

Monitoring poverty and social exclusion in Scotland 2006

The New Policy Institute has produced its 2006 edition of indicators of poverty and social exclusion in Scotland providing a comprehensive analysis of trends over time and differences between groups. It covers both devolved and non-devolved areas of responsibility. In summary, there has been substantial progress in poverty among children and pensioners but not among working-age adults. There remain substantial problems in Scotland's ill-health and low educational achievement by many children.

- **Poverty among children.** Child poverty in Scotland has fallen by around a quarter since 1998/99, in line with the UK Government's target for Great Britain as a whole. Two-fifths of all children in poverty are in families already doing paid work.
- **Poverty among pensioners.** Pensioner poverty in Scotland has fallen by around a third over the last decade and is now lower than that for the population as a whole.
- **Poverty among working-age adults.** Working-age poverty for those without children is higher than a decade ago, despite fewer people being in workless households. The risks of poverty for working-age adults in both working and workless households have increased over the last decade.
- **Disabled people.** Two-thirds of working-age disabled people are not in paid work and half of those aged 25 to retirement who are not working are disabled.
- **Low pay** is most prevalent in Dumfries & Galloway, Clackmannanshire and Moray. This is very different from the picture for worklessness which is most prevalent in West Central Scotland (Glasgow, Inverclyde and West Dunbartonshire).
- **Ill-health.** Although improving, rates of premature death in Scotland remain around a third higher than in England and Wales.
- **Minimum educational standards.** Whilst the average tariff score in S4 Standard Grades has continued to improve throughout the last decade, the average score for the bottom fifth has remained unchanged since 1999.
- **Exclusion.** In a number of areas, from bank accounts to central heating, exclusion in Scotland has fallen substantially in recent years.
- The researchers conclude that levels of poverty and social exclusion, trends over time, and the issues arising are largely similar in Scotland to most of the rest of Great Britain. Some are driven by the UK-wide tax and benefits system; others are clearly devolved responsibilities. The grey area, where Scotland-specific initiatives could potentially make a real difference, concerns work opportunities and low pay.



Summary of key points

1. Since 1998/99, the proportion of children in income poverty in Scotland has fallen by around a quarter, in line with the UK Government target for the UK as a whole.
2. Most of the fall in child poverty has been due to reduced poverty risks for both working and workless families, driven by increases in tax credits and in out-of-work benefits for families with children. The movement of parents into work has played a secondary role.
3. Two-fifths of all children in poverty have someone in their family doing paid work. Of these, most live with two parents. Among those in poverty who are in workless families, most live with just one parent.
4. Since the mid-1990s, the poverty rate for pensioners has come down from around 28% to 18%. Pensioners now account for just one-sixth of all people in poverty.
5. In contrast, the poverty rate among working-age adults without dependent children has risen from around 15% in the mid-1990s to 18%, despite a fall in worklessness. Unlike children, the poverty risks for working-age adults in both working and workless households are higher than a decade ago.
6. Relative to earnings, out-of-work benefits for working-age adults without children are now worth 20% less than in 1997.
7. 65% of working-age disabled people are not in paid work, compared with 45% of lone parents and just 15% of those who are neither disabled nor lone parents. Half of those aged 25 to retirement who are not working are disabled.
8. Two-fifths of working-age adults in poverty live in households where someone is in paid work. Two-thirds of low-paid employees are women, as many more women than men work part-time, and part-time work carries a high risk of low pay.
9. Low pay is most prevalent in Dumfries & Galloway, Clackmannanshire and Moray, with more than 30% of all employees paid less than £6.50 per hour. The picture for worklessness is very different: it is most prevalent in West Central Scotland (Glasgow, Inverclyde and West Dunbartonshire).
10. In 2005, 15% of employees earning £6.50 an hour or less belonged to a trade union, compared with 40% of those earning between £6.50 to £15 an hour, and 60% of those earning £15 to £21 an hour.
11. Except for households in the top and bottom tenths in the income distribution, households with below average incomes have enjoyed bigger proportional income increases over the last decade than households with above average incomes. However, in terms of absolute amounts, 70% of the extra money has gone to those with above average incomes, 30% to those in the richest tenth.
12. The lower a person's qualifications, the higher their risks of being out of, but wanting, work or being in work but low paid. For example, those with no qualifications are twice as likely to be lacking but wanting paid work as people on average and, if working, two-and-a-half times as likely to be low paid.
13. Whilst the average tariff score in S4 Standard Grades has continued to improve over the last decade, the average score for the bottom fifth has remained unchanged since 1999.
14. The proportion of 19-year-olds failing to reach SVQ2 or equivalent is the same as a decade ago (25%).
15. Most 16-year-olds who reach SVQ2 or equivalent go on to gain further qualifications. Most 18-year-olds who do not reach that level do not attain it later in life.
16. Although down by a sixth over the last decade, rates of premature death in Scotland remain around a third higher than in England and Wales. Premature death in West Central Scotland is almost twice as common as in England and Wales.
17. Children born to parents from manual backgrounds are twice as likely to die in their first year as those born to parents from non-manual backgrounds.
18. The proportion of low-income households without central heating has halved over the last decade and is now similar to that for households on average incomes.
19. The proportion of low-income households without a bank account is a third of what it was a decade ago.
20. After rising for a decade, the number of single-person households accepted as homeless has now stabilised.
21. People on low incomes are twice as likely to feel unsafe walking alone in their area at night as those on above average incomes.
22. A third of low-income households lack home contents insurance compared with virtually no households on above-average incomes.

The current measurement of income poverty

A household is defined as being in income poverty ('poverty') if its income is less than 60% of the contemporary Great Britain median household income. In 2004/05, the latest year for which data is available, this was worth £100 per week for a single adult with no dependent children, £183 per week for a couple with no dependent children, £186 for lone parent with two dependent children and £268 per week for a couple with two dependent children. This income poverty threshold is sometimes referred to as 'relative poverty' to distinguish it from the type of absolute poverty found in less economically developed countries. These sums are measured after deducting income tax, council tax and housing costs (including rents, mortgage interest, buildings insurance and water charges). The money left over is therefore what the household has available to spend on everything else it needs, from food and heating to travel and entertainment.

Progress on child poverty

The UK Government's first target was to reduce child poverty by a quarter by 2005 compared with 1998/99. In Scotland, this target was achieved.

This situation in Scotland contrasts with that for Great Britain as a whole, where the target was missed. However, this was because there were only small falls in child poverty in two particular regions, London and the West Midlands: if these two regions are excluded, then the Great Britain target would have been achieved. So, the rate of reduction in child poverty in Scotland since 1998/99 has been similar to that in Wales and most of the English regions.

Table 1: Children by family work status: changes over time

		1997/98 to 1999/00	2002/03 to 2004/05
Children in working families	Total number	830,000	820,000
	Number in poverty	130,000	100,000
	Poverty 'risk'	16%	13%
Children in workless families	Total number	250,000	210,000
	Number in poverty	190,000	150,000
	Poverty 'risk'	79%	72%
All children	Total number	1,080,000	1,030,000
	Number in poverty	330,000	250,000
	Poverty 'risk'	30%	25%

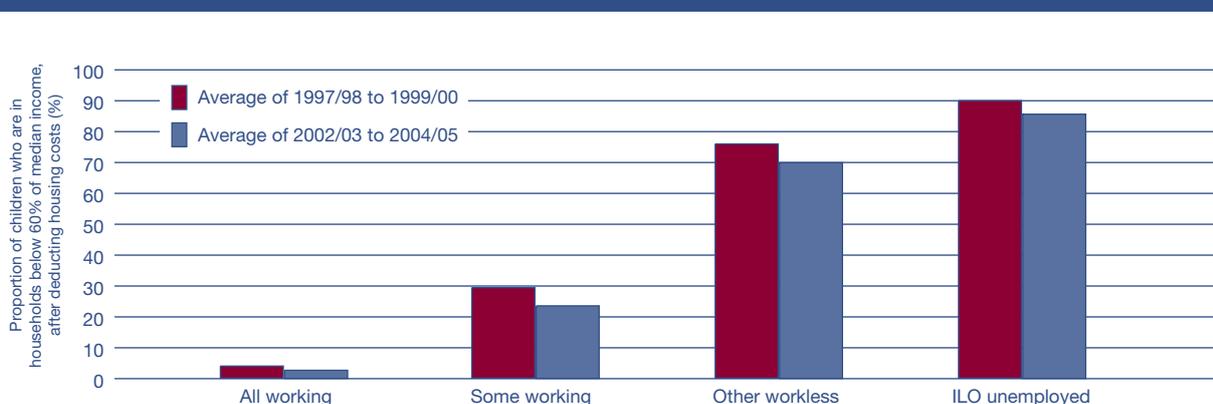
What lies behind the fall in child poverty?

Table 1 summarises the poverty status of children in 2002/03 to 2004/05 compared with 1997/98 to 1999/00. (1997/98 to 1999/00 is the baseline period for the UK Government's child poverty target.) It shows that the reduction in child poverty is due to a combination of three factors:

- The risk of children in workless families being in poverty has come down, from 79% to 72%.
- The risk of children in working families being in poverty has come down, from 16% to 13%.
- The number of children in workless families has come down from 250,000 to 210,000.

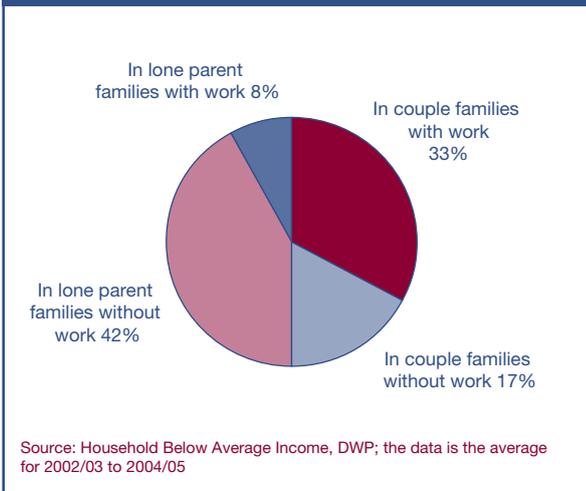
Quantitatively, the first two factors have been more important than the third: **most of the fall in child poverty has been due to the reduced poverty risks for both working and workless families rather than from the shift into work.** These risks have reduced for each work status (see **Figure 1**), with tax credits and increases in out-of-work benefits for families with children the driving forces behind these changes.

Figure 1: A child's risk of low income varies greatly depending on how much paid work the household does. These risks have fallen for all household types in recent years.



Source: Households Below Average Income, DWP

Figure 2: Two-fifths of the children in low-income households live in households where at least one adult is in paid work.



Two-fifths of all children in poverty live in households where someone is in paid work (see **Figure 2**). Most of these are in two-parent families. Clearly, work has not been the route for these families to escape poverty.

Poverty among adults

For pensioners in Scotland, like elsewhere in Great Britain, the poverty rate has fallen rapidly from around 28% in the mid-1990s to around 18% in recent years, with the introduction of the Pension Credit the driving force behind this. Just one in six of all people in income poverty are now pensioners. The pensioner poverty rate, which used to be almost as high as that for children, is now similar to that for working-age adults.

In contrast, the poverty rate among working-age adults without dependent children has risen from around 15% in the mid-1990s to 18% in recent years. The 360,000 working-age adults without dependent children are now the biggest single group in poverty, at more than a third of the total.

For all working-age adults, with and without children, the poverty rate is unchanged at 18%. Given that the proportion of working-age adults in workless households has reduced from around 23% in the mid-1990s to 19% in recent years, one would have expected the poverty rate also to have gone down. But the risk of poverty for working-age adults in every work status is now higher than a decade ago (see **Figure 3**), offsetting reductions in poverty from the shift into work. This is a very different picture from that for children where *decreased* risks by work status have *added* to the reductions in poverty from the shift into work.

What lies behind these increased risks? Issues arise with both the two main premises of the UK Government's anti-poverty strategy, namely 'work as the route out of poverty' and 'security for those who cannot work'.

Regarding '**work as the route out of poverty**', two-fifths of working-age adults in poverty already have someone in their household in paid work, noticeably higher than a decade ago.

The link between in-work poverty and low pay is complex, as it is individuals who are paid but households whose incomes are counted in measuring poverty. For a variety of reasons – including working

Figure 3: An adult's risk of low income varies greatly depending on how much paid work the household does. These risks have increased somewhat for all household types since the mid-1990s.

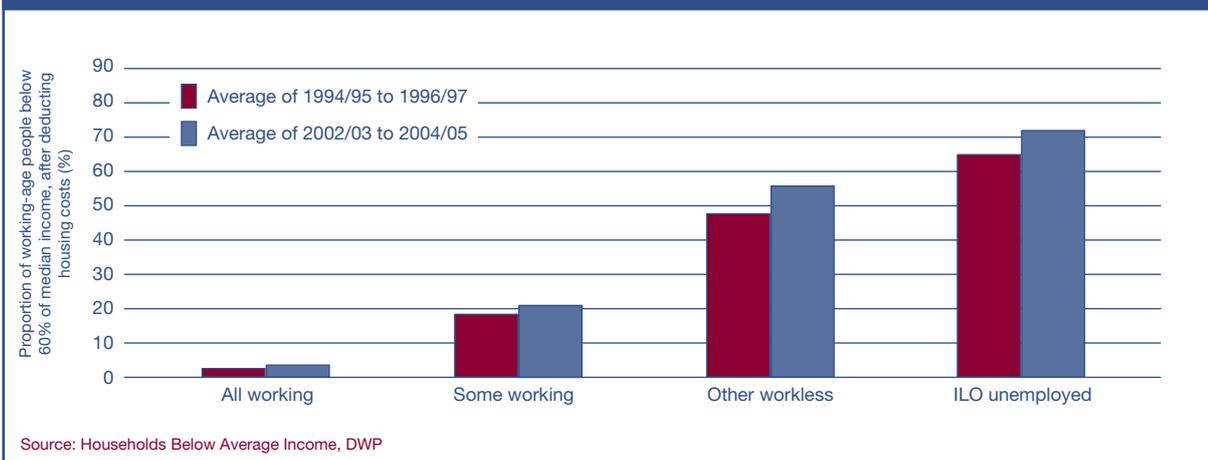
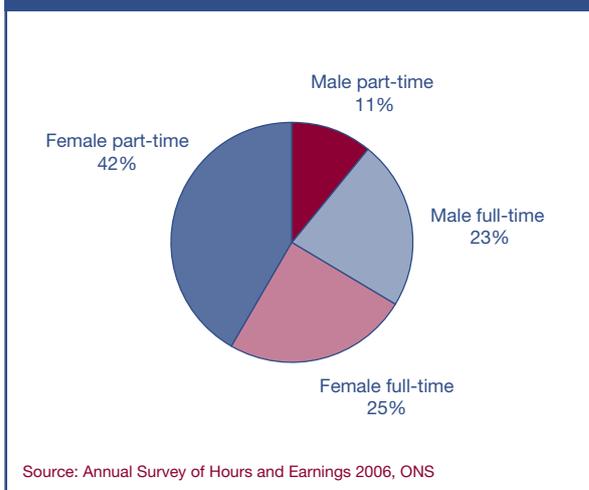


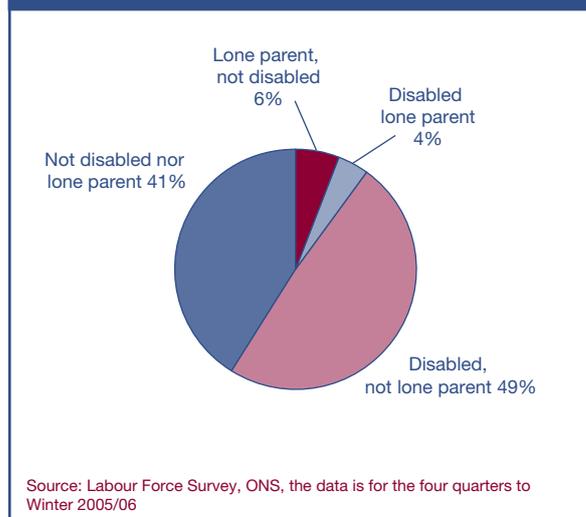
Figure 4: Around half of those paid less than £6.50 per hour are part-time workers, mainly women.



long hours, living with others who also work and additional money now available via tax credits – the great majority of low-paid workers do not live in households deemed to be in poverty. But most workers whose households are in poverty are themselves low paid: low pay is therefore a major cause of in-work poverty.

Two-thirds of low-paid employees in Scotland are women (see **Figure 4**). This is largely because many more women than men work part-time, and part-time work (for both men and women) carries a high risk of low pay. So, for example, 43% of all part-time workers were paid less than £6.50 per hour in 2006 compared with 17% of female full-time workers and 12% of male full-time workers. The low pay of part-timers, rather than the low pay of women, would seem to be the immediate problem.

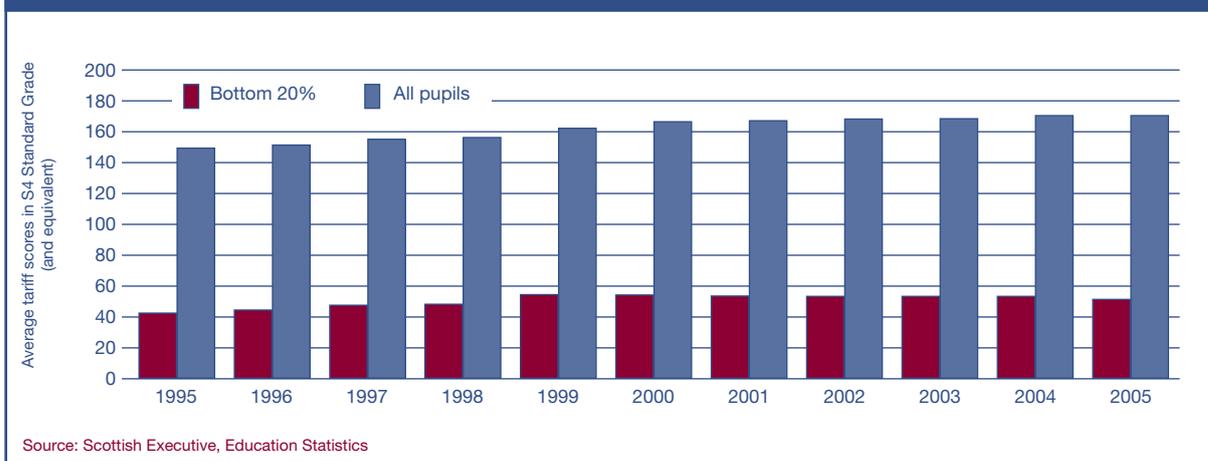
Figure 5: Among those aged 25 to retirement and not working, around half are disabled.



Regarding ‘**security for those who cannot work**’, who counts as ‘unable’ to work or what would constitute ‘security’ for them have never been clear. In this context, it is noticeable that, whereas Income Support levels for households with children and for pensioner households have risen relative to earnings, those for working-age adults are now worth 20% less relative to earnings than in 1997.

Disabled people are of particular concern regarding out-of-work poverty. Whilst the proportion who are working has increased, from 30% in 1998 to 35% in 2005, it remains well below that for lone parents (55%) and for those neither disabled nor lone parents (85%). Half of those aged 25 to retirement who are not working are disabled (see **Figure 5**); three-quarters of working-age people reliant on out-of-work benefits on a long-term basis are sick or disabled.

Figure 6: Whilst standard grade achievement for pupils on average continues to rise, that for the bottom fifth has remained unchanged since 1999.



Educational outcomes

The overall picture is one of steady improvement. For example, compared with a decade ago, the average tariff score in S4 Standard Grades is up from 150 to 170 and the percentage of school leavers going on to full-time higher or further education is up from 45% to 52%.

However, these headline indicators risk masking a picture of apparent stagnation in the proportions failing to achieve minimum qualifications at 16 and beyond. So, for example, the average tariff score for the bottom fifth in S4 Standard Grades was, at 50, no better in 2005 than in 1999 (see **Figure 6**) and the 25% of 19-year-olds who lack SVQ2 or equivalent is the same as a decade ago.

The concern here is that the lower a person's level of qualifications, the higher their risks of being out of, but wanting, work and of being low paid if in work. For example, those with no qualifications are twice as likely to be lacking but wanting paid work as people on average; if working, they are two-and-a-half times as likely to be low paid.

The vast majority of those achieving SVQ2 or equivalent at age 16 gain further academic or vocational qualifications. But half of those who fail to achieve this standard at age 16 do not achieve it by age 24. Furthermore, the half who do make further progress appear to achieve it by age 18. In other words, failure to reach that level by 16, whilst important, is not decisive but becomes so if not rectified by age 18.

Quality of life and social cohesion

The issues analysed include housing, quality of services and neighbourhoods. In most cases, data is only available since 1999 and so the scope for analysing trends is limited, but suggests:

- the proportion of low-income households without central heating has halved over the last decade and is now similar to that for households on average incomes;
- the proportion of low-income households without a bank account or equivalent is a third that of a decade ago;
- the number of single-person households accepted as homeless has now stabilised after rising for a decade;
- quality of life issues often have a disproportionate effect on poor people: for example, people on low incomes are twice as likely to feel unsafe walking alone in their area at night as those on above-average incomes; and
- a third of low-income households lack home contents insurance compared with virtually no households on above-average incomes.

For more information

The full report, **Monitoring poverty and social exclusion in Scotland 2006** by Guy Palmer, Tom MacInnes and Peter Kenway, can be downloaded from either www.jrf.org.uk or www.poverty.org.uk. All the indicators and graphs can also be viewed on the www.poverty.org.uk website where all the graphs are updated as and when new data becomes available.

Separate reports by the same team, looking at the United Kingdom as a whole (2006), Northern Ireland (2006) and Wales (2005), are also available from www.jrf.org.uk (both print and electronic versions).

Published by the Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP. This project is part of the JRF's research and development programme. These findings, however, are those of the authors and not necessarily those of the Foundation. ISSN 0958-3084

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