

REFERENDUM BRIEFING: CHILD POVERTY IN SCOTLAND

In the last decade, child poverty in Scotland has fallen by around twice the level in England. What can we learn from this and what are the future challenges for poverty in Scotland, regardless of its constitutional future?

Key points

- In the ten years to 2011/12, the proportion of children in poverty in Scotland fell ten percentage points on both the 'before' and 'after' housing costs measures – about twice the fall in England (six and three percentage points respectively).
- Much of the fall in child poverty in both Scotland and England is due to a fall in the high poverty rate among lone-parent families. This is likely to be due to a net improvement in employment rates compared with ten years ago, and policies – both UK-wide and Scotland-specific – that have sought to address poverty in this group.
- Much of Scotland's additional fall in child poverty is due to a drop in poverty among working-couple parents. This is partly due to this group's shift towards 'full' working (where both adults are in work and at least one of them is working full-time). This has not happened in England.
- Despite this success, poverty for children in workless families in Scotland remains high. Changes to benefits from 2012 are likely to have increased it further. The Scottish Government only has limited powers to intervene on welfare reforms. However, moves such as absorbing the cut to Council Tax Benefit and replacing the abolished components of the social fund will have mitigated some of the impacts.
- Scotland's challenge is to find a route out of poverty for the many families that experience periods when work is not an option (for example: due to ill-health, caring responsibilities, disability, skills).

The research

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BACKGROUND

This paper focuses on how child poverty in Scotland has changed relative to England in the last decade, what can be learnt and what challenges remain.

Under both the before and after housing costs measures (BHC and AHC), child poverty in Scotland has fallen by 10 percentage points between the start of the 2000s and the 2010s to reach 17 per cent BHC and 22 per cent AHC. This compares to a smaller fall of six percentage points (BHC) and three (AHC) in England. In this paper we focus on the BHC measure. The next in this series will explore the links between poverty and housing in Scotland.

The following data refers to the proportion of children and compares the three years to 2001/02 (three-year averages improve data reliability) and to 2011/12. This ten-year 'snap shot' does not reflect changes within the period, most notably income and employment fluctuations resulting from the recession.

How has child poverty fallen in Scotland?

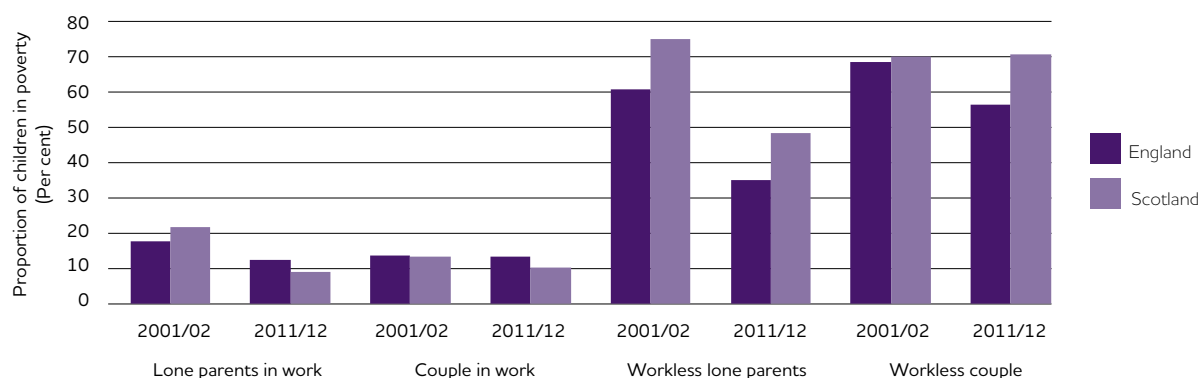
Figure 1 shows how the poverty rates for children have changed by family type, work status and nation. It shows there have been considerable falls in the high poverty rate for children in workless and working lone-parent families in both nations.

It also shows that in Scotland there has been a fall in the poverty rate among children in working-couple families, from 13 per cent to 10 per cent, when no such fall occurred in England. For children in workless couples in Scotland there has been no change in the poverty rate, which remains at 70 per cent.

Overall, children in working families in Scotland have a lower poverty rate (10 per cent) than those in England (13 per cent). The rate of poverty for children in workless families in Scotland (at 54 per cent) is higher than England. But this higher out-of-work poverty rate compared to England disappears if the AHC measure is used. This is because England's higher housing costs, through higher housing benefit payments, appear to increase the incomes of workless households.

In Scotland, the fall in poverty among lone-parent households accounts for about two thirds of the overall fall in child poverty. But the additional drop in child poverty in Scotland compared to England is due to a fall in the poverty rate for children in working-couple households.

Figure 1: The poverty rate for lone parents and couple households in and out of work



The type of work and in-work poverty

The table below shows how far the fall in child poverty can be attributed to (a) a fall in the in-work poverty rate (b) a fall in the workless poverty rate and (c) a shift of children from workless to working families.

The overall proportion of children living in workless families in Scotland has fallen from 22 per cent to 17 per cent in the last ten years; this has mostly been among lone-parent households (among whom workless rates fell from 59 per cent to 48 per cent in Scotland). The table shows that this shift towards work accounts for about a quarter of the overall fall in child poverty in Scotland (2.5 percentage points of the overall fall of 9.9).

How the falls in poverty can be attributed to changes in the poverty rate and composition of work

	Due to in-work poverty rate	Due to workless poverty rate	Due to share of families in work	Overall difference in poverty
10-year change in Scotland	-3.8%	-3.7%	-2.5%	-9.9%
10-year change in England	-0.8%	-3.6%	-1.2%	-5.7%

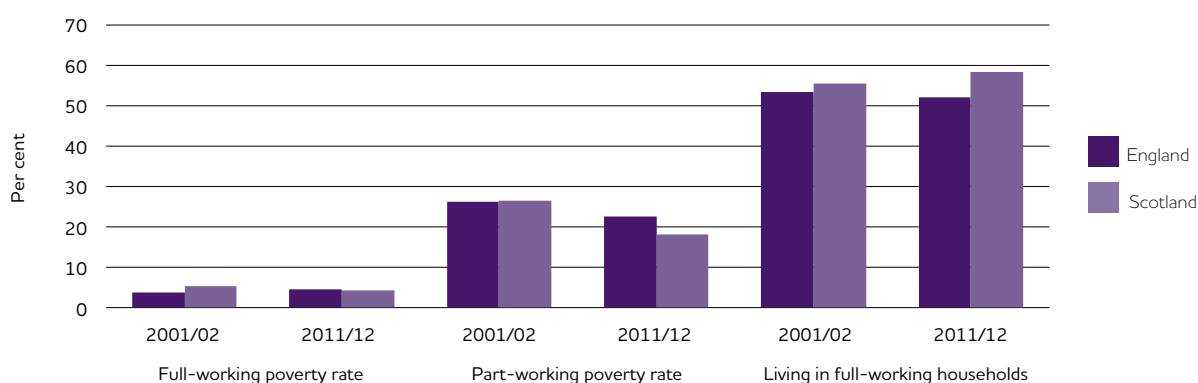
(Figures have been rounded up or down so may not add up to the total)

The table also shows that reduced in-work child poverty in Scotland accounts for 3.8 percentage points of the overall fall of 9.9, but in England this change has been minimal. To what extent can this be explained by changes in the *amount* of work done by families in Scotland?

Figure 2 focuses on children in working families and shows the change in the poverty rate for full-working families (where each parent is in work and at least some of that work is full-time) and part-working families (other families where an adult is in work), and the proportion of children in each family type.

Two things stand out here. First, Scotland has seen a net shift from children in part-working families towards full-working families whereas England has not. Second, although in both nations the poverty rate for children in part-working families fell from 26 per cent, in Scotland it reached 18 per cent when in England it only dropped to 22 per cent.

Figure 2: The poverty rate and distribution of children in working families



Despite Scotland's reduced in-work child poverty, a growing share of its child poverty (as with England's) is among working families. This is because a greater proportion of all children now live in working families.

Conclusions

Much of the improvement in child poverty in Scotland has been among lone-parent families. Although the fall in Scotland was quicker, the trend can be seen in England as well. This is likely to be due to a number of factors: a net improvement in employment rates on ten years ago, along with both UK-wide policies (such as tax credits) and Scotland-specific policies (such as the Working for Families programme) that have sought to address the high poverty rate among lone-parent families.

Scotland's progress on in-work poverty for couples with children stands out from England. We can speculate that this is because parents in Scotland are more able to access suitable job opportunities with high enough pay and/or use services such as childcare and transport. The final paper in this series will explore the evidence for this.

But the high out-of-work poverty rate poses both a short- and long-term challenge for any Scottish government. In the short term there is a need to mitigate the effects of reductions in the value of means-tested benefits. In the midst of significant welfare reforms by the UK Government, the Scottish Government can only play a limited role but it has absorbed the cut to Council Tax Benefit, replaced the abolished components of the social fund and provided compensation to some families affected by the under-occupancy charge, or "bedroom tax" (McCormick, J., 2013: *A review of devolved approaches to child poverty*, JRF). This could prevent Scotland's workless poverty rates from worsening as quickly as it would otherwise.

But better support is needed for workless families. A certain level of worklessness among families with children is inevitable: capacity and opportunity (for those with disabilities) or availability (for lone parents with young children) are just two examples of why a household might lack work. It is the challenge for Scotland's future, either with independence or shared powers within the UK, to ensure that members of such households are equally provided with a sustainable route out of poverty.

About the project

This is the first in a series of three papers by the New Policy Institute exploring poverty, housing and work in Scotland before the independence vote.

FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

More detailed analysis of the data presented here is available in an evidence paper, see www.npi.org.uk/publications/income-and-poverty/scotland-child-poverty-supporting-evidence

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