

Scotland's widening inequality highlighted by economists

June 19 2015, by David Tripp

The gap between rich and poor in Scotland has widened since 1997, according to two leading economists at the University of Stirling.

Figures presented by Professor David Bell and David Eiser show that while Scotland's richest saw their real income rise by more than 25 percent between 1997 and 2013, the poorest experienced a 10 percent drop in their real income.

David Eiser, Economics Research Fellow in Stirling Management School, said: "Since the late 1990s, the very poorest five percent of households have become even poorer, partly as a result of stricter rules around benefit eligibility. At the same time, the richest one to two percent of individuals have seen their incomes grow far more rapidly than any other group, largely driven by pay increases in the financial and business services sectors."

The economists believe this trend has continued in recent years. David Eiser said: "Our most recent population-wide data runs until early 2013, but it seems almost certain that inequality will have increased since then.

"The recession and its aftermath saw a large increase in the proportion of insecure work – part time work, temporary work, and out-sourced agency self-employment - which has increased wage inequality. Many working-age benefits have also been cut in real terms, reducing the incomes of the poorest households."

However, their study also shows that for those earning 10 to 13 percent of the national average - just above the 'super-poor' - the introduction of the minimum wage and working tax credits during this time helped them experience the biggest rise in real income of any group other than the 'super-rich', with an increase of 15 percent.

While control over most taxes and benefits, and regulatory powers over the labour market and finance industry, remain beyond Holyrood control, the academics have suggested certain measures the Scottish Government can take to tackle inequality.

This includes reform of the "badly designed and unfair" council tax system and the introduction of a more progressive income tax structure under the scope of the Smith Commission proposals.

David Eiser said: "There is a wide agenda for the Scottish Government to work with if it wants to tackle inequality. With more powers would come more opportunities. But in many areas of tax, welfare and regulation policy, the Scottish Government and Scottish MPs will have to content themselves with an influencing role at UK level."

The findings, which are due to be published shortly through the Centre on Constitutional Change, were previewed at an event run by the David Hume Institute earlier this week.

Provided by University of Stirling

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