



## RESPONSE FROM THE POVERTY AND INEQUALITY COMMISSION TO THE ADVISORY GROUP ON ECONOMIC RECOVERY

<b>Macro/ Fiscal</b>	<p><b>Significant macroeconomic and fiscal implications will change the economic context for the foreseeable future</b></p> <p>What will be the <b>shape and form of the recovery</b> and what will be the implications for the <b>future growth</b> and structure of the economy?</p>
<b>Wellbeing, Inclusive Growth, &amp; Net Zero</b>	<p><b>What can be done now to ensure the transition to a wellbeing-oriented, inclusive economy on a transition to net zero</b></p> <p>How can the <b>wellbeing</b> of the people of Scotland flourish and how can a wellbeing economy approach be embedded to bring <b>distinct benefits to Scotland</b>?</p>

The Scottish Government's route map says that the Scottish Government aims not just to return to where Scotland was but to build a Fairer Scotland, and that the Scottish Government will 'use the lessons learned during the pandemic to help us make progress towards our long term outcomes of lower poverty levels, greater equality, inclusive communities and respected and enhanced realisation of human rights'. This needs to be reflected in Scotland's approach to economic recovery. The approach to economic recovery needs to show alignment to the overarching purpose and values of the Scottish Government's National Performance Framework.

Initial suggestions of a 'V-shaped' recession and recovery, with the economy going back to the way it was, now look unlikely. The actions that Scotland takes to emerge from lockdown and recover the economy will have a fundamental impact on poverty and inequality in the future. Unless addressing poverty and inequality is at the heart of the recovery there is a strong likelihood that inequalities will be exacerbated by the way the economy is rebuilt. The Scottish Government has been exploring a wellbeing economy and committed to the concept of inclusive growth. Now is the time to be bold, innovative and ambitious, and redouble efforts to pursue this and rebuild in a way that addresses the structural inequalities that exist within our economy. Inclusive growth is not something that is nice to have when the economy is going well, it has to underpin this recovery. Any attempt to rebuild the economy which focuses on growth and assumes that inequalities can be fixed afterwards will lead to greater poverty and inequality within Scotland, requiring higher spends in health (including mental health), social care and social security in response to this.

There are some areas of the call for evidence that raise some concerns for the Poverty and Inequality Commission as they do not seem to align with the ambitions set out in the Scottish Government's route map. In particular, wellbeing and an inclusive economy do not appear to be being treated as a core part of the approach to recovery, but instead appear as a separate question. This implies that an inclusive economy is something for the future rather than something to be created right now through the recovery process. This is reinforced by questions such as whether there is a case for relaxing some aspects of regulation to stimulate growth. Again, this implies that growth is something that should be pursued above everything else, with negative impacts fixed later. Recovery is a process, not an event, and if we do not embed reducing poverty and inequality into that process then there is little hope of reach a more socially just economy.

In developing an approach to economic recovery the Advisory Group should consider the following issues:

**Participation:** where is the space for reimagining the economy alongside and with those for whom the current economy is not working, such as people in poverty?

**Investment spending:** The Scottish Government can borrow £450 million a year for capital spending. Decisions about how to invest should be an opportunity to tackle problems related to poverty (for example, affordable housing, fuel poverty, affordable transport options, digital exclusion) and to create good well paid jobs in both the short and long term. These should be jobs created both in delivering the investment (e.g. jobs on building sites) and resulting from the investment (e.g. housing officers to manage new social housing). People in poverty should be connected to these jobs through active employment support schemes.

**Skills and training:** Public investment will be needed in job-related training and re-skilling for adults made redundant or stuck in low paid jobs to help them move jobs. Incentivising employers to invest in their staff would also help improve overall productivity as well as increase people's bargaining power in the labour market.

**Resilience:** How do we build resilience and build in protection for those in poverty. This probably is not the last pandemic we will experience and we may face further lockdowns during this pandemic. In addition, the climate emergency will see us face further challenges of a different kind in the future. How do we learn from this for the future?

**Reciprocity:** A lot of state support has been given to business. What should be expected of businesses in return for this support?

**Children and Young People:** This pandemic has had a major impact on the lives of children and young people and on their future prospects. Children and young people should be involved in developing ideas about what the future economy looks like and what they need to be able to participate fully in it. There must also be a continued focus on meeting Scotland's commitment to reach the child poverty targets set out in the Child Poverty (Scotland) Act 2017.

We will return to some of these issues in the rest of our response.

## Taxation

The call for evidence asks about the implications for levels of taxation and where the burden should fall. In determining any changes to levels of taxation in the economy, the direct focus should be on building back better in way that mitigates the deep inequalities that this pandemic has laid bare. The temptation may be to use tax policy to focus on short-term economic growth. This would be detrimental to the goal of a fairer, more inclusive economy and would instead exacerbate inequalities.

The raising of any additional revenues through taxation must be progressive, with those most able to contribute more, doing so. In Scotland, the burden of taxation is already unfairly borne by those on low incomes. This needs to shift. Within the tax powers that Scotland has, it is the powers over local taxation that offer the best opportunity to raise much needed revenue and more fairly distribute the tax burden. As a starting point, council tax is a regressive tax and there was pre-existing cross-party recognition that reform was overdue. This should now be picked up and pursued with urgency. There is also opportunity to introduce new, innovative local taxes such as those highlighted by IPPR Scotland in their report “Thinking bigger on taxation in Scotland”.<sup>1</sup>

There is real possibility to think radically here, including thinking through how our suggested principle of reciprocity for businesses could work. This should include requiring large companies to publish their country by country reporting, under either OECD or Global Reporting Initiative standards, to level the playing field for smaller and domestic companies. Businesses could be also be incentivised through the tax system to promote positive business practices such as fair work or low carbon approaches.

<b>Labour Market and Inequalities</b>	<p><b>The crisis will impact differently on different groups in society and on different parts of the labour market; and, has already revealed some thorny issues about relative wages across key occupations.</b></p> <p>What will the implications of the recovery be for <b>different groups, unemployment</b> and on the nature of work? How is the recovery likely to impact on socio-economic inequality as a whole?</p>
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We know that the economy already does not work well for many groups in society and that this has been exacerbated by the coronavirus crisis. Failure to intervene and shape the recovery in a way that addresses these inequalities could be catastrophic, with those with the most barriers to the labour market left behind, a

<sup>1</sup> IPPR Scotland (2019) Thinking Bigger on Tax in Scotland [https://www.ippr.org/files/2019-09/1568730565\\_local-tax-in-scotland-sept19.pdf](https://www.ippr.org/files/2019-09/1568730565_local-tax-in-scotland-sept19.pdf)

generation scarred as they leave education, people with caring responsibilities dropping out of the labour market as the demands on them become unsustainable, and people made redundant or furloughed for long periods seeing their skills, and employment prospects, atrophy.

### ***Low Income Households***

During this crisis those who have been able to continue to work from home are already some of those who are highest paid. The retail, hospitality and leisure sectors where businesses have been ordered to close are, on average, some of the lowest paid sectors and also tend to have less job security, with more zero hours contracts and agency work. The 'accommodation and food service' sector, for example, has the lowest average pay of any sector in Scotland and in 2019 60% of those working in the sector earned less than the living wage.<sup>2</sup> The poverty rate for people working in the sector was 28%, and 41% of children in households with a worker in this sector were in poverty.<sup>3</sup>

A UK survey by the Resolution Foundation found that one third of lowest paid employees had been furloughed, lost their jobs or had their hours cut due to COVID-19, compared to 16% of the highest paid.<sup>4</sup> The survey found that 19% of respondents on temporary contracts and 10% of agency workers had lost their jobs.

### ***Women***

Women have been particularly likely to face economic impacts as a result of measures to respond to the virus. Before the pandemic women in Scotland earned less than men and were less likely to earn the real Living Wage.<sup>5</sup> Female lone parent households are particularly likely to experience poverty, with 39% in relative poverty.<sup>6</sup> While women are more likely to be key workers than men they are also more likely to work in sectors shutdown due to the coronavirus<sup>7</sup> and therefore are likely to be facing reduced income because they have been furloughed, made redundant or had their hours reduced. Shut down sectors also have an over-representation of Black and minority ethnic women, migrant women, and young

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<sup>2</sup> Scottish Government (13 January 2020) Annual survey of hours and earnings 2019: tables <https://www.gov.scot/publications/annual-survey-of-hours-and-earnings-2019/>

<sup>3</sup> Fraser of Allander, Workers in the tourism and hospitality sector: who are they and what support may they need in future? 22 April 2020 <https://fraserofallander.org/scottish-economy/labour-market/workers-in-the-tourism-and-hospitality-sector-who-are-they-and-what-support-may-then-need-in-the-future/>

<sup>4</sup> Resolution Foundation (16 May 2020) The effects of the Coronavirus crisis on workers <https://www.resolutionfoundation.org/publications/the-effects-of-the-coronavirus-crisis-on-workers/>

<sup>5</sup> Scottish Government (13 January 2020) Annual survey of hours and earnings 2019: tables <https://www.gov.scot/publications/annual-survey-of-hours-and-earnings-2019/>

<sup>6</sup> Scottish Government (26 March 2020) Poverty and Income Inequality in Scotland 2016-19 <https://www.gov.scot/publications/poverty-income-inequality-scotland-2016-19/pages/4/>

<sup>7</sup> Institute for Fiscal Studies (6 April 2020) Sector shutdowns during the coronavirus crisis: which workers are most exposed? <https://www.ifs.org.uk/publications/14791>

women.<sup>8</sup> Women are more likely to have unpaid caring responsibilities for children or other family members and the gendered nature of caring is being reinforced while children are out of school, making it more difficult for women to work from home. Evidence from the Institute for Fiscal Studies shows that mothers who were in paid work in February are now nine percentage points less likely to be currently working for pay (either remotely or on-site) than fathers. Where mothers have stopped working for pay during lockdown they do twice as much childcare and housework as their partner who is still working. On the other hand where the father has stopped working, the parents share childcare and housework equally, while the mother also does 5 hours of paid work a day.<sup>9</sup>

### ***Children and young people***

Young people are at high risk from the economic impacts of the crisis. For the UK as a whole, those under 25 are twice as likely to be working in sectors that have been shut down than the rest of the workforce and are also far less likely to be able to work from home.<sup>10</sup> Research by the Resolution Foundation found that in May one-third of 18-24-year-old employees (excluding students) had lost jobs or been furloughed, compared to less than 15% of those aged 35-44. They were three times as likely to have lost their job compared to employees as a whole.<sup>11</sup> Many young people who would have entered the labour market this summer after completing school qualifications or graduating from university are now facing huge uncertainty. We know that those who entered the labour market during and immediately after the 2008 financial crisis have experienced a permanent effect on their pay. In 2019 the weekly earnings of those born 1986-1990 were 9% lower than the real pay of those born 10 years earlier when they were the same age.<sup>12</sup>

For children and young people of school or nursery age, time out of school or nursery and lack of resources at home, is likely to lead to a widening of the poverty-related attainment gap, with an impact on labour market inequalities way into the future. Research during lockdown has shown that children from better-off families are spending 30% more time on home learning than those from poorer families. In state schools, children from the richest families are around 15 percentage points more likely than those in the poorest fifth to go to a school that offer active resources such as online classes, or video or text chatting. More than half (58%) of primary school students from the least well-off families do not have access to their own study

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<sup>8</sup> Close the Gap (May 2020) Disproportionate Disruption: The impact of COVID-19 on women's labour market equality <https://www.closesthegap.org.uk/content/resources/Disproportionate-Disruption---The-impact-of-COVID-19-on-womens-labour-market-equality.pdf>

<sup>9</sup> Institute for Fiscal Studies (27 May 2020) How are mothers and fathers balancing work and family under lockdown <https://www.ifs.org.uk/uploads/BN290-Mothers-and-fathers-balancing-work-and-life-under-lockdown.pdf>

<sup>10</sup> Resolution Foundation (28 April 2020) Risky business: Economic impacts of the coronavirus crisis on different groups of workers, 28 April <https://www.resolutionfoundation.org/publications/risky-business/>

<sup>11</sup> Resolution Foundation (18 May 2020) Young workers in the coronavirus crisis <https://www.resolutionfoundation.org/publications/young-workers-in-the-coronavirus-crisis/>

<sup>12</sup> Resolution Foundation (28 April 2020) Risky business: Economic impacts of the coronavirus crisis on different groups of workers, 28 April <https://www.resolutionfoundation.org/publications/risky-business/>

space.<sup>13</sup> In these circumstances we should learn from research that shows that during the school holidays, children's learning is not only at risk of stagnating but regressing and that this decline may be more pronounced in children from low-income families. It has been argued that summer learning loss is the main factor behind the attainment gap between the richest and poorest students.<sup>14</sup> Without focused action, lockdown and any subsequent mix of school and home learning is likely to lead to an even larger attainment gap in future, reinforcing poverty and inequality through the huge potential implications for labour market prospects and earnings.

Young people from asylum seeking families, many of which are lone parent households, face further disadvantages. For example, online schooling may pose problems as we hear from asylum seeking communities that possession of a computer, smart phone or tablet is considered as "wealth" by the Home Office and can result in discontinuation of the £5 financial subsidy given to families by the Home Office. Secondly, the hostile environment policy means that young people experiencing the asylum system do not have the same opportunities for accessing paid work as their counterparts. There need to be special measures to ensure that these children and young people who fall outwith the prescribed legislation protection are not left behind.

### ***People from black and minority ethnic groups***

Black and minority ethnic people are being particularly badly hit by the health impacts of the crisis but may also be at risk from the economic impacts. Prior to the crisis non-white minority ethnic groups in Scotland experienced higher rates of poverty, with 39% of those from the 'Asian or Asian British' ethnic groups and 38% of those from the 'Mixed, Black or Black British and Other' ethnic groups experiencing relative poverty.<sup>15</sup> The employment rate for the minority ethnic population was also almost 20% percentage points lower than for the white population, with the gap much higher for women than for men<sup>16</sup>.

### ***Disabled people***

The crisis has had a substantial impact on disabled people's lives, exacerbating existing issues of poverty, financial exclusion, isolation, anxiety with travel and physical distancing, and digital exclusion. Poverty rates in Scotland are higher for households in which somebody is disabled compared to those where no-one is disabled. The employment gap between disabled people and non-disabled people

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<sup>13</sup> Institute for Fiscal Studies (18 May 2020) Learning during lockdown: real-time data on children's experiences during home learning <https://www.ifs.org.uk/publications/14848>

<sup>14</sup> Stewart, H., Watson, N. & Campbell, M. (2018) 'The cost of school holidays for children from low income families', *Childhood*, 31 May 2018, <http://journals.sagepub.com/doi/10.1177/0907568218779130>

<sup>15</sup> Scottish Government (26 March 2020) Poverty and Income Inequality in Scotland 2016-19 <https://www.gov.scot/publications/poverty-income-inequality-scotland-2016-19/pages/4/>

<sup>16</sup> Scottish Government (May 2019) Regional employment patterns in Scotland: statistics from the Annual Population Survey 2018 <https://www.gov.scot/publications/regional-employment-patterns-scotland-statistics-annual-population-survey-2018/pages/5/>

was 35.5% in 2018, with 45.6% of disabled people in employment (Scottish Government, 19 February 2020). Furthermore, a greater proportion of disabled people are employed in sectors with a large proportion of key workers compared with the non-disabled population – for example, public admin, education and health, and distribution, hotels and restaurants sectors, (Scottish Government – Disabled people and the labour market in Scotland: 2018). Evidence from the 2008 recession is that employment of disabled people was particularly badly hit and has still to recover to the previous level of 48% in 2008.<sup>17</sup>

Disabled people (working and students) have voiced that new digital ways of working and learning open up opportunities for them that had not been put in place on request before the public health crisis. These “reasonable adjustments” should not be lost as it opens up learning and flexible/home working opportunities for many disabled people.

### **Starting recovery**

Recovery is a process, not just an outcome, and the way in which the process starts will have long-term implications for the type of recovery that Scotland has. The way in which lockdown is eased has the potential to reinforce existing inequalities. Returning to work while schools and nurseries are closed or only partially re-opened and grandparents cannot provide childcare will present huge challenges for parents. Given what we know about the existing division of caring responsibilities, the burden of managing this is likely to fall disproportionately upon women. A similar situation will be faced by unpaid carers, who are predominantly women, if services do not resume. There is a risk that women will end up having to reduce their hours or leave the workforce entirely. This is a particular risk for single-parents, who are already at high risk of poverty. This could lead to a longer term impact on women’s participation in the labour market and increase the gender pay gap.

Consideration must be given to what action is needed enable businesses to reopen while addressing and mitigating the potential impacts for women and children. This should include working with the UK Government to look at how the next phase of the Job Retention Scheme can be shaped to better support and retain employees who have childcare responsibilities. The Scottish Government should look at how it can encourage employers to provide flexibility to employees with children until full-time schooling and childcare is available and how childcare provision might be increased for low income families. Where women do leave the labour market during this period the Scottish Government should consider how to use its social security powers, such as increasing payments through the Best Start Grants, to mitigate the impact on children and should build on its current parental employment support plans to make sure it delivers employability action specifically for women.

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<sup>17</sup> Scottish Government (2009) Local Area Labour Markets in Scotland: Statistics from the Annual Population Survey 2008  
<https://www.webarchive.org.uk/wayback/archive/20170701074158/http://www.gov.scot/Publications/2009/07/28092044/36>

Another area of particular concern as lockdown eases will be transport. The Transport Transition Plan estimates that the capacity with physical distancing in place on public transport could be between 10% and 25% of “normal” capacity. We know that those on low incomes are less likely to be able to work from home, less likely to have access to a car, less likely to cycle and are more likely to be dependent on public transport. Those living in more deprived areas are also more likely to have poor transport links in the first place. Women are more likely to be dependent on public transport than men.<sup>18</sup> Those in work will face significant difficulties and delays getting to work, putting their jobs at risk, while for those who are out of work getting a job may become impossible without reliable transport. Disabled people may find it difficult or impossible to travel to work leading to stress, anxiety and potential job loss. The Transport Transition Plan must take account of this, for example by considering in which areas extra capacity might need to be targeted, how employers can be encouraged to be more flexible with start and end times or how access to bikes could be increased for those on low incomes.

### **Employment support and skills and training**

Employment support and investment in skills and training will be crucial in delivering a recovery process that reduces inequality. There is an opportunity to connect supply and demand in the labour market by using investment spend to create jobs, and active labour market schemes and intermediate labour market programmes, for those further from the labour market, to train people for those jobs.

An effective skills strategy can help people access training that builds confidence, provides basic skills where needed, provides skills that employers recognise and need and increases people’s bargaining power and earning power in the labour market. It needs to be delivered alongside good quality careers advice and active employment support. The role of Skills Development Scotland will be crucial and there should be focus on identifying which existing programmes and interventions are most effective in enabling people to access employment and increase earnings and scaling these up rapidly. Attention should be given to whether these are accessible to and tailored to the needs of people in poverty, and those at highest risk of poverty, and programmes should be adapted if necessary. It will also be important to look at the employer role in training and whether there are ways to incentivise employers to train their lowest paid staff, for example through taxes, levies or tax rebates.

Existing employment support services in Scotland – Fair Start Scotland and the new parental employment support fund - should be built on and adapted given the changed context. Work that was planned to support employment for disabled parents should also be pushed forward. There will be a need for scaling up of employment support and it is important that those furthest from the labour market are not forgotten because of a focus on the newly unemployed.

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<sup>18</sup> Poverty and Inequality Commission (2019) Transport and Poverty in Scotland  
<https://povertyinequality.scot/publication/transport-and-poverty-in-scotland-report-of-the-poverty-and-inequality-commission/>

A range of proposals exist that could be considered to support employment and skills, including mobilising the recruitment industry and local and voluntary sector employment services to rapidly scale up support to the newly unemployed. Particular actions is needed to avoid the potential long term scarring effects of unemployment on young people, this could include expanding apprenticeships, work experience schemes and providing a jobs guarantee for young people.<sup>19</sup>

It is also important that young asylum seekers are supported. This could be through apprenticeship schemes, or support with further education. This will provide the opportunities for learning and developing new skills in line with the Scottish Government's refugee integration strategy.<sup>20</sup>

### **Creating high quality jobs**

The Scottish Government can borrow £450 million a year for capital spending. When considering what to invest in there should be clear analysis of who will benefit from different investment options. Decisions about how to invest should be an opportunity to tackle problems related to poverty (for example, affordable housing, fuel poverty, digital exclusion) and to create good well paid jobs in both the short and long term. These should be jobs created both in delivering the investment (e.g. jobs on building sites) and resulting from the investment (e.g. housing officers to manage new social housing). People in poverty should be connected to these jobs through active employment support schemes. These should be jobs created both in delivering the investment (e.g. jobs on building sites) and resulting from the investment (e.g. housing officers to manage new social housing). People in poverty should be connected to these jobs through active employment support schemes. At the same time there needs to be investment in work that is socially needed, such as childcare and social care, alongside capital investment.

The Scottish Government should support regions and local areas to deliver inclusive growth in the aftermath of the pandemic. The Scottish Government adopted inclusive growth as a key policy objective in 2015 but the Commission's research last year found that while the concept was being widely adopted there was a lack of clarity about what it meant in practice and it was a struggle to identify key policies which marked a significant departure from things which were happening already.<sup>21</sup> There must be a renewed focus on delivering inclusive growth in practice. The Scottish Government should work with local partners and the UK Government to ensure the City Region Deals and Growth Deals are reviewed to ensure that investment can respond to the new circumstances and is underpinned by a committed to inclusive growth, not just any growth. The recovery should build on innovative approaches that are being adopted, for example the Community Wealth Building approach that is being taken by North Ayrshire Council.

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<sup>19</sup> Help wanted: Getting Britain Back to Work (May 2020)

<https://www.learningandwork.org.uk/resource/help-wanted-getting-britain-back-to-work/>

<sup>20</sup> <https://www.gov.scot/publications/new-scots-refugee-integration-strategy-2018-2022/pages/2/>

<sup>21</sup> Poverty and Inequality Commission (2019) Delivering Inclusive Growth in Scotland

<https://povertyinequality.scot/wp-content/uploads/2019/06/Inclusive-Growth-in-Scotland-Poverty-and-Inequality-Commission-response-final.pdf>

The Scottish Government, NHS, local authorities and other public bodies should look at how their own spend can be used to encourage the creation of high quality jobs. The Scottish public sector spends more than £11 billion a year buying goods, services and works. Scotland has a sustainable procurement duty which requires all public bodies to consider how they can drive social value through their procurement practices, improving the social, environmental and economic wellbeing of their area. There should be a renewed focus on how this can be used as part of the recovery process.

In addition to direct investment, the Scottish Government should incentivise and nudge businesses to create high quality jobs, using the tax system, business support and training offers. These jobs should offer security, opportunities for progression, flexible working practices and the Real Living Wage. We say more below about attaching conditions to business support.

<b>Micro/ Enterprise</b>	<b>Different sectors and businesses will be impacted in different ways</b>
	What are the <b>medium to long-term consequences</b> of the lockdown on businesses, including loss of employees, debt overhang, loss of markets, reduced investment and unemployment?

## Sector approaches

The Scottish Government's analysis of the risk for different sectors of COVID-19 shows that some sectors are particularly at risk from a combination of supply exposure, demand exposure and labour market disruption. The sectors where the cumulative impacts appear to be greatest are manufacturing, construction, retail and wholesale, accommodation and food service and arts, entertainment and recreation.<sup>22</sup> As we have highlighted previously some of these sectors are, on average, the lowest paid sectors and also tend to have less job security, with more zero hours contracts and agency work. If a sector or industry based approach is taken then driving up the quality of jobs in these sectors to reduce in-work poverty must be a priority.

## Attaching conditions to business support

A significant amount of state support has been already been given to business through the Job Retention Scheme, business support grants, rates relief and business loans. Future business support should be aligned with the outcomes that the Scottish Government is trying to achieve. There is an opportunity to link business support to the quality of the jobs being created and to use local powers to incentivise businesses to 'do the right thing'. There are examples of this being put into practice

<sup>22</sup> Scottish Government, State of the Economy, 21 April 2020 <https://www.gov.scot/publications/state-economy-april-2020/>

prior to the pandemic, for example Leeds City Region LEP amended the core criteria for its Business Growth Programme to incentivise applicants to employ staff at the living wage rate or above by allocating more grant per new job paying that rate, and businesses receiving grants over £50,000 would be expected to offer training to low-paid staff to help them progress; commit to paying staff the Real Living Wage within an agreed timescale, and develop a skills plan to include apprenticeships.<sup>23</sup> Business support could be linked to the Scottish Business Pledge and implementation of the Business Pledge strengthened in businesses.

<b>Government, Policy and Delivery</b>	<p><b>There will be big changes in the form, nature and interactions between different institutions.</b></p> <p>How will the crisis change the <b>role</b> and <b>relationships</b> between the UKG/SG/LAs, business and other institutions?</p>
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### Changing roles and relationships

We note that you have asked about the relationship between UKG/SG/LAs and also ask how social partners, identified as businesses and unions, will engage with government. In our view, the recovery should not be led solely by government, and engagement across Scotland, particularly with those the economy is not currently working well for, will be vital. One of the most important sectors to consider here, and which is missing from your considerations, is the third sector. We have seen the way in which the third sector has stepped up to keep the country running and the vital role they have played in keeping communities on their feet during this crisis. It is important that the Scottish Government consider how their relationship with the third sector could change and how they will engage with them throughout the recovery process.

This begins however, with how the recovery process is being led including the role and actions of the Advisory Group. Your letter references the engagement work you are doing with the business community and unions to inform the work of the Advisory Group. We believe that you should also be involving the third sector and communities in your early thinking. They will have much to add in terms of understanding the opportunities to build a fairer, greener and more inclusive economy and should be integral to the process rather than an add-on. Ideally this would be done by having third sector representation on the Advisory Group. As this is not the case, direct, detailed and meaningful engagement with this sector, alongside your engagement with the business community and unions will be essential. It is likely that the actions of this Advisory Group in engaging with social partners now could set the tone for future engagement. Therefore, it is important to get it right from the outset.

### Further and higher education institutions

<sup>23</sup> Joseph Rowntree Foundation (2019) How Local Industrial Strategies can deliver inclusive growth <https://www.jrf.org.uk/report/how-local-industrial-strategies-can-deliver-inclusive-growth>

Further and higher education institutions will have a number of roles in the future recovery. As we have already mentioned, young people are a group which are likely to be particularly adversely affected and education could play a role in protecting their futures. As employment opportunities are going to be severely limited, there may be options for young people to extend their time in education. We already know that the numbers of young people in poverty who do attend university are not high and that those who do go to university drop out in far greater numbers than their wealthier counterparts.<sup>24</sup> Both further and higher education institutions should be preparing to equip young people in poverty with the skills and experience they will need to facilitate their transition into employment when opportunities arise. They should also be specifically considering what they can do to support those in poverty who are currently at a greater risk of dropping out of education or not starting courses. Otherwise these young people will be at an even greater risk of falling behind, further entrenching already existing inequalities.

Scotland's higher education institutions will be concerned about their survival, as many rely on the fees of international students. They may need to apply new funding models to ensure that they can continue to play a role in economic recovery. Alternatively, the Scottish Government may have to step in and provide funding to ensure universities survive.<sup>25</sup> If this is the case, and in line with our principle of reciprocity, there may be scope to make this contingent on socially progressive moves such as widening access or providing more flexible modes of learning. One very clear way in which this could impact positively on poverty rates is through the benefits for disabled people – a group more likely to be affected by poverty. More flexible and remote learning being offered means more disabled people could participate and this would lead to better employment opportunities and a reduction in the disability employment gap.

### **Participatory democracy**

Over the past few years we have seen important steps taken towards involving people with lived experience of poverty in policy design and development. Now is the time to start to shift towards more meaningful engagement and genuine co-production. As a starting point, the membership of the Advisory Group concerns us. We have already pointed out that it is lacking third sector representation, but it is also missing the voice of lived experience of poverty. This does not send a positive message to the many people from at risk groups who are feeling left behind and undervalued during this crisis and are not being involved in the key decisions being made for them.

There is an ever growing body of evidence outlining many of the groups who are particularly adversely affected by this crisis – young people, ethnic minorities, women, disabled people, unpaid carers – they need to be heard in determining a way forward for recovery. Both the Advisory Group in developing its

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<sup>24</sup> <https://www.gov.uk/government/statistics/participation-rates-in-higher-education-2006-to-2018>

<sup>25</sup> Fraser of Allander Institute (23 April 2020) Covid-19 Impact on Scottish Universities <https://fraserofallander.org/scottish-economy/labour-market/covid-19-impact-on-scottish-universities/>

recommendations, and the Scottish Government in moving forward, could learn a lot from some of the previous efforts to bring lived experience into policy making. In the field of social security for example, a core group of people with lived experience of the social security system co-produced the Social Security Charter.<sup>26</sup> The Independent Care Review was also ground-breaking in its approach to integrating lived care experience into all stages of the review.<sup>27</sup>

To inform our work as the Poverty and Inequality Commission we have commissioned guidance for how people with lived experience can be involved in our work. This is being co-produced by people with lived experience of poverty, the Poverty Alliance and the Scottish Poverty and Inequality Research Unit. This is due to publish in the summer and there will be general lessons which can be used by the Scottish Government and others in taking forward recovery and renewal work.

<b>Lessons / Data Insights</b>	<p><b>The pandemic is a shock which will provide insights and data across a range of areas</b></p> <p>How do we ensure that we <b>learn</b> from the impact of the crisis and <b>respond</b> accordingly?</p>
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In order to learn from the impact of the crisis and respond accordingly, the Scottish Government will need to speak to and work with those affected.

Data should not just be taken to mean quantitative data. Qualitative insights will be equally important in understanding experiences. We have seen the value of such insight in the data collections<sup>28</sup> which have explored how this crisis is impacting on people.

As we move forward, measuring impact and reporting on progress will be crucial . We have previously identified the important role of good progress reporting around poverty and inequality,<sup>29</sup> and it is even more important now.

The aim is to “build back better” to a greener, fairer and more inclusive economy. Therefore, there will need to be some understanding of what this looks like and the

<sup>26</sup> Scottish Government (2019) Developing the Social Security Charter: co-design process <https://www.gov.scot/publications/developing-scottish-social-security-charter-co-design-action/pages/11/>

<sup>27</sup> <https://www.carereview.scot/discovery/>

<sup>28</sup> For example a telephone and online survey by Glasgow Disability Alliance has produced important evidence on how Covid-19 emergency has impacted on disabled people - <http://gda.scot/about-us/publications/2059/gdas-covid-resilience-engagement-and-response> One Parent Families Scotland also have a ‘COVID-19 Single Parent Family Impact Monitoring System’ which is producing vital insights into how the emergency is impacting on single parents - [https://opfs.org.uk/wp-content/uploads/2020/05/Response\\_to\\_COVID-19\\_OPFS.pdf](https://opfs.org.uk/wp-content/uploads/2020/05/Response_to_COVID-19_OPFS.pdf)

<sup>29</sup> <https://povertyinequality.scot/publication/letter-to-cabinet-secretary-for-communities-and-local-government-on-the-fairer-scotland-action-plan-shifting-the-curve-and-life-chances-of-young-people-progress-report/>

indicators that help us know how we are progressing towards this. This should include a broad range of measures, including measures of poverty and inequality, with an overarching focus on wellbeing.

During the recovery process there is also the opportunity to look at aspects of the lockdown which may have positive foundations for building back better. For example, we should aim to understand the impact of the consequences of lockdown such as flexible/home working, home schooling, furloughed workers etc, including the unintended socioeconomic consequences. There should also be an aim to understand the impact of the measures taken by governments during this period such as housing all homeless people, supporting vulnerable people in communities and the additional funding made available to support communities. This will provide a strong foundation to building back better.