

Whose Economy?

Winners and losers in the new Scottish economy

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Acknowledgements

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Oxfam Discussion Papers

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1. Executive summary

In the UK, persistent poverty exists alongside high economic prosperity, leading to significant inequalities in income and wealth, and in life chances and lifestyles, between individuals and communities. Scottish society is also deeply divided: 'wealthy and secure neighbourhoods are situated next to the most deprived and vulnerable communities [where]... inequality is tangible'.¹

Many Scots face a life characterised by high mortality, economic inactivity, mental and physical ill-health, poor educational attainment, and increasing exclusion. Poverty is concentrated in geographical areas such as Glasgow and the West of Scotland; and women, people from minority ethnic communities, and new migrants are more likely to be poor than other groups. Poverty is often associated with worklessness – for reasons of unemployment, disability, illness or caring responsibilities. Work, however, is not necessarily a route out of poverty, as many jobs do not pay enough to live on.

The roots of poverty in Scotland are both historical and structural. In recent decades, the economy has shifted from one based on manufacturing to a service-led, supposedly 'knowledge economy',² with retail and call centres expanding as manufacturing declines. Glasgow, for example, was once the second city of the British Empire.ⁱ Now it is Britain's second biggest shopping destination. In this new economic landscape, people face increased risk in taking, and attempting to keep, a job – a job which may offer them little security and require a high degree of flexibility on their part.

Oxfam's analysis of poverty around the world and in the UK uses the 'Sustainable Livelihoods Approach'. Individuals, families, communities, and societies are considered to require five types of assetsⁱⁱ – financial assets (income, services, and capital), human assets (skills, talent, health), social assets (relationships and support networks), environmental assets (local and green space, wider natural resources), and physical assets (infrastructure, equipment, and transport) – to prevent poverty and vulnerability over the long term.

Oxfam has found that in vulnerable communities the most important (and sometimes the only) asset available to families and individuals is their family relationships and social networks.³ These social assets enable poor families and individuals to share resources, helping them to even out fluctuating fortunes and to cope in difficult circumstances. Yet recent economic development in Scotland and the UK positions individuals as cheap, flexible labour, akin to just-in-time inventory, available when business needs and expendable when it does not. This paradoxically relies on the crucial support systems in poor communities and, simultaneously, threatens to destroy them.

i This refers to Glasgow's standing in the Victorian era, when it was one of the world's pre-eminent centres of engineering, shipbuilding, and international trade.

ii Various public services fall into each of these categories according to type of provision. For example: training and education under human assets; public infrastructure under physical assets; transfers of funds such as welfare payments under financial assets; and local cleanliness amenities under environmental assets. Alternatively, it is possible to conceive of public assets could as a stand-alone asset category.

But in response to economic restructuring and persistent poverty, anti-poverty policy in Scotland (and the UK) has tended to prioritise only narrow economic growth policies, emphasising employment and physical regeneration, but not social goals such as community cohesion, strong relationships between people, a sense of empowerment, and sustainability. Strong communities seem to be valued because they can contribute to economic growth, rather than the other way round. Work has been seen as the route out of poverty – with the responsibility for becoming employed firmly resting on the individual, who must acquire the skills and behaviours that will make them attractive to employers.

Such economic growth and regeneration strategies have not reduced poverty and inequality in Scotland, and anti-poverty policies have, in some cases, made things worse rather than better. But Oxfam believes that it *is* possible to overcome poverty. As the sixth richest country in the world⁴ we certainly have adequate resources to do so. It's about allocating those resources in a more effective and sustainable way.

In this paper, Oxfam is therefore starting to explore the context that makes the need for a new economic development model for Scotland apparent – a model that would share the benefits of growth fairly, create high quality, sustainable jobs for those who can work while protecting those who can't, and prioritise social goals such as cohesion, strong communities, and empowerment. We hope that the *Whose Economy?* seminar series will help to shape thinking about what a new model for the Scottish economy might look like. And we look forward to debate and discussion which will inform more detailed policy recommendations (to be published later in 2011).

2. Oxfam Scotland

Oxfam's mission is to overcome poverty, wherever it exists. We believe that poverty in a rich, industrialised country such as the UK is totally unacceptable. Our vision is that everyone is able to enjoy their right to live a secure and dignified life with enough to live on, and is able to actively participate in society.

Oxfam Scotland works with organisations that support men and women experiencing long-term unemployment, disability, stigma and powerlessness. Over the years, this work has shown us the extent to which the current model of economic development shapes life chances and deepens inequality and poverty in Scotland.

This led to the development of our *Whose Economy?* programme which brings together a range of academics, policy-makers, analysts, community organisations and people living in poverty. Through a series of seminars and papers, the aim is to share ideas, information, and experience – and ultimately, to help shape the development of an economic model which benefits everyone in Scotland, not just one section of our society.

About this paper

This discussion paper sets out the context of poverty and inequality in Scotland today and looks at the historical factors and structural changes that have contributed to the current situation. It then discusses how public policy has interacted with the pursuit of economic growth to impact vulnerable communities, and explores whether policy and economic trends are making the experience of poverty worse. The paper concludes by briefly highlighting possible alternative forms of pro-poor development towards a greener, fairer Scottish economy.

3. Poverty and inequality in Scotland

'For most people, all they are doing is trying to live wondering where the next plate [of food] will come from.'

Anne Marie

The current context

Despite some notable improvements in addressing poverty for certain groups (such as pensioners⁵) in Scotland over the last ten years, there are still 'pockets of deprivation'.⁶ Many Scots face a life characterised by high mortality, economic inactivity, mental and physical ill-health, poor educational attainment, and increasing exclusion from the dominant, consumption-driven, mode of Scottish economic life.

In these communities, the economic and social policies of the last two to three decades have been largely ineffective in reducing deprivation. In 2007/08, 17 per cent of Scottish people still lived in poverty.⁷ The same proportion of Scotland's children lived in poor households – a proportion that has fallen in recent years, but remains above the European average.⁸ There are reports that the recent recession is hardly felt in particularly disadvantaged areas. This is not due to some resilient strength that has sustained decent jobs and preserved livelihoods, but because there were never many jobs to lose. The situation was so bad things simply could not get any worse.⁹

Who is poor?

'Single mothers are looked on as scroungers, and the government does not value the fact that they are doing a job of raising children. On the other hand, society blames these women when their kids go over the rail even though [the mothers] are trying to earn a living and contribute to the workforce.'

Anne Marie

The risk of poverty is shared unevenly across the population and across Scotland;¹⁰ where a person lives is a major determinant of poverty, as deprivation is concentrated in Glasgow and along the Clyde corridor. In Glasgow, almost 25 per cent of the population is 'income deprived', compared to 7.3 per cent of the population in neighbouring East Dunbartonshire.¹¹

Oxfam's research in the UK and overseas reveals that it is invariably women, people from minority ethnic communities, and new migrants who are most vulnerable to poverty in any area. For example, women are poorer than men across the world in every group (such as pensioners, young women, and lone parents). Many women are unable to do paid work because of caring responsibilities, and when they are in work it is often the lowest-paid, most precarious jobs, often in stereotypical 'women's roles'.¹² Unpaid caring responsibilities cause many women to miss out on education and training opportunities which constrains future employment choices and earnings, contributing to the fact that women in the UK face one of the worst gender pay

gaps in Europe.¹³ Within households, women are often the 'shock absorbers' for families, going without so that children and male family members have enough. Households headed by lone parents are also particularly vulnerable to persistent poverty, and the majority of lone parents are women.¹⁴

Worklessness

'In the past, there were always jobs within the local community. Some people left school on a Friday and by Monday they started work. There was also that community support... because most people knew most people, and you knew almost everyone.'

Anne Marie

Poverty in Scotland is often associated with worklessness. Those not working for reasons including being unable to find a job, having caring responsibilities, or suffering illness or disability, are more likely to live in poverty. Since June 2008 unemployment among the most deprived 15 per cent of the population has risen relative to unemployment in the rest of the population.¹⁵ In September 2007, almost one in five people in Glasgow of working age were claiming Incapacity Benefit,ⁱⁱⁱ a much higher rate than in any other British city.¹⁶

Work alone is not always a route out of poverty

Although worklessness is associated with poverty, work itself is not always a route out of poverty. Many of the jobs available to people currently on benefits simply do not pay enough to avoid poverty; '*poor work* is a label that could be applied to a lot of the employment held by people living in deprived neighbourhoods'.¹⁷ More than half of working age adults living on low incomes and of children in low income households live in families where someone is undertaking paid work.¹⁸

A consequence of poor quality work is that people often work excessive hours to make ends meet.¹⁹ Low-paid work cannot cover childcare costs, while inflexible employment (or employment where all the flexibility benefits the employer) reduces parenting capacity.²⁰ Increasingly, patterns of work are insecure and do not offer opportunities for progression. People on casual or short-term contracts (often women) are less likely to receive training at work. Moreover, their contracts lack redundancy and sick pay, and they are more likely to move between work and receipt of benefits. That people continue to accept, and stay in, low-paid jobs demonstrates the value they put on other aspects of work – such as social status and setting an example to their children.²¹

The problem of debt

'You also begin to notice that a lot of people end up taking loans without knowing what the consequences are, there is just a lack of control on the lenders.'

Kris

iii This has been replaced by the Employment and Support Allowance.

'Tax credit becomes a source of income you can rely on, and then they stop it without telling you. Which means you end up having to take a loan for the everyday bills, and this happens to almost everyone.'

Annabel

Although lack of money is not the only facet of poverty, it is a significant one. Poorer families on low wages or state benefits struggle to save, and have less to fall back on when things go wrong.²² Debt is therefore prevalent in poor communities, especially amongst lone parents.²³ High levels of debt further undermine individuals' ability to survive financial 'shocks' such as a broken boiler or a burglary – a vulnerability deepened by the fact that many poorer households lack formal insurance, viewing this as an unaffordable luxury.²⁴ Those who cannot access formal and mainstream loans often borrow from predatory credit agencies and doorstep lenders with high interest rates, which quickly compound to make people even more indebted.²⁵ People with low incomes live with debts such as, 'credit cards, store cards and hire purchase. Often this is a necessity rather than supporting lifestyle choices *per se*'.²⁶ A report for Citizens Advice Scotland (CAS) found that the numbers of clients presenting to CAS for debt advice has increased since 2003, and the level of debt amongst these clients has increased by 50 per cent.²⁷ The psychological impact of debt also undermines mental health:²⁸ debt has been described as 'depressing, devastating, a curse, demoralising, heartbreaking. [It means you] can't sleep, [are] housebound, [and] living in denial.'²⁹

Health inequalities

'Many people live in poverty, and unemployment is very high... the environment in which life is lived may influence the way that life is lived.'

Kris

Debt is just one illustration of how low income interacts with other aspects of poverty, including mental and physical health. In the UK (more so than in other OECD countries), health is strongly associated with socio-economic status.³⁰ In Western and Central Scotland, mortality rates are higher and reducing at a slower rate than those in other post-industrial regions of Europe.^{iv} Within Glasgow, health varies markedly between areas,³¹ and in Edinburgh, gaps in life expectancy have been described as comparable to the 'staggering differences between quality of life in the UK and third world'.^v High rates of illness and disability in low-income families means that people on low incomes are likely to have additional caring responsibilities.³²

In addition, low-income families often experience mental ill-health, particularly depression (which has a negative impact on their earning capacity).³³ First admissions to psychiatric hospitals for people living in deprived areas are three

iv This is particularly due to young working age men having a high mortality rate and middle-aged women having a high mortality rate. Death rates amongst young men are especially high for deaths caused by factors such as suicide, chronic liver disease, and cirrhosis; for middle-aged women, higher mortality is caused by lung, breast, and oesophageal cancer, IHD and stroke, COPD and liver disease, and cirrhosis (Walsh *et al.* (2009)).

v In one area of Edinburgh (Greendykes/Niddrie Mains) male life expectancy is 61, whereas just a few miles away (in Fairmilehead) life expectancy amongst females is over 89 (Morris (2010)).

times the rate for those from affluent areas.³⁴ Half of those claiming Incapacity Benefit^{vi} claim on the basis of poor mental health.³⁵ And, whereas rates of suicide have fallen in England and Wales in recent decades, in Scotland they have increased, with evidence linking socio-economic deprivation to higher rates of suicide.³⁶ Perhaps most alarmingly, there has been a rise in the number of deaths amongst young males in Scotland because of suicide, alcohol, drugs and violence – a rise not seen in similar post-industrial regions in Europe.³⁷

Poverty links

The connections between various dimensions of poverty, such as poor housing, limited social and extra-curricular opportunities and so on,³⁸ give rise to multiple negative experiences for children in low-income families, and these experiences reinforce each other. This is starkly illustrated in educational outcomes: Scottish children from low-income families (those entitled to free school meals) have a ten per cent chance of having a special educational need, compared to four per cent for children not eligible for free school meals.^{vii} In turn, transmission of childhood disadvantage to adulthood is largely accounted for by under-achievement at school.³⁹ This is likely to increase since education and qualifications deliver greater returns than ever before, exacerbating inequality.⁴⁰

Non-material aspects of poverty

Poverty is experienced both as a matter of tangible material deprivation, and a more intangible awareness of exclusion and missing out. For example, use of health services, when contrasted with the need for them, is lower amongst less affluent groups.⁴¹ This might suggest that services are not appropriately targeted or are inaccessible to poorer people, potentially leading to more acute health problems in the future. Two-thirds of Scots earning less than £10,000 a year do not have a car and only 17 per cent have access to the Internet.⁴² Poorer communities have less access to green space and are impacted disproportionately^{viii} by environmental damage in relation to the rest of the population.⁴³ More than twice as many people in the most disadvantaged areas of Scotland report vandalism as a problem in their neighbourhood.⁴⁴ Young people in low-income areas, and those who grew up in disadvantaged families, are considerably more likely to come into contact with the law.⁴⁵ And residents of vulnerable areas are more at risk of being a victim of violent crime than residents of more affluent areas.^{ix}

vi This has been replaced by Employment and Support Allowance.

vii Qualifying for free school meals halves the chance of reaching school level 5, and makes it almost three times as likely that a child will leave school with few qualifications below level 4 (Hirsch (2008): 19).

viii In 2004/05, more than half of all Glaswegians lived within 500 metres of a derelict site (more than twice the rate for Scotland as a whole) and 41,000 houses in Glasgow were declared to have mould (Crawford *et al.* (2007): 57).

ix Violent crime rose by 20 per cent between 1997 and 2003 (although it has recently fallen), and Glasgow's level of serious violent crime was the highest in Scotland (Crawford *et al.* (2007): 39,59).

Inequality

'The gap in the level of wages [between the high earners and the low earners] makes poverty a continuous cycle.'

Sammy

In assessing poverty in Scotland it is also vital to consider socio-economic inequality. The UK is one of the most unequal societies in the developed world,⁴⁶ and the gap between the wealthy and the poorest is now higher than it has been for several decades. In recent years, the proportion of total income received by individuals in the bottom three income deciles in Scotland fell from 14 to 13 per cent. The top three income deciles, in contrast, grew their share of income from 50 to 53 per cent between 1997 and 2008.⁴⁷ Inequalities of wealth are even sharper than those surrounding income. Including property, the bottom half of the population owns just seven per cent of the UK's wealth.⁴⁸ People in the bottom income deciles are more likely to be single pensioners, lone parents (frequently women), and people who are workless because of retirement, unemployment or economic inactivity.⁴⁹ While inequality has negative impacts on those at the bottom that reach beyond just a lack of money, inequality also impacts negatively on the whole of society – reducing cohesion, solidarity, and security for us all. Inequalities have also been found to increase levels of social distress and 'erode the bonds of common citizenship and recognition of human dignity across economic divides'.⁵⁰ Oxfam's experience internationally has been that inequality undermines economic growth,⁵¹ while economic growth does not necessarily guarantee a reversal of inequality.

Social mobility

Social mobility is also declining, making it harder for those living on low incomes to 'move up the ladder' and escape poverty. More than half of the employees in professional-class jobs (judges, journalists, medics, and finance directors, for example) were educated in independent schools, whereas only seven per cent of the broader population were independently schooled.⁵² Senior professionals have backgrounds that are 27 per cent wealthier compared to those from families of average wealth.⁵³ These higher echelons of professional employment and opportunity remain the preserve not only of people from already-wealthy backgrounds, but also of white men – inequality has strong race and gender dimensions.^x

Historical and structural factors

Poverty in Scotland cannot be separated from the country's recent economic and social history. This has been marked by the decline of heavy industry since the 1960s, and a shift from production to an economy based on services and consumption.

x See <http://www.equalityhumanrights.com/key-projects/triennial-review/> for analysis of the dimensions of inequality.

In 1931, the single most important sector for male employment in Glasgow was metal-based industries, including ship-building.⁵⁴ By 1970, industrial employment peaked across Western Europe,⁵⁵ but employment in Glasgow had been steadily declining since 1951, with manufacturing employment falling from 34 per cent of all jobs in 1971 to seven per cent in 2009.⁵⁶ Old industries once dominated communities along the Clyde River. Reliance on a single industry to generate employment meant that when an industry collapsed it left no alternative job opportunities and land became derelict.^{xi,57} This concentration of deindustrialisation increased inequality in Scotland.

'In the mid-eighties you were guaranteed a job. But all that has changed. It's the same thing all round. There are people with Masters qualifications applying for administrative jobs.'

Sam

As traditional industries declined, the number of (relatively) stable and well-paid work opportunities fell⁵⁸ – a fall which has not been offset by the more recent growth of employment in the service sector (retailing, catering, and increasingly, call centres).⁵⁹ By 2009, services^{xiii} constituted almost 82 per cent of all jobs in Scotland.⁶⁰ But the new jobs often do not represent 'quality work' as, in comparison to manufacturing, the new economy sectors constitute a 'more dynamic and insecure working environment characterised by casualisation, low pay, and deskilled work... with high levels of turnover'.⁶¹ This new economy is also characterized by '...fixed term contracts and the increasing use by employers of temporary staffing agencies'.⁶² In the UK, the TUC estimates there are two million 'vulnerable workers' in precarious, low-paid, and insecure employment,⁶³ and research from across Europe shows that it is women who are most precarious and vulnerable.⁶⁴ The recession has made those furthest from the labour market only more distant from work as employers become more discriminatory in a 'buyer's market' for labour, while for those in work, it may have contributed to downward occupational mobility.⁶⁵

While the development of business parks and infrastructure under the ambit of regeneration has brought in new business to low-income areas, creation of new jobs in an area does not necessarily equate with a reduction in local unemployment.^{xiii, 66} Programmes centred on physical improvements of certain areas have, despite decades of considerable investment, failed to significantly reverse the relative fortunes of disadvantaged communities. Vulnerable people have not been assisted in gaining relevant skills on a sufficient scale, nor have

xi One response from the state to Glasgow's changing economic fortunes was the construction of peripheral estates around the city during the 1960s to house the population that had lived in cramped inner-city areas. In the middle of the last century, Glasgow's population was over one million; by 2004, it had fallen to less than 600,000 (Crawford *et al.* (2007): 43). The purpose was to clear the slum tenements in Glasgow by rehousing residents in modern blocks in peripheral schemes (such as Easterhouse, Drumchapel, Castlemilk, and Pollok) and satellite new towns (such as East Kilbride and Cumbernauld). There were, however, few employment opportunities in these new areas and services developed slowly. There has since been recognition that community spirit and social assets were eroded by this decampment (Crawford *et al.* (2007): 45).

xii Services include distribution, hotels, restaurants, transport and communications, finance, IT, public administration, education, and health.

xiii For example, in 2005, almost half of all jobs in Glasgow were taken by people who did not live in the city (Crawford *et al.* (2007): 25).

the jobs created been sufficiently relevant to the needs of local people. Jobs in the new service industries are often taken by students and women 'returners' but, significantly, not by people from the old industrial communities.⁶⁷ The new sectors are 'highly feminised and require personal and customer servicing skills that do not necessarily match up with a workforce more attuned to, and indeed socialised into, manual blue collar labour'.⁶⁸ Local people from vulnerable communities lack the contacts and 'social assets to compete with more skilled and experienced people from other parts of Glasgow and outside the city for jobs in the new economy'.⁶⁹ Those once employed in manufacturing businesses now face a choice between decamping, retraining, or unemployment. Yet most of the labour market is only mobile to a small degree.⁷⁰

Sustainable livelihoods approach

'Each street used to be a village; as all families used to be in the same areas childcare was not an issue... Everyone supported each other – you could borrow money from each other until the other person got paid.'

Anne Marie

Oxfam's analysis of poverty around the world and in the UK uses the Sustainable Livelihoods Approach whereby individuals, families, communities and societies are considered to require five types of assets – financial assets (income, services, and capital), human assets (skills, talent, health), social assets (relationships and support networks), environmental assets (local and green space, wider natural resources), and physical assets (infrastructure, equipment, and transport).^{xiv} To achieve a stable and sustainable livelihood, Oxfam considers that it is necessary to have access to assets from all groups in as close to equilibrium as possible.

Oxfam has found that in vulnerable communities the most important (and sometimes the only) asset available to families and individuals is their family relationships and social networks.⁷¹ These social assets enable poor families and individuals to share resources to help them even out fluctuating fortunes and to cope in difficult circumstances. Yet recent economic development described above, in which people are seen as cheap, flexible labour that is as disposable as other components of production (such as materials), both relies on the crucial support systems in poor communities and threatens to destroy them. The ability to work long hours at short notice may only be possible because of good relations with neighbours who can help with childcare, for example. Long hours and work patterns that are flexible for the employer, yet insecure for the employee are ultimately likely to damage these vital support networks. Trust, relationships, and reciprocity are undermined by hyper-consumerism, status-driven consumption, and individual instant gratification through material acquisition, which are themselves driven by inequalities.⁷²

xiv Financial assets include stocks of cash or equivalent and inflows of money; environmental assets include natural resource stocks and services (land or air quality and so on); human assets include skills, knowledge, ability to work and health; social assets means social resources such as networks, connections, formal associations, trust, reciprocity and exchange in formal or informal groups and behavioural rules and norms; and physical assets refers to infrastructure and producer goods such as transport, shelter, energy and water supplies (Church Action on Poverty and Oxfam (2009): 9,10).

4. Recent government economic and anti-poverty policies

Despite the structural shifts described above, anti-poverty policy in Scotland (and the UK) has tended to prioritise narrow economic growth policies, emphasising employment and physical regeneration.^{xv, 73}

The anti-poverty framework of the Labour administration, *Closing the Opportunity Gap*, prioritised reducing economic inactivity.⁷⁴ Similarly the 2006 Scottish regeneration policy statement, *People and Place*, sought 'improved business confidence, increased economic activity, employment, less unemployment, and higher land and housing values'.⁷⁵ Social goals such as community cohesion, strong relationships between people, a sense of empowerment, and sustainability are notable by their absence. Social regeneration, where acknowledged, largely focuses on objectives such as: community influence on decision-making; reconnecting communities with economic opportunities via education and training-provision; improving local services; helping people stay in their neighbourhoods and creating mixed communities; and addressing anti-social behaviour.⁷⁶ While these are, undeniably, important goals, many of them are viewed as means to economic ends rather than priorities in their own right. Strong communities seem to be valued because they mean the economy can 'exploit the widest range of talent across the population,' and good health is 'a way of improving the performance of the Scottish workforce, while ill health would impose significant costs'.⁷⁷ The hierarchy of respective goals is clear: strong communities and healthy citizens as ingredients of a growing economy, not, poignantly, the other way around.

xv In the last few decades, regeneration programmes in Scotland included:

1976-1987	Glasgow Eastern Area Renewal (GEAR) focusing on social and physical aspects of renewal
1989-1999	New Life for Urban Scotland (Castlemilk, Ferguslie Park, Wester Hailes and Whitfield)
1996-1999	Priority Partnership Areas and Regeneration Programme Areas
1999-2006	Social Inclusion Partnerships (SIPs) (area or thematic)
2001-2005	Better Neighbourhood Services Fund (themes such as children and young people, community safety, employability, elderly care and health).
2005-2008	Community Regeneration Fund (CRF)
2005	Regeneration Outcome Agreement for Glasgow
2007	Glasgow won the right to host the 2014 Commonwealth Games with a bid including commitment to use the athletes' village as socially-rented houses following the Games
2008	Fairer Scotland Fund (ringfenced until 2010)
2008-2011	Wider Role (for social landlords).

Regeneration

'The meaning of regeneration has changed. It used to be about ordinary people and about community, but over the last seven years it has become more and more about the big industries. Local communities don't benefit as much. The language of regeneration has changed and so has the focus.'

Sammy

'Those who buy these harbour-side flats buy them with the intention of renting them out; they never really intend to live in them.'

Anne Marie

'Regeneration has changed, its more about attracting banking, shopping, rather than going out to change the lives of those who don't have enough.'

Lorraine

The way in which regeneration has been delivered in Scotland has used market forces to create certain aspirations and behaviours. Regeneration is associated with the construction of luxury housing, shops, and privatised spaces; middle-class, home-owning, tax-paying and high-consuming residents are seen as central. Local people, it seems, are expected to engage as consumers and as customers rather than as community members. For some, however, the experience of such regeneration (and the gentrification^{xvi} often associated with it) has worsened the experience of poverty, limiting the choices in terms of employment, community membership, and lifestyles of those on low incomes – particularly lone parents, the young and older people.⁷⁸

Economic growth, not redistribution

Underpinning this model of regeneration and anti-poverty policy is the assumption that economic growth will create employment opportunities through a process of 'trickle-down', which in turn will address social deprivation.⁷⁹ This policy assumes that work will increase incomes at the bottom of the scale. It lacks any discussion of redistribution, although the Scottish (SNP) Government's anti-poverty framework, *Achieving Our Potential*, states a desire to narrow the gap between rich and poor. For example, the Government's Economic Strategy sets out the 'Golden Rule' of 'solidarity'. But here, solidarity is interpreted only as increasing 'overall income and the proportion of income earned by the three lowest income deciles as a group by 2017'.⁸⁰ Similarly the National Outcome of tackling significant inequalities is underpinned by the objective of decreasing the proportion of individuals living in poverty and increasing healthy life-expectancy at birth in the most deprived areas.⁸¹ This almost exclusive focus on the lower end of the income spectrum ignores the circumstances of those at the higher end of the income spectrum – including their greater access to opportunities and the proportionately lower rates of tax they pay.⁸² There is no mention of inequalities at the top of the income scale nor the experience of poverty in a consumption- and status- driven society.

^{xvi} Gentrification refers to processes whereby wealthier people buy property in less prosperous communities, changing the socio-economic dynamics of the area.

Work – the route out of poverty?

'A woman with an 11-year-old had been told to go back to work. She was given job details [for a large supermarket chain] and she attended the interview, after which she was given a list of shifts she had to do, some of them running as late as 6pm. She indicated that she had to be back at home at the close of school to be with her son, otherwise he would be left alone for an hour before his Dad came home. But the [supermarket] interviewer replied that she could let him play in the streets until she got back from work.'^{xvii}

Lorraine

An increase in employment is also equated by government with an increase in social wellbeing, without consideration of the quality of the jobs created (as discussed above), nor an understanding of the broader determinants of wellbeing beyond work.

In Scotland, *Achieving Our Potential*,⁸³ backed by £5m^{xviii} and devolved to local authorities via Single Outcome Agreements (SOAs), encourages people to work by: removing the barriers to employment; income maximisation for those who cannot work; and making work pay.⁸⁴ It thus prioritises work as a route out of poverty.⁸⁵ Similarly, at a UK level, employment policy has been premised on an assumption that worklessness is attributable to a lack of skills, motivation, or aptitude, and simply by increasing 'employability' actual employment will be increased.⁸⁶

Residents of low-income areas, and the long-term unemployed in particular, are compelled to increase their employability via 'welfare-to-work' programmes (often delivered by private and not-for profit employability agencies). In practice this means job seekers increasing their flexibility in terms of what, where, and for how long they will work.^{87,88} Yet these schemes have offered individuals little real support in terms of acquiring the skills demanded by the sectors favoured by policy-makers. Instead responsibility for lack of employability (and thus their poverty) is put firmly on the shoulders of individuals themselves, who are deemed to lack resilience or the right attitude and are allegedly making insufficient effort to obtain work.⁸⁹ But, even before the recession, there were ten JSA claimants for every vacancy registered at the Jobcentre in Scotland – evidence that lack of jobs is the real cause of worklessness in Scotland.⁹⁰

Policy on out-of-work benefits

Despite insufficient demand for labour, welfare is becoming increasingly conditional – benefits provided by the state seek to steer individuals in the direction of active participation in the labour market, and punish them for failure to get a job.⁹¹ Current policy on the delivery of out-of-work benefits also seems to be at odds with the way in which people really function – namely, the natural predilection for risk aversion and preference for certainty of income.⁹²

xvii This was despite the 'right to request flexible working'.

xviii The original budget was £7.5 million, it was cut in 2010.

In reality, as people come off unemployment benefits they often move into insecure, unpredictable work, making it a risky step for some.⁹³ In addition, there is an 'historic and collective memory about losing benefits and about over-payments which frighten people from taking work... An over-emphasis on fraud frightens away many [from claiming the benefits to which they are entitled]'.⁹⁴ Consequently, some out-of-work people rationally view benefits as a more 'reliable' source of income than insecure work, preferring them to the associated struggle to reinstate certain benefits if work is short-lived.⁹⁵ For those who can realistically only access low-skilled, low-waged employment, 'the assumed benefits of work may be far less evident' than they are to policy-makers and the rest of the population.⁹⁶ This risk aversion is such that under-claiming is actually the problem, not over-claiming as government rhetoric and advertising⁹⁷ suggests. In 2007/08, over £10bn worth of benefits went unclaimed across the UK.^{xix,98}

Privatisation and contracting out

Another aspect of government policy has been the privatisation of utilities and contracting out of public services. This is taking place beyond the contracting out of welfare services, and increasingly extends to lower-paid public sector jobs such as cleaning and provision of local services. Contracting out is likely to intensify with the current moves towards dramatic reductions in state spending and, more broadly, shrinking of the state's remit. This leads to a 'hollowing out' of the state,⁹⁹ as it is left to manage contracts rather than seeking to deliver services on a comprehensive or universal scale. Strategic positioning of civil society organisations as delivery vehicles is part of this movement towards non-state delivery of state services, both in Scotland and the UK as a whole, with the previous UK Labour Government seeking to expand provision of public services by third sector organisations,¹⁰⁰ and the 'Big Society' agenda of the current coalition government.¹⁰¹

The Scottish Council of Voluntary Organisations, unions, and others have criticised the manner in which public services are increasingly being delivered via contracts to civil society organisations. Unite has warned that 'funding cuts [are] being carried out by local authorities, where low-paid workers who are contracted to deliver key public services are being expected to literally subsidise the state by sustaining cuts to their pay and conditions'.¹⁰² Often 'user-fees' have been introduced for services that people could once expect on the basis of citizenship. Oxfam's international experience is that private-sector provision of state services often delivers only to those who can pay, or delivers a poorer quality of service to others. It also often proves difficult to regulate, and the poorest and most vulnerable communities are negatively affected.¹⁰³

xix This imbalance is so lop-sided that if all those who are entitled to benefits accessed them, a 'further 400,000 children would be taken out of poverty' (Chin in Alexander (No Date)). This under-claiming is in stark contrast to the prevailing public perception: two-thirds of British people think that benefits make people lazy (compared to the perception in Europe where less than 50 per cent of the population feels this way) (European Social Survey cited in McKay (2010)).

Devolving anti-poverty policy to local level

'People [in power] don't really listen to those involved in the problem... Sometimes the government goes into communities and they never speak to those concerned; instead they talk to the big organisations located within those communities.'

Kris

The Concordat signed between the Scottish Government and COSLA (Convention of Scottish Local Authorities) in 2007 is an effort to give more control to local authorities about how to achieve national outcomes,^{xx} and reflects this tendency towards government guiding, rather than delivering, poverty-reduction efforts.¹⁰⁴ It gives Community Planning Partnerships (CPPs) responsibility for delivering Single Outcome Agreements (SOAs) that link local outcomes with the Government's national objectives.

CPPs comprise local authorities and other local public service providers from the voluntary, community, and private sector. They have been described as the 'most significant local governance reform introduced by the Scottish Executive in ... 2003-7'.¹⁰⁵ While CPPs might seem to reflect a shift from traditional representative democratic structures to more participatory decision-making, in reality, few community organisations are familiar with the operation of CPPs and the opportunities that exist to shape policy-making.¹⁰⁶ The complexity of local interests, practical barriers to participation (particularly for untrained volunteers), and pressures to conform, threaten genuine engagement with local people. There are 'some signs that community members have found it harder to influence decisions, with a feeling that the process is...high level and "top down"'.¹⁰⁷ Participation in regeneration effectively seems to be rendered conditional upon the residents' 'willingness to support policy processes that promote gentrification... [otherwise residents are] positioned as backwards and in opposition to regeneration'.¹⁰⁸ At the same time, SOAs have led to the removal of ring-fencing of funding streams in the name of local flexibility.¹⁰⁹ This jeopardises a specific focus on important, but perhaps unpopular, areas of need, with communities who are most disadvantaged often missing out as focus becomes more fluid and vulnerable to vested powerful interests. This is of particular concern given recent falls in public understanding and empathy towards those on benefits and those in poverty.¹¹⁰

xx Under SOAs, local authorities in Scotland have to undertake activities in accordance with centrally determined priorities and measure their success against various indices selected from a list offered by the Scottish Government and COSLA. Outcomes selected by local authorities tend to include reduction in work-related benefit claimants; reductions in under-16 pregnancies; increased ratings of their neighbourhood as 'very good'; quality social housing; reduced numbers of children in benefit-dependent households; and more affordable homes (Scott and Mooney (2009)).

5. Discussion and implications: *Whose Economy?*

The levels of poverty and inequality outlined above show that economic growth is clearly not working in the interests of the poorest people and communities, and that the benefits of growth are not trickling down to all members of society in Scotland.

Poverty, society, and powerlessness

'The norm in the past used to be that you saved for whatever you wanted, but it's no longer the case... some young people just try to live the kind of life the media seeks to portray.'

Anne Marie

'Childminding wasn't an issue; a casual arrangement existed between neighbours where the kids could be with the parents upstairs during the day, and in the evening they would be with the parents downstairs... Those bonds used to exist, but that has vanished.'

Annabel

Oxfam sees poverty as being deprived of the capabilities necessary to live in a particular society.¹¹¹ This is pertinent in the UK where the experience of poverty is not just about inadequate income, but also a lack of power and voice. The experience of many people on low incomes is one of being disrespected and rendered invisible by decision-makers. Oxfam's overseas research reveals an 'inequality trap',¹¹² whereby the interrelationship between wealth and political participation undermines the ability of vulnerable people to influence political processes and improve the services they receive.¹¹³

A society seems to be emerging in Scotland where esteem and self-worth are derived from acquisition, material consumption, and perceived status, rather than from relationships, mutuality, or the pursuit of equality. Those who are excluded from this conception of success – who simply cannot access it – are blamed, 'othered', further ostracised through punitive conditionality placed on receipt of citizenship entitlements,¹¹⁴ and their contribution to society questioned because it is valued in purely economic terms.¹¹⁵

It is human nature to care about how we are seen by others; thus large differences in perceived status (as will inevitably be found in unequal societies) and relative poverty create great stress¹¹⁶. A sense of exclusion and lack of control is particularly acute in a consumerist society, where materialism is ostensibly logical for social reasons – enabling participation in social roles and signalling status, identity, and affiliation.¹¹⁷ It seems that 'we chose as a society to define ourselves increasingly by what we owned'.¹¹⁸ For example, children can judge each other according to the brand of clothing worn, and a common experience for children who experience poverty is bullying, especially when they are deemed by others as not having the 'right' clothes or accessories.^{119,120}

Providing socially-acceptable goods such as clothing thus becomes a means by which low-income parents protect their children from social stigmatisation.

Status anxiety particularly results from inequalities.¹²¹ It is *relative* income, possessions, and status that matter and propel individuals most concerned with their perceived lack of status into attempts to demonstrate it outwardly through material possessions. Not only does this contribute to rising personal debt (as discussed above), but also to socially destructive behaviours (such as binge drinking, violence, and territoriality). Recent research has found that status anxiety and exclusion can lead to discouraged and disadvantaged women becoming teenage mothers; while poor young men in disadvantaged areas may become violent as they seek to assert their esteem, build identity, and enforce networks.¹²² In this way, many social problems (such as crime, ill-health, poor education, and drug addiction) are economic in nature, rather than being exclusively the fault of individuals as political rhetoric often asserts.¹²³

A sense of powerlessness thus stems from alienation from the dominant consumer culture, and from other forms of discrimination (for example, on the basis of race or disability). Poverty and a sense of exclusion results in 'short-term orientation': the future is a threat for many individuals on low incomes.¹²⁴ An extreme manifestation of this is the high level of liver disease and suicide amongst young men in the West of Scotland,¹²⁵ which suggests a link between lacking a sense of hope and anxiety about one's perceived 'place' in society, with resulting violence and socially destructive behaviours. Higher rates of acute sickness and mental illness amongst men in West Central Scotland and Glasgow compared to the rest of the country cannot be explained by socio-economic circumstances alone.¹²⁶ While the causes of this are undoubtedly very complex, stigma, exclusion, and involuntary marginalisation from the dominant mode and pace of economic development should not be dismissed as contributing factors. It is telling that health researchers are increasingly concerned about the adverse impact of consumerism, materialism, and the skewed work-life relationship.¹²⁷

The evidence suggests that relative poverty can kill: being poor means being in a minority in a rich and unequal society, made worse by inaccessibility of the dominant mode of socio-economic development. This feeds health inequalities and, ultimately, gaps in life expectancy akin to those between the developed and developing world.

Are policy and economic trends making things worse?

It seems that the burden of recent economic restructuring has been disproportionately placed on the shoulders of the vulnerable, rather than on the state, wider community, or financial institutions. In theory, the state should, at the very least, be responsible for managing the adjustment necessary in any economic restructuring – ensuring communities and individuals are protected from the poverty and vulnerability it may cause. The role of the state should include acting as ultimate provider/funder of social protection measures. Instead, prevailing employment, economic development, and welfare policies emphasise the responsibility of individuals to navigate the risks and difficulties inherent in economic change. Individuals, it seems, must increase their

employability, be more flexible, more mobile, and participate more actively in the consumption-based economy. This leaves little room for consideration, let alone valuing, of non-economic activities and motivations, such as care for community, or lifestyles not based on consumption. The emphasis on growing the economy to create jobs narrowly equates becoming employed to the reversal of social deprivation, without recognition that in-work poverty is a growing and acute problem. It also explicitly excludes and undervalues those who cannot work, either because they are beyond the working age, are physically or mentally unwell, or have other priorities such as caring commitments.

State support is no longer provided on the basis of common citizenship, but according to an increasingly one-sided and one-dimensional social contract. The UK's welfare regime, focusing on increased conditionality and compulsion, with individuals considered as being to blame for their unemployment, generates a stigma associated with being unemployed. Those in poverty are too-often stigmatised and presented as passive victims, and social ills linked to welfare-dependency and individual inadequacy.¹²⁸

Policies that individualise poverty and unemployment also downplay, or ignore altogether, the structural factors that constrain the behaviour, opportunities, and life chances of individuals. Yet this is in the context of a society and economy that has undergone an economic transformation that has created structural redundancy and polarised wealth. On one hand, geographic communities have been segregated in locations which are poorly positioned to take advantage of the emerging service and knowledge-based economy. This has occurred in parallel with changes in both labour market and welfare regimes that have not only transformed the nature of work, but have simultaneously undermined individual capacity to engage with the types of jobs left on offer.

Finally, while government policies have emphasised *individual* resilience, somewhat paradoxically it has been *community* resilience that has enabled individuals to survive the experiences of poor quality, short-lived employment, insufficient income and marginalisation from wider society. Oxfam research has shown that men and women in low-income communities demonstrate resilience and resourcefulness, despite the barriers and disadvantages they face.¹²⁹ Social networks engender a sense of support that sometimes might not be evident from the state. Often, it is assets of a non-financial kind that are strongest as people depend on families and social networks to combat the experience of isolation.¹³⁰ There is evidence of more mutual aid (informal volunteering) undertaken in poor communities than in affluent communities¹³¹ and the only dimension of wellbeing in which lower social grades report greater satisfaction than higher social grades is community.¹³² Households on low incomes might therefore be surviving, but this is often due to a reliance on support 'provided by family, friends and sometimes the wider community... the limited assets of a relatively poor community... being shared, which helped prevent the most serious poverty'.¹³³ Social assets are thus essential because often they are the only asset people can rely on, but equally, being reliant on one asset is a vulnerable position to be in.

It is therefore ironic, at best, that the flexibility demanded of the new economy (based on services and 'knowledge' industries), built around conspicuous, consumption, depends on the social assets of those communities which are increasingly excluded from this new economy. The economy that is being created nationally as well as in so-called 'regeneration areas' risks degrading – and even destroying – the social assets that create resilience and enable communities to survive.

6. Conclusion: Social and environmental sustainability for Scotland

As we have seen, current economic growth and regeneration strategies have not reduced poverty and inequality in Scotland. Neither have government anti-poverty policies. Instead, in some cases, these policies have made things worse rather than better.

But Oxfam believes that it *is* possible to overcome poverty. As the sixth richest country in the world we certainly have adequate resources to do so. The solution lies in allocating these resources in a more effective and sustainable way, and choosing different models of social and economic development.

We've organised the *Whose Economy* seminar series to collect evidence and ideas about what a new economic model could look like, from a range of people and organisations concerned with tackling poverty in Scotland. Outcomes from the seminars will be published in spring 2011. In the meantime, Oxfam raises the following questions, based on evidence in this paper, as a starting point for discussion.

- ***Change the model?***

Do we need to change our model of economic development? The current emphasis on consumption-led growth has not benefited the poorest and most vulnerable people in society, and pays little heed to its impact on the environment, communities, and relationships. Status anxiety and its implications (material comparison, incessant consumption, and resulting debt) are embedded in the economic growth agenda. The focus needs to shift to the quality and distribution of the proceeds of growth.

- ***Promote equality and community development?***

Inequality exacerbates poverty and undermines cohesive communities. Equality is vital in reversing the status competition and materialism that intensifies the stigmatisation of people experiencing poverty and their associated debt, stress, and mental health problems. People's livelihoods need to be strengthened to withstand shocks and build assets.¹³⁴ This requires more than just economic growth and employment, but actions that enhance the environment, foster community relationships, and contribute to learning and skill development. People and communities need to be valued for their diverse contribution, not simply positioned as clients or consumers in a 'user pays' relationship with the state that undermines the principles of social protection. How can this be delivered?

- ***Promote sustainability?***

Does a serious attempt to become a truly sustainable society require reappraisal of the existing basis of Scotland's economy, with a shift in focus from consumption and disposal, to a creative use of resources that involves both decreased demand and significant recycling and reuse? There needs to be a discussion of which industries Scotland requires for society to flourish, and which it is prepared to let play a less prominent part in its future socio-economic development. The overarching consideration in this debate must be each industry's capacity to advance the objective of a green, sustainable, and inclusive economy, not a short-sighted and narrow goal of economic growth.

- ***Secure quality jobs in sustainable industries?***

Where neo-liberal economic transformation has created structural unemployment, sustainable alternatives are required to provide jobs for people in occupations that enhance, rather than destroy, the environment. How these jobs are accessed, and by whom, will be a crucial determinant of the extent to which social sustainability is delivered. The Cabinet Office has warned that the reduction in demand for unskilled labour means 'those without skills will be left stranded economically and divorced from the mainstream socially'.¹³⁵ What action needs to be taken to ensure vulnerable and marginalised communities are not made more vulnerable by a shift to a low carbon economy? Many decades of the failure of 'trickle down' demonstrate that explicit links need to be made and delivered through education and training, and targeted procurement and recruitment. What sort of awareness-raising and mechanisms are needed to engage employers in the effort to include and benefit the most vulnerable communities in the transition into a sustainable society?

- ***Do we need to measure real prosperity, not simply narrow growth?***

Reappraising the structure and goals of our economy requires appropriate measures of progress and success. Gross Domestic Product (GDP) is insufficient to measure changes in sustainability, equality and quality of life. A nuanced and more representative measure of progress is vital in recording and examining our shift to an equitable, green economy. Oxfam is leading an effort to create such a measure - the 'Humankind' Index. The Humankind Index reflects a recognition that as a country, society, and economy we need a new mode of doing things that prioritises the rights and needs of all people and sustains the environment. Through widespread public consultation, the Index will enable Scotland to measure itself by those aspects of life that make a real difference to people. Measures based on the values of a society rather than the views of an elite will enable governments to focus on what really matters, taking more informed decisions about the current situation and where society wants to go, and what trade-offs are required.

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Notes

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- 4 International Monetary Fund figures (2009)
- 5 National Statistics (2010)
- 6 Poverty Site (2008) cited in Fyfe (2009)
- 7 National Statistics (2009)
- 8 Hirsch (2008): 2; National Statistics (2009)
- 9 Industrial Communities Alliance (2009) and community activist at Poverty Alliance Anti-Poverty seminar, Glasgow, Friday January 14, 2010
- 10 McKendrick (2007)
- 11 McKendrick (2007)
- 12 Orr *et al.* (2006): 3; Lawlor *et al.* (2009): 2
- 13 Traynor (2010)
- 14 Scottish Government (2008): 5
- 15 Fyfe (2009)
- 16 Crawford *et al.* (2007): 62
- 17 Crisp *et al.* (2009): 26
- 18 Palmer (2010) . See also Parekh *et al.* (2010).
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- 20 Crisp *et al.* (2009): 27
- 21 Crisp *et al.* (2009): 25
- 22 Hirsch (2008): 5
- 23 Orr *et al.* (2006): 2
- 24 Orr *et al.* (2006): 23
- 25 Orr *et al.* (2006): 2
- 26 Paton (forthcoming)
- 27 Gillespie *et al.* (2009)
- 28 See, for example, Mind (2008)
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- 30 Macintyre (2007)
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- 34 1999-2001 Crawford *et al.* (2007): 65
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- 36 Disanto (2007)
- 37 For example, in Northern Ireland the rates decreased (Walsh *et al.* (2009)
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- 42 McKendrick (2007)
- 43 Sustainable Development Commission (2010)
- 44 Hirsch (2008): 13
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- 46 Hills *et al.* (2010) 1; and Lawlor *et al.* (2009): 9

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- 49 National Statistics (2009)
- 50 Hills *et al.* (2010): 3
- 51 Green (2008)
- 52 Panel on Fair Access to the Professions (2009): 12
- 53 Panel on Fair Access to the Professions (2009): 19
- 54 Crawford *et al.* (2007): 9
- 55 Walsh *et al.* (2009)
- 56 Process plant and machine operatives figure found in NOMIS (2010)
- 57 Danson (2004)
- 58 Crisp *et al.* (2009): 19
- 59 Helms and Cumbers (2005)
- 60 Crawford *et al.* (2007): 107 and NOMIS (2010)
- 61 Helms and Cumbers (2005)
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- 63 TUC (2008) cited in Crisp *et al.* (2009): 19
- 64 Oxfam International and European Women's Lobby (2010)
- 65 Crisp *et al.* (2009): 18,34
- 66 Page (2006): 108
- 67 Danson (2004)
- 68 Helms and Cumbers (2005)
- 69 Danson (2004)
- 70 Helms and Cumbers (2005)
- 71 Orr *et al.* (2006)
- 72 See Wilkinson and Pickett (2009)
- 73 Fyfe (2009)
- 74 Scottish Executive (2002): 2
- 75 Scottish Executive (2006): 9
- 76 Crawford *et al.* (2007): 86
- 77 Crawford *et al.* (2007): 89
- 78 Paton (forthcoming)
- 79 See for discussion: Crawford *et al.* (2007): 73
- 80 Cited in Scottish Government (2008): 3
- 81 Scottish Government (2008): 3
- 82 Murphy (2008)
- 83 Scottish Government (2008)
- 84 Sturgeon, Nicola in Scottish Government (2008): 1
- 85 Scott and Mooney (2009)
- 86 Crisp *et al.* (2009): 5
- 87 See Galbraith (1958) who found that geographical mobility undermined wellbeing due to the loss of community ties and networks (cited in Reeves (2009): 21).
- 88 Helms and Cumbers (2005)
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- 90 Crisp *et al.* (2009): 5; Scottish Trades Union Congress (2009)
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- 126 Walsh *et al.* (2009)
- 127 Crawford *et al.* (2007): 3
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- 135 Panel on Fair Access to the Professions (2009): 6

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