

We have evidence of high-impact and high-quality evaluation standards, but it is not obvious in Scotland that we use that gold-standard evidence well enough. We find that for the working for families programme and—to go back to the early days—the added value of the new futures fund, it is hard to spot how we are rolling out and using that evidence well enough across Scotland or seeing where the know-how is to make a difference. With the concordat, it has become even harder in those cases to track how we make our investment decisions on the basis of that good evidence.

If a challenge for Scotland comes out of the past 10 years, it is to do our best interventions consistently well over time—to stop chopping and changing—across the map of Scotland and invest more money in them. The striking comparison is that our effective interventions are far too small-scale to make an impact on the scale of the problem that we are talking about. Let us therefore do them with enough investment on a long-term prevention basis and use the best available evidence to drive our investment decisions.

Michael McMahon: I hope that my comments will relate to points that were made by Peter Kelly and Euan Page and perhaps follow on from some of Dr McCormick's points. A third of the Scottish Government's budget is spent by local authorities and we are looking at what outcome that spend will have, but we do not do equality impact assessments of the single outcome agreements to see whether they will achieve the set national outcomes. All the individual local authority policies are equality impact assessed, but the single outcome agreements on which they are based are not, so we do not really know whether the policies that are set out by each of the local authorities that are spending all that money are directed towards addressing issues such as child poverty or the disabled community in a geographical area. The tools exist, but we are not using them properly to get the statistics or properly identify the picture

and then start to put the strategies in place to address those issues. Could the witnesses comment on that?

The Convener: I will let them have a chance to think about that. Colin Mair wants to come in.

Colin Mair: I have two points, one of which will sound slightly defensive. One of our problems with SOAs is that they are non-statutory documents that are generated by voluntary partnerships that carry no legal responsibilities. In a way, the system that works through community planning is not based on an entity that has responsibilities, even under the legislation that we have just talked about. Each individual contributing partner has responsibilities in its own domain, but how that comes together through the SOA and the community planning partnership is not yet coherent. Michael McMahon is therefore absolutely right.

The second point is that the first round of SOAs in particular were very much aimed at the whole area that is being served by a council or partnership. They said things like, "We will improve educational performance in Glasgow," and, "We will improve the health of the people of Glasgow." They did not go as far as saying that they wanted to close the gap between certain parts of Glasgow and other parts of Glasgow, and that is the key priority on which we should be judged. I know that the Local Government and Regeneration Committee is doing a review of community planning and what performance looks like in that context. The Government is also undertaking a review of community planning, so I suspect that the current direction of travel is to consider whether the SOAs can be made more binding and subject to a much higher level of scrutiny and accountability at the outset and then for subsequent performance.

John Mason: My question is on a slightly different area and goes back to what Euan Page said. The Equality Act 2010 and the Child Poverty Act 2010 went through when I was at Westminster and I had not realised that the socioeconomic duty part of the Equality Act 2010 is just being conveniently ditched. Is that the case? The Child Poverty Act 2010 also has the wonderful aim of abolishing child poverty by 2020, which I believe actually means leaving 10 per cent of children in poverty. Although those acts are well-meaning pieces of legislation, is it correct to say that they are having no effect on the debate whatsoever?

Euan Page: If you will forgive me, I will direct my comments only towards the Equality Act 2010, because it comes within the purview of the Equality and Human Rights Commission.

I do not know that I would characterise what has happened in exactly that way, but the Westminster

coalition Government certainly took the decision not to commence the provisions on a duty for public authorities to have due regard to the socioeconomic impact of strategic and budgetary decisions. Obviously, the commission supported that provision when the bill was going through the Westminster Parliament. The decision has been taken by UK ministers and that is the political reality so—

John Mason: Is it a delay, or is it a permanent stop?

Euan Page: At the moment, we have no indication that UK ministers are going to commence the socioeconomic duty. Although that duty would, of course, be an addition to the regulatory arsenal for improving accountability and the scrutiny of public authority decisions, we nevertheless have the equality duty, which is backed up by enforceable regulation in Scotland. To pick up on Colin Mair's point, a socioeconomic duty would still only be applicable to named public authorities. It would not get round the core issue that Colin Mair has identified, which is that priorities and outcomes are identified and set in Scotland by voluntary groupings of public authorities and others through the community planning partnership and single outcome agreement process. There is an argument about the desirability or otherwise of having an additional socioeconomic due regard duty, which would have fewer enforcement elements than the specific duties that will shortly be placed on Scottish public authorities, but there is a more pressing argument about how we apply the law and improve accountability and transparency for the crucial decision-making groupings that are currently not directly covered—although they are indirectly covered through their constituent parts—by the equality duties.

The Convener: Before John Mason moves on to his next question, there are three members who wish to come in with supplementaries. Michael McMahon can go first, followed by Mark McDonald.

Mark McDonald: My question is on a different area.

The Convener: Okay. Michael McMahon can go first anyway.

Michael McMahon: I have a specific question on what Euan Page said about the coalition Government's decision not to implement the socioeconomic duty. My memory may be letting me down, but did the Scottish Government not initially decline to sign up to the socioeconomic duty when it was put in the Equality Bill?

Euan Page: Initially, but ministers in the previous Scottish Governments came round on reflection to supporting the socioeconomic duty.

There was a shift during the discussion of the bill and its specific duties in the previous session of Parliament.

John Mason: I claim just a little bit of credit for that, as I was on the relevant committee: I specifically wrote to the Scottish Government on that point, and it seemed to review its position.

The Convener: Always a listening Government.

Peter Kelly: On the same point, the Scottish Government had to take a position on the socioeconomic duty because it had to be implemented for matters that were devolved. I am no legal expert, but we raised the question of whether, if the duty was not commenced in Scotland, it was possible to bring forward some type of legislation for those devolved areas that would have the same impact.

The Scottish Government was supportive of the socioeconomic duty, and it is still a useful tool in driving change in the way that decisions are made and in considering the impact of those decisions on socioeconomic inequalities.

However, to go back to Jim McCormick's point, I think that we seem to be very poor at using the evidence that we have. I do not think that the processes that we have developed in Scotland are up to the standard that we want with regard to sharing what is working among community planning partnerships and all the stakeholders in those partnerships.

We talk a lot about it, but we do not seem to do it—when we talk to officers in local authorities and other organisations, we find that they do not necessarily know what is going on. When we did some work last year with officers employed to deliver working for families programmes—local authorities and other partners could still use that model—we found that they did not necessarily know what was going on in other parts of the country. It seemed like a lost opportunity to share best practice and ensure that those who are delivering policies on the ground know what is going on in other parts of the country. We need to look not only at the equality impact assessment but at whether we are learning from those assessments if they take place.

The Convener: I will just let John Mason in, because he has another question, and then Mark McDonald, but we are starting to wind down—it is nearly a quarter past 11 and we will finish no later than 11.30.

John Mason: Peter Kelly mentioned the living wage, which is quite positive, but it applies only to the public sector and a few other organisations. I feel that we should perhaps be pushing more for the minimum wage to be increased, which would

enforce a change on the private sector and create a more level playing field.

11:15

Peter Kelly: We certainly have no opposition to raising the minimum wage. With regard to the difference in the living wage approach, I agree that the public sector has a problem with in-work poverty for some staff, but it is not on the same scale as in the private sector, so that ought to be the priority. What we have seen in Scotland is that many public authorities and health boards and the Scottish Government have taken a lead in ensuring that they are doing the right thing. That is an incredibly welcome step. We can look at using procurement to try to spread that out to the private sector.

Earlier, I spoke about targeting our support on those sectors that are not performing well against these indicators. We need to do more in relation to employers in hospitality and retail to work out how they can do better. The thing about the living wage is that it is not statutory. It does not impose a floor on wage levels in the same way that the statutory living wage does. It targets those employers that have the capacity at the moment to do better. Even in these difficult times, there are many private sector employers that could do better.

Mark McDonald: This might be an appropriate point to ask my next question. Politicians are always good about saying that we want to end poverty. However, when people ask what that means, we say, "Um." By definition, there will always be a top 20 per cent and a bottom 20 per cent. Where is the point at which you could realistically say that, although we still have a top and bottom 20 per cent, poverty is over as an issue? What would be the characteristics of that society? What would it look like? What kind of measures would we be seeing? Obviously, there will always be some variation of outcome—that is just human nature; we are all built differently, so there will be differences between us—so how do we measure the end of poverty?

The Convener: That is a great question to throw out at the tail-end of the discussion. It was the first point that I mentioned in my introduction, but it has taken this long for it to come up. I will let everyone around the table reflect on that question for a while.

We have not yet spoken in any great detail about the poverty trap. Page 8 of Richard Crisp's study for the JRF quotes a woman who says:

"I do struggle now, I work 16 hours when I'm actually £1.02 better off a week ... which is really scary, it's madness. But the only reason I work is for me personally and the kids, so I can say, 'Look Mum goes out to work every week, we all have to work' ... which is the only reason."

The report goes on to talk about the characteristics of the individual and so on, but I think that it is important to focus on the poverty trap and the impact that it has on individual families in communities. Could Jim McCormick comment on that and make any other comments that he wants to add to the discussion?

Dr McCormick: Despite decades of attempting to address the poverty trap through tax benefit changes and various welfare-to-work programmes, people are still in the position that the woman in the report described.

One issue is that we need to enable households to go from having no one working to having one person working. That person can increase their hours, if that is the right thing to do, or ensure that somebody else in the household can be in work, so that the arrangement is being balanced in that way. That inevitably has implications in terms of the costs, availability and flexibility of childcare, which we have some say over in Scotland and which we could do more to address in the next 10 years as part of our anti-poverty work. Of course, whatever we might think of it, the coalition Government's universal credit provision, which is part of its welfare reform programme, is targeted at dealing with some issues to do with the poverty trap.

The Institute of Fiscal Studies has done some modelling for the JRF on the likely impact on poverty for people of working age and families with children. Over the next 10 years, if we factor in the impact of universal credit and other welfare reforms and the impact of benefit cuts, the net effect is a significant increase in poverty, even with the fact that lower-paid people will be taken out of taxation. Forecasts are not fate; much could change in the labour market and much could change even in welfare reform—U-turns on that have happened already. However, if we are talking about sustainability, we should be clear that the impact of the UK welfare reforms as they stand would be an increase in poverty.

I will try—inadequately—to address Mark McDonald's problem or question. Obviously, it is not his problem but a problem for all of us. I hope that Peter Kelly will agree with what I say; if not, he can say so. We are talking about the UK becoming the best in the OECD; that is what reducing or abolishing child poverty would mean. That means ensuring that whoever is poor is only temporarily poor and that the risks that are attached to being poor are not complex and cumulative. Having an income disadvantage should not mean that a person also has poor health and poor housing and that they live in a poor community. The aim is to have less bundling together of risks.

Is what I describe possible? Lots of countries have achieved it, so I would argue that it is possible. When we did modelling a couple of years ago on what it would take to hit our targets to halve child poverty, the answer was an extra £4 billion. At the time, that seemed to be an eye-watering amount of money, but that was before the banking crash. The issues are complex, long term and in a sense always with us, but all the questions about who is poor, how disadvantaged they are and the risks that attach to them can be addressed for a fraction of the cost of the banking bailout.

If we are looking to place our bets on the next 10 years in Scotland, even if we do not have more powers—that is an entirely different debate—and even if we work only within existing powers, I think that we will be talking about doing a far more intelligent job on adult skills and apprenticeships and doing something much more generous on childcare. A hidden bit of the equation is ensuring that the workforce is fully aware of and fully able to secure its existing employment rights. In hyper-casual, hyper-flexible parts of the labour market, some jobs are being designed in a way that makes it almost inevitable that employers will fall foul of employment law—often not intentionally but accidentally. We could do much more to enable people simply to secure their existing rights under the law.

The Convener: After Colin Mair and Peter Kelly speak, we will wind up the session, unless anyone else has salient points to make.

Colin Mair: I endorse entirely what Jim McCormick said. The issue is systematic variation. I return to Mark McDonald's point: human beings differ, but the honest truth is that the variation at the household or community level in Scotland is so systematic that it is not explained simply by human variation. The critical target for us is that trends are absolutely built into that. As Jim McCormick said, the important question is how to break the bundling effect, which we call clustering in our reports.

As for the sums of money that are implicit in doing that, we in local government have in partnership with the Scottish Government modelled what will happen to us in the next 10 years. It is interesting that, if we carry on as we are, demand—not income decline—will kill us, so we need to take demand out of our system.

My colleagues in the national community planning group, who are chief execs of health boards and councils, chief constables and fire chiefs, estimate that at least 40 per cent of all their expenditure is negative and is a response to bad things that have happened. That sum of money is staggering, because such bodies spend between them more than £26 billion of public money. When

that is set against Jim McCormick's £4 billion, the £4 billion becomes a drop in the ocean.

The issue is how we manage to use some of that money to shift constructively the trend that you as politicians want to be shifted rather than simply to respond to an embedded trend by reacting to bad things as they happen. That has huge potential. If we cannot make that shift, a horrible gap will start to emerge between the income for public services and the demand that those services face. We need to close that gap.

The Convener: The last word is with Peter Kelly.

Peter Kelly: So no pressure, then.

Mark McDonald put the question in the right way—he asked what having ended poverty or tackled it effectively would look like. Jim McCormick said that that would mean being among the best in the OECD, and I agree. When we started to consider child poverty legislation, some argued for a rate of 5 to 7 per cent as a definition of eradication in 2020. Countries that have got down to such levels show that that would involve a transformation from our situation now, in which one in three or four children lives in poverty—in some areas, the figure is as high as one in two children.

When we ask people who are experienced in dealing with poverty what they mean by ending poverty, they talk about people being able to participate in normal everyday life, to take part in the activities that we all expect to take part in and to live a dignified life. We need to keep in mind such words when we think about how we marry our economic objectives to our social objectives.

The whole discussion tells me that we need to do much more in Scotland to raise the profile of strategic approaches to addressing poverty. Our assessment is that, although there is commitment, the strategic thinking about how to tackle the issues has diminished in the face of our economic difficulties. We need to do more to highlight the importance of taking the strategic approach.

The Convener: I thank everyone who has contributed to the discussion.

At the beginning of the meeting, the committee agreed to take the remaining two agenda items in private.

11:26

Meeting continued in private until 12:58.

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