

# Summary: delivering an Income Supplement in Scotland

This summary aims to outline the key questions for the new Income Supplement at this stage, ahead of the emerging Scottish Government plans for its design and delivery. It gives an overview which is taken from the first report to come out of a joint JRF and IPPR Scotland programme, that is focussing on the Income Supplement.

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### Recommendations – key principles for Income Supplement:

- **Urgency:** start early, in this Parliament. Start small if necessary and build up. The Programme for Government and the next Scottish Budget are crucial to enable this.
- **Predictability:** high levels of predictability are highly valued by those with experience of the Social Security system. This should mean that reassessments are not over-frequent so that the payment can be a reliable source of income.
- **High take-up:** Income Supplement must reach those in need. The application process should be accessible, straight-forward and automated if possible.
- **Poverty depth:** to change children's lives we need to ensure we tackle depth of poverty. Income Supplement should include a focus on those in deepest poverty, and families we know have the highest poverty risk, to have impact.
- **Ambition:** significant investment is needed to reduce child poverty. Whilst this cannot all be done by social security, it must play its full part.
- **Impact:** we have assessed a number of options for impact on child poverty and cost. We believe cost effectiveness is an important principle to ensure the maximum number of children are taken out of poverty.

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## Introduction

The Scottish Government has committed to make progress on introducing a targeted Income Supplement to provide vital support for parents on low incomes by 2022. The Child Poverty (Scotland) Act 2017 sets binding targets for relative poverty among children to fall to 18% by 2023-24 and 10% by 2030. It cannot be right that 230,000 children (24%) are currently in relative poverty. Over the next four years, far from reducing, projections point to an extra 50,000 children being pulled into poverty – the equivalent of a classroom of children each day. Scotland now has a chance to act. Using new social security powers, the Income Supplement is a golden opportunity – alongside wider work to reduce child poverty – to help turn the tide on child poverty. We know that high-quality public services can improve a range of outcomes for children in low-income families. More money in the pockets of families generates multiple benefits and is a powerful form of prevention.

## Overview of findings so far

Insights from those who use the Social Security system have been crucial to this early thinking on what needs to be prioritised. People with experience of poverty in North Ayrshire, Glasgow and Dundee shared their thoughts on how the Income Supplement could work best. They told us that even a modest increase – of £10 a week per child – would begin to make a difference to family budgets, for example allowing them to buy better food, replace children’s basic clothing and say yes to occasional school trips or birthday activities. Higher amounts, however, could have even more significant impacts on children’s lives.

Participants told us the Income Supplement should be uprated in line with prices each year, protected (not deducted from other financial support) and be **predictable** rather than clawed back in response to modest or short-term changes in income across the year. Knowing that there was a payment that families could count on would allow them to plan ahead with a degree of security. While most would prefer regular payment, it was also recognised that for some a lump sum would be preferable and that an element of choice should be built in if feasible. In order to **maximise take-up**, automating payments and reducing additional applications to a minimum were seen positively. Finally, there is a clear sense of **urgency** – that payments should begin soon rather than in several years’ time, even if this means starting on a smaller scale and expanding.

Through this work, we have made the best use possible of the evidence on current and projected poverty rates in Scotland, as well as examining the characteristics and depth of poverty of those under the poverty line. While the headline measure for the Income Supplement will be to reduce relative child poverty, we also want to see it **easing deep poverty**. Children living with lone parents, in a family where someone is disabled and in families with three or more children account for the largest numbers in deep poverty, while minority ethnic families, young mothers and those with a child under one have the highest odds of being in deep poverty. The Income Supplement should include a focus on those in the deepest poverty, and the families we know have the highest poverty risk, to have the impact.

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The case for **urgency** is underlined by child poverty projections. If Scotland is to meet its ambitious child poverty targets with equally ambitious action, the level of funding invested and how quickly it is introduced will be key tests. We believe that the Income Supplement could be introduced before the next Scottish elections in 2021. To establish an interim payment in this parliament, a clear statement of intent from the Scottish Government is needed soon. Its progress report on the Tackling Child Poverty Delivery Plan, due by the end of June 2019, is an opportunity to set a budget and timeline for legislation. To deliver legislation in this parliament, it will almost certainly need to be included in the Programme for Government in September, with a resource commitment in the next draft budget.

We have explored five illustrative options for the Income Supplement against key criteria: reach (coverage of children in poverty), risk (coverage of population groups with the highest child-poverty rates), focus (proportion of budget that would be paid to families above average income), impact (children moving out of relative poverty and out of deep poverty) and budget (annual requirement in first year).

The options we considered were designed to show some of the trade-offs that the Scottish Government will need to consider both in terms of design and delivery. Targeted options may not cover all those in poverty, but they could provide higher **impact** per pound of investment than universal (or near universal) benefits and have a greater effect on families in the deepest poverty. Whichever approach is taken, the Scottish Government will need to provide a budget that meets the level of **ambition** signalled by the statutory poverty targets. When up to full speed, the budget for the Income Supplement will likely need to be significant, with our work showing that to bring rates of relative child poverty in 2023/24 – the year against which interim targets are measured – to below where they were when the targets were set, could take investment of between £400 million and £660 million per year.

Making payments through Social Security Scotland has many advantages, but we know there may not be capacity for a new benefit to be paid through this route in the next three years. We have identified two possible interim options that could provide a partial or streamlined Income Supplement to build from: one that extends an existing Social Security Scotland benefit (Best Start Grant) and another which uses Local Authorities. We are calling on the Scottish Government to consider these, and other interim options, fully.

Our work so far has identified many of the trade-offs that will need to be considered in the design of the new Income Supplement and has identified a number of issues that we believe must be prioritised: **urgency, predictability, high take-up, tackling poverty depth, appropriate budgetary ambition and maximising impact**. If these core issues are addressed, the Income Supplement has the potential to be a very effective poverty-reducing tool to help the Scottish Government meet its targets and eradicate child poverty.

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## About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

All research published by JRF, including publications in the references, is available to download from [www.jrf.org.uk](http://www.jrf.org.uk)

This work is the outcome of a JRF / IPPR partnership, comprising Emma Congreve and Jim McCormick for JRF, Russell Gunson and Rachel Statham for IPPR Scotland.

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