

What are the possible explanations for the fall in the child poverty rate in Scotland?

Introduction and Background

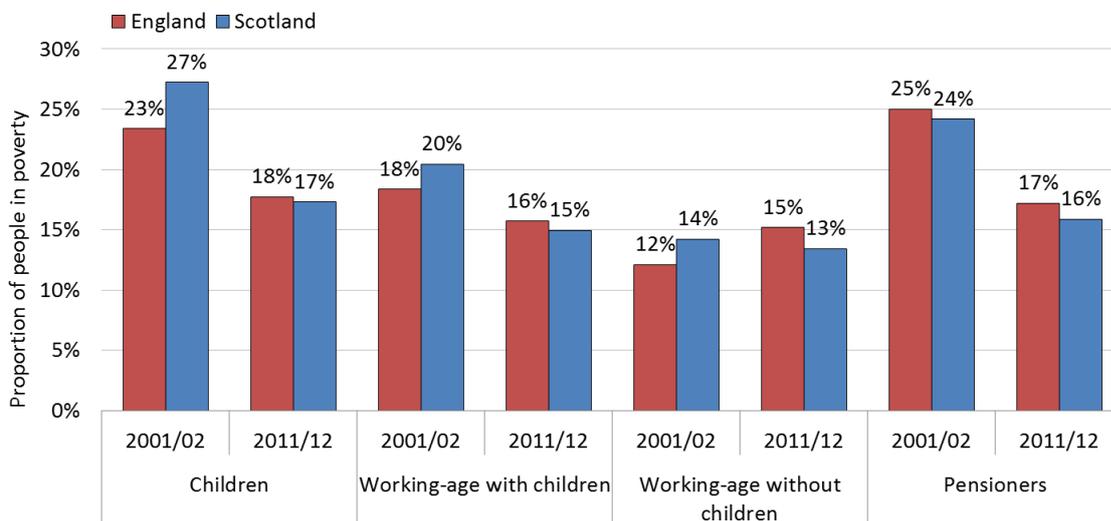
About this report

This paper presents the evidence behind the findings “Referendum Briefing: Child poverty in Scotland” by Hannah Aldridge and Peter Kenway, available online at:

www.npi.org.uk/publications/income-and-poverty/scotland-child-poverty-supporting-evidence

How have poverty levels in Scotland changed in the last ten years compared to England?

The graph below shows the (before housing costs) poverty rate in Scotland and England in the three years to 2001/02 and 2011/12. It shows the poverty rate for four groups: (i) children (ii) working-age adults with children (iii) working-age adults without children (iv) pensioners.



In Scotland the proportion of children in poverty before housing costs has fallen from 27% in 2001/02 to 17% in 2011/12. This fall of 10 percentage points has been greater than the fall in England of 6 percentage points. A similar pattern, although to a lesser extent, can be seen among working-age adults with children. Meanwhile for working-age adults without children, the proportion in poverty in Scotland has not changed, but in England it has increased. For pensioners the proportion in poverty has fallen by 8 percentage points in both Scotland and England.

In terms of poverty after housing costs, the child poverty rate in Scotland has fallen by the same amount (10 percentage points) from 32% to 22%. In England the fall has been less under the after housing costs measure from 32% to 28% (a 4 percentage points fall compared to 6 before housing costs).

In this paper we focus on the before housing costs measure of poverty. Changes in poverty before and after housing costs in Scotland have mirrored one another where in England it has not. If we explored the relative change in England and Scotland using the after housing cost measure we would



have to explore the impact of housing costs in England, which is not of interest here. The next report in this series will explore the links between poverty and housing in Scotland.

Overall, the change in poverty rate in Scotland has generally been better than in England, but this is most obvious among children, which is the focus of this report. This paper explores what factors have contributed to Scotland's relative success.



Methodology

To understand how the child poverty rate in Scotland has changed we break the data down by a range of family characteristics – couple/single parents and work-status. There are two reasons why the poverty rate among children might fall:

- Risk – a change in the poverty rate among children with particular family characteristics
- Composition – a change in the proportion of children with a particular family characteristic

For example, we break the data down by children in workless and working families. Children in workless families have a higher poverty rate than in children working families. So the overall poverty rate could have fallen because of any of the following reasons: (a) the poverty rate for children in workless families fell, (b) the poverty rate for children in working families fell, (c) a shift in the proportion of all children living in workless families to working families.

For each family characteristic, we present a graph that shows the change in risk and composition and a table to indicate how much each change contributed to the overall fall in the child poverty rate.

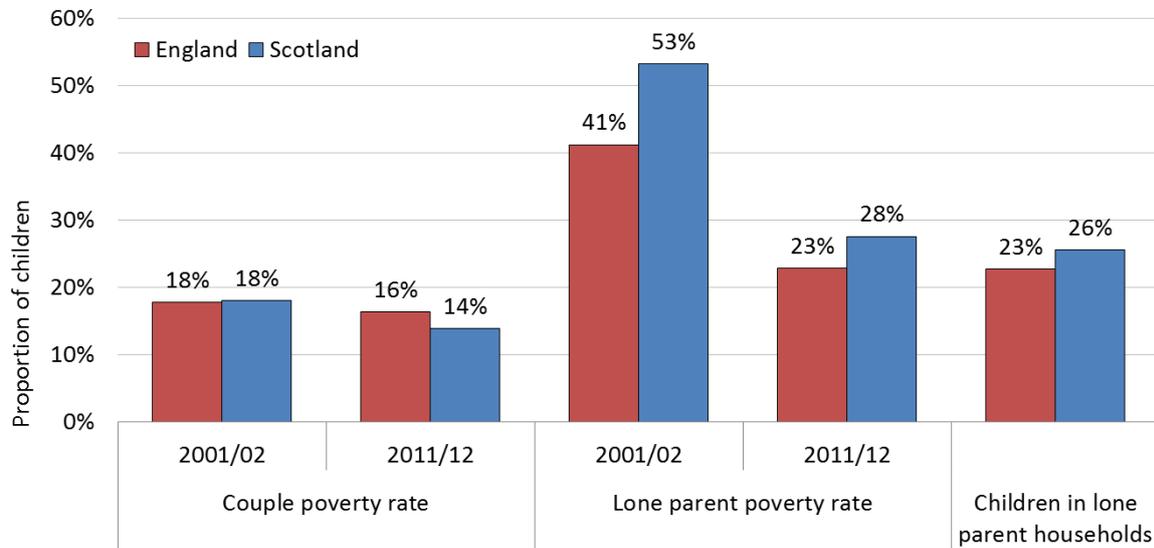
We compare England and Scotland, in order to identify how devolved policies in each nation could have been influential. As a result, comparison with the North of England, or England excluding London – which can be useful for more general analysis – was omitted.

We compare data from two points in time (the three years to 2001/02 and 2011/12); the three year average improves the reliability of the data. But in doing so we do not account for the changes within this period, most notably the recession, which has resulted in a lowering of the poverty line in the last two years as household incomes have fallen. Also this ten year snap-shot shows an overall improvement in employment rates, but this was achieved prior to 2008 and only somewhat undone by the recession.

All data in this paper refers to the proportion of children. It uses the official poverty measure: a child is in poverty if he/she lives in a household with an income below 60% of the median household income (income is measured net of tax but before housing costs). The data presented here comes from the Households Below Average Income series published by the Department of Work and Pensions.

Analysis and key points: family type and work status

Lone parent and couple parent families



	Couple parents poverty rate	Lone parent poverty rate	Family composition	Total
10 year change in England	-1.1%	-4.3%	-0.2%	-5.7%
10 year change in Scotland	-3.1%	-6.7%	-0.2%	-9.9%
England & Scotland	-1.9%	1.1%	0.3%	-0.4%

A higher proportion of children in Scotland live in lone parent families (26% compared to 23% in England). Although lone parents have a higher poverty rate than couples, this only affects Scotland's poverty rate by 0.3 percentage points. So this composition difference between England and Scotland has a negligible impact on child poverty.

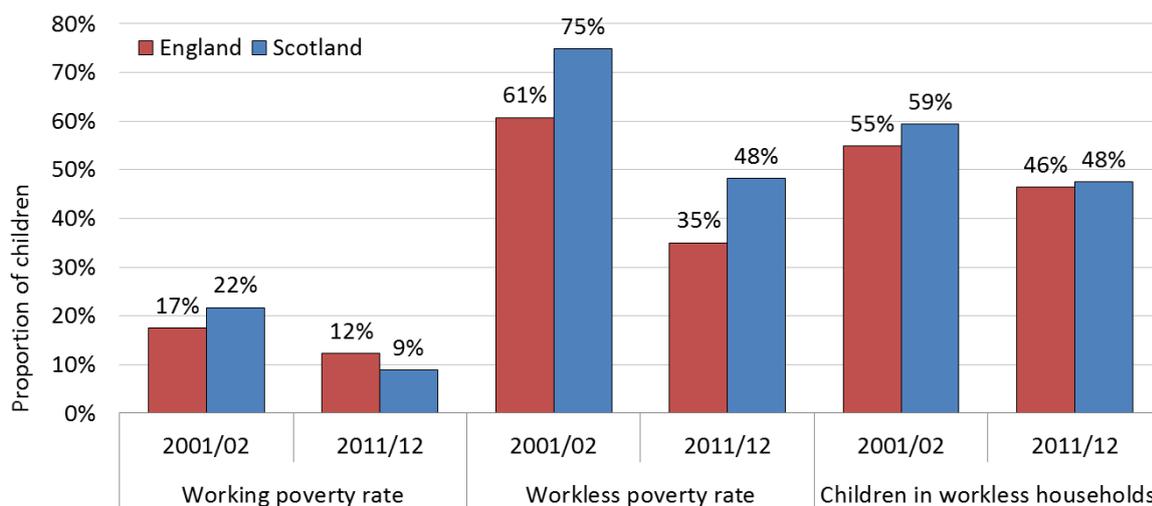
In Scotland the lone parent poverty risk has fallen from 53% to 28%. This fall of 25 percentage points is considerable and accounts for much of Scotland's fall in child poverty (6.7 percentage points of the 9.9 percentage point fall in total). However, England also has a large fall in the lone parent poverty rate of 18 percentage points. Whilst Scotland has seen a greater fall in lone parent poverty rate, it remains higher in Scotland at 28% than England at 23%, but the gap has closed.

For couples the poverty rate in Scotland has fallen from 18% to 14%, whilst in England it has fallen from 18% to 16%. In Scotland this accounts for the 3.1 percentage points of the 9.9 percentage point fall.

There has been very little change in the proportion of children in lone parent families in Scotland and England and so we cannot attribute the fall in child poverty in either country to an increase in the proportion of children in couple families, who face having a lower child poverty rate.

Overall, the fall in the poverty rate for children in lone parent and couple families mimics the trend in child poverty overall – the fall in Scotland has been greater than in England.

Lone parent families and work status



	Working poverty rate	Workless poverty rate	Working composition	Total
10 year change in England	-2.6%	-13.0%	-2.8%	-18.4%
10 year change in Scotland	-6.0%	-14.2%	-5.5%	-25.7%
England & Scotland	-1.8%	6.2%	0.3%	4.7%

In Scotland the poverty risk for children in lone parent families has fallen from 53% to 28% - a fall of 26 percentage points. The rate in England has fallen by 18 percentage points to 23%. So the poverty rate among children in lone parent families in Scotland remains higher than England, but the gap has closed.

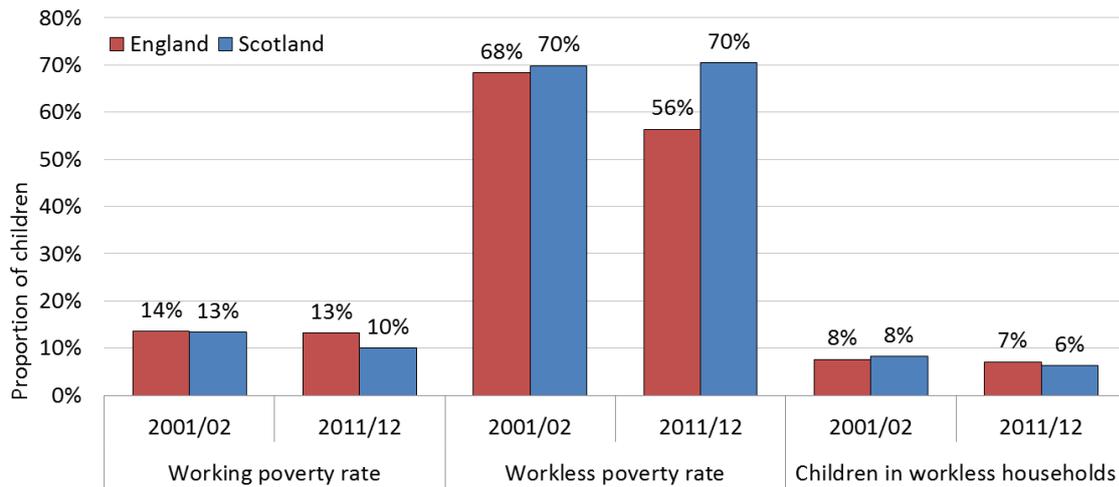
Focusing on this fall in poverty among children in lone parent families in Scotland, about a fifth of the fall can be attributed to an increase in the proportion of lone parents in work (around 48% of children in lone parent families are in workless families, down from 59%).

But an overall fall in the risk of poverty among workless lone parents accounts for more than half of the fall (14 percentage points of the total 26 point fall). Despite this fall, the risk of poverty among children in workless lone parent families is higher in Scotland than in England and this gap of 14 percentage points has not changed.

Conversely working lone parents in Scotland have a lower poverty rate than working lone parents in England (9% compared to 12%): this is a reversal on ten years earlier (22% and 17%).

Whilst Scotland has made a greater improvement in the poverty rate for children in working lone parent families and is better than England on this measure, it is more than countered by the much higher poverty rate for children in lone parent workless families, a gap which has not closed.

Couple families and work status



	Working poverty rate	Workless poverty rate	Working composition	Total
10 year change in England	-0.3%	-0.9%	-0.3%	-1.5%
10 year change in Scotland	-3.1%	0.0%	-1.1%	-4.2%
England & Scotland	-3.0%	0.9%	-0.4%	-2.5%

In Scotland the poverty risk for children in couple families has fallen by four percentage points to 14%. Whilst this only accounts for a third of the fall in child poverty (when lone parent poverty accounts for two thirds), the improvement in couple poverty has been greater than in England and is now at a lower level (in England it is 16%). So this slight improvement in Scotland has occurred when there has been little change in England.

But this improvement has been entirely among working households. Around 70% of children living in workless couple households in Scotland are in poverty, a rate that has not changed when in England it has fallen from 68% to 56%. But this high level makes little difference to the overall poverty rate, as very few children have couple parents where both are workless (6%).

But whilst England and not Scotland has seen a fall in the poverty rate for workless couples, it is Scotland and not England that has seen a reduction in the poverty rate among working couples. This accounts for most of the fall in child poverty among couple households, plus a slight fall in the overall level of couple households that are workless.

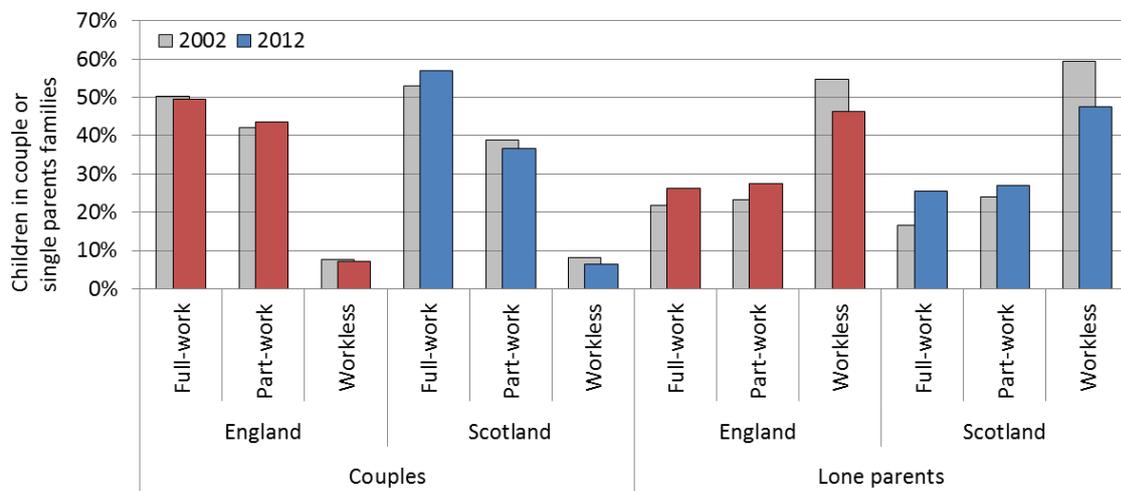
Analysis and key points: work status and amount of work

Changes in work status

The remainder of the report focuses on the amount of work done within families containing children. For the purposes of this analysis we split families in to three groups:

- Full-working families – where all adults are in work and some of that work is full-time
- Part-working families – other families where someone is in work, including all families with self-employed adults
- Non-working families – where none of the adults in the family are in work.

The graph below shows the change in the work-status of lone parent and couple families in Scotland and in England.



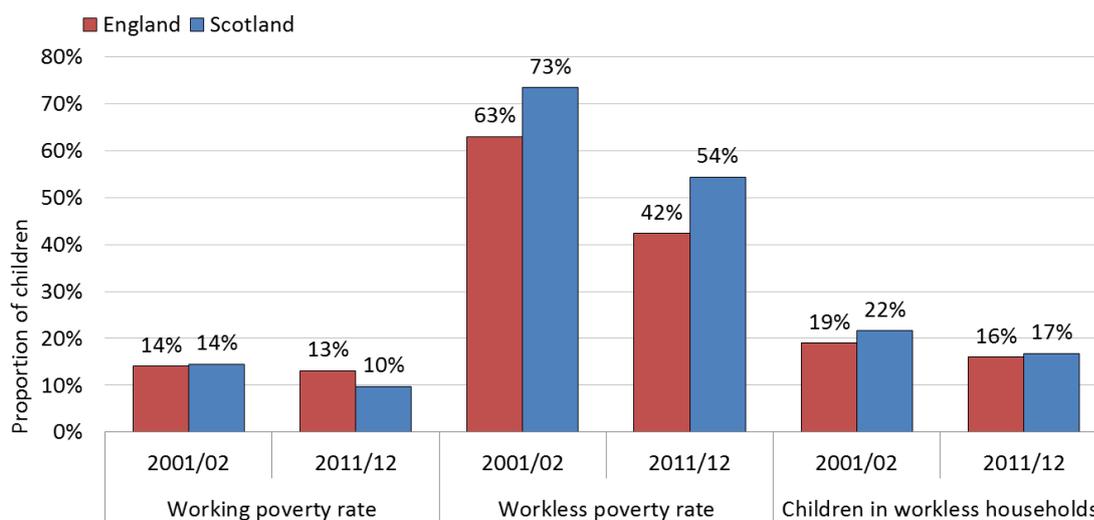
The overall distribution of work among couple families shows:

- Worklessness among couple families has remained low in England and Scotland
- Ten years ago, Scotland had a slightly higher proportion of couple families that were full-working and a lower proportion part-working than in England
- This gap has widened with a shift from part-working to full-working couples in Scotland and a very small shift in the other direction in England.

The overall distribution of work among lone parents shows:

- 10 years ago Scotland has a higher proportion of lone parents that were workless than England
- Both England and Scotland have seen falls in the proportion of lone parents who are workless
- The work patterns among lone parents in Scotland now mirror those in England – so Scotland has managed to largely close the worklessness gap.

Working and workless families



	Working poverty rate	Workless poverty rate	Working composition	Total
10 year change in England	-0.8%	-3.6%	-1.2%	-5.7%
10 year change in Scotland	-3.8%	-3.7%	-2.5%	-9.9%
England & Scotland	-2.7%	2.0%	0.3%	-0.4%

The proportion of children living in workless families in Scotland has fallen from 22% to 17% in ten years; it has gone from slightly above the level in England to the same. This fall in the proportion of children in workless families alone accounts for 3.5 percentage points of the 9.9 percentage point fall in child poverty in Scotland. This trend has been mirrored in England, although to a lesser extent.

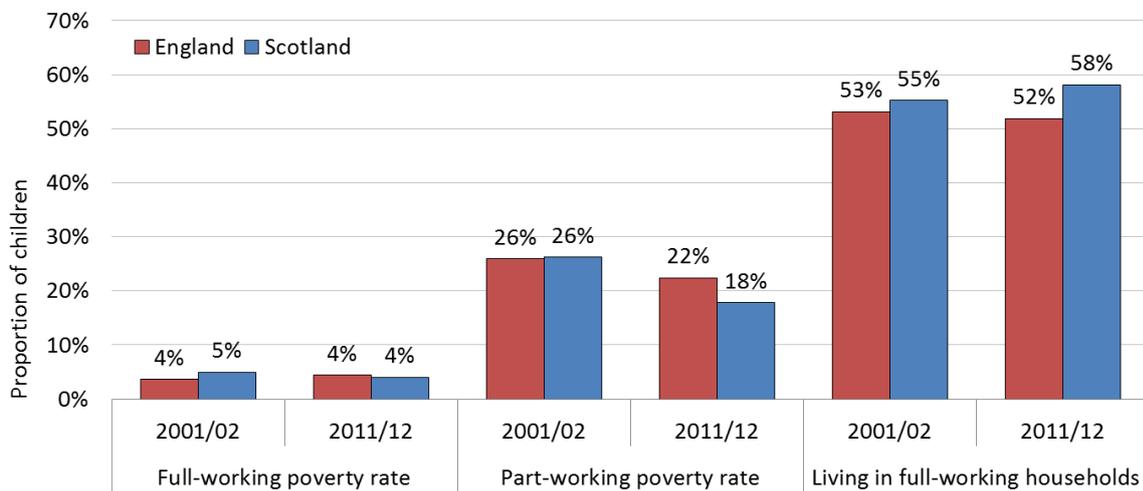
The poverty rate for workless families in Scotland has fallen from 73% ten years ago to 54% in 2011/12 and remains higher than England (at 42%) where there has been a similarly large fall in the workless poverty rate. In Scotland this fall accounts for 3.7 percentage points of the change in child poverty; in England it accounts for 3.6 points.

At 54% in Scotland the child poverty rate for workless families is higher than in England at 42%. But if we looked at the after housing costs measure of poverty, the rate in Scotland at 70% is lower than England at 66%. This is because of England's higher housing costs which, through higher housing benefit payments, appears to increase the incomes of workless households. As a result the before housing costs poverty rate among children in workless households in England appears to be lower than in Scotland.

At the start of the 2000s the child poverty rate for working families was 14% in both England and Scotland. Whilst this rate has hardly changed in England, in Scotland it has fallen to 10%. This accounts for 3.8 percentage points of the 9.9 percentage point fall in poverty in Scotland. Given the lack of change in England, it is this fall in the working poverty rate in Scotland that accounts for much of the additional fall in child poverty in Scotland compared to England.

Part- and full-working families

In the previous section we identified the fall in in-work poverty as a key driver in the additional fall in the proportion of children in poverty in Scotland compared to England. In fact Scotland now has a lower proportion of children in working poverty (10%) than England (13%). We will now focus on this 4.7 percentage point fall in the in-work poverty risk in Scotland and to what extent it can be attributed to a change in type of work being done.



	Full-work poverty rate	Part-work poverty rate	In-work composition	Total
10 year change in England	0.4%	-1.7%	0.3%	1.0%
10 year change in Scotland	-0.5%	-3.6%	-0.5%	4.7%
England & Scotland	-0.2%	-2.1%	-1.0%	3.3%

The poverty rate for children in full-working families is low at 4% in both England and Scotland and this has hardly changed. In terms of part-working families the poverty rate in Scotland is 18%, down from 26%. This is a greater fall than seen in England, which ten years ago was at the same level as Scotland but has only fallen to 22%. This fall in the part-working poverty rate in Scotland accounts for 3.6 percentage points of the 4.7 percentage point fall in in-work poverty generally.

In Scotland the proportion of children in full-working families has increased from 55% to 58%. This shift to full-working families had little impact on the overall in-work poverty rate (accounting for only 0.5 percentage points of the 4.7 percentage point fall). But in England the shift towards full-working families has not occurred, with only 52% in full-working families. This difference in composition does account for some of the difference in the in-work poverty rate between the two countries, if not the change within each country.