REPORT | UNDERSTANDING POVERTY | SOCIAL SECURITY

Poverty in Scotland 2024

This year our report asks how effective social security is at reducing poverty and advancing equality in Scotland.

Published on: 7 October 2024
Written by: Chris Birt, Carla Cebula, Jack Evans, Annie McKenzie, Deborah Hay

Reading time: 87 minutes

Executive summary

This year's Poverty in Scotland continues the trend of showing little change in the unacceptable levels of poverty in Scotland, with over a million people living in poverty, including around a quarter of a million children.

The Scottish Parliament's child poverty reduction targets loom. With the interim targets likely missed, we are running out of ways to stress the need for rapid action from the Scottish Government.

Those families most likely to experience poverty still show extremely high levels of poverty, most vividly captured in the fact that over half of children in minority ethnic families (53%) are trapped in poverty.

We know, however, that the current level of poverty, and missing the targets, is not inevitable and there is much more that governments can do. Last year's report explored the world of in-work poverty and the potential for a better jobs market to protect more people from hardship. This year we look in detail at the social security system, both at how it has failed to release people from poverty and how it could be used more effectively to do so.

With the change of the UK Government, it is a crucial time to explore how this foundational part of our social contract can be rebuilt. In some ways, the Scottish Government has started us on that path. The introduction of the Scottish Child

Payment (SCP) and the reforms to how disability benefits are delivered show initial steps to an improved system.

With that in mind we predict that the SCP could reduce child poverty in Scotland by around 4 percentage points between 2020–23 and 2024/25. But we are also concerned that the Family Resources Survey appears to be failing to capture the payment's impact.

The UK Government, though, still retains the lion's share of social security powers and spending in Scotland. Both governments can, and should, go further, and they need to learn from the mistakes of the recent past.

This report shows how those mistakes are coming home to roost. The 'work first' approach of the previous UK Governments has failed to reduce poverty. While the proportion of low-income households' income from work has increased, it has increased more slowly than in wealthier households and been paired with a withering of the social security system.

For those most likely to rely on social security, such as single-parent households or households where someone is disabled, this acts to lock them in poverty. And for those out of work, it leaves them with miserable incomes, with the basic rate of Universal Credit (UC) leaving single adults with an income that is 64% below the poverty line. For those under 25 it is even lower at around 75%.

There are also worrying signs of people being excluded from the system, with the proportion of people in minority ethnic households in receipt of benefits approximately halving (from 75% to 38%). When paired with increasing poverty amongst this group, this is deeply concerning.

The report also highlights how the housing element of the UK Government's social security system is failing, with the Local Housing Allowance (LHA) failing to keep up with new rents and 1 in 10 people in low-income benefits being pulled into poverty by their housing costs alone.

Perhaps the most shocking findings of this report relate to the support available for disabled people and their families. Non-means tested disability benefits are provided to disabled people to cover the additional costs of being disabled yet being in receipt of those payments increasingly bears the risk of being in poverty.

We show that the poverty rate more than doubles amongst families in receipt of disability payments when those payments are excluded from total household income. We also show that the gap between the poverty rate when these payments are excluded has widened (from 15 percentage points in 2011–14 to 22 percentage points in the latest figures). The impact of this is most grimly summed up by the fact that children and working-age adults in a family where someone is disabled were 3 times as likely to experience combined low-income (below 60% of the median income) and material deprivation, that is, people in poverty reporting they are unable to access key goods and services.

As we note, though, these outcomes are not inevitable and the social security system is a powerful tool, working hand in hand with other policy levers that can free people from poverty. For example, if the UK Government were to introduce an Essentials Guarantee we predict this could lift 140,000 people, including 30,000 children, out of poverty in Scotland. Scrapping some of the most egregious elements of the UC, such as the 2-child limit, younger person's rate and benefit cap could lift around 25,000 children out of poverty. Similarly, the Scottish Government could further invest in the SCP to make greater progress towards its own targets.

Ultimately, this report makes the case for restoring our social security system to the investment in people that we all need and deserve. It shows how its failure causes harm and how investment in it can provide everyone with the quality of life, free from poverty, that we all deserve.

1. Introduction

More than 1 in 5 Scots are currently living in poverty, struggling to survive on incomes that fall below what they need. This includes 1in every 4 children in Scotland. Despite the severity of the issue, there has been little meaningful progress in reducing these figures in recent years.

In last year's report, we explored how the current job market is perpetuating the existing levels of poverty. This year, our focus shifts to the social security system, examining how it is contributing to the hardship many people face across Scotland and considering how the system could be reformed to offer better support.

2. Social security as an investment in our people

"...the aim of the Plan for Social Security is to make want under any circumstances unnecessary."

Sir William Beveridge, Social Insurance and Allied Services, 1942

It should go without saying, but bears repeating, that our social security system is a public service that we should be able to, and often will, have to rely on. In that way, it is no different to the NHS, our schools or our transport networks. But like the NHS, it is a form of insurance: something that we hope we do not need to use regularly but that is there when we do.

Often, however, social security spending is spoken about as something distinct from 'public spending'. With no rationale, it is othered from investments in schools or hospitals. Our health and our education are obviously crucial, but for some reason seen as distinct to our ability to afford essentials – our freedom from 'want'.

Social security spending is also sometimes considered secondary to 'preventative' spending. Yet it is a crucial part of preventing the deep harm that we see in our society today, where GP services and schools stumble under the weight of the hardship that the people they support face (Bestwick and Schmuecker, 2024).

Arguably this is a symptom of the stigma that people in poverty often face. Social security is framed as something that other people need, not a vital safety net on which we all need to rely.

As Alex in Fife, a member of our End Poverty Scotland Group (EPSG), put it:

> "I wish the benefit system was separate from politics. It's so unfair that every time someone wants to stay in power, they want to be seen as coming down hard on people on benefits. [But then] everyone that is having to do it as a lifeline is screwed over."

Our social security system should ensure that everyone in our country is free from want. Yet it is not currently up to the task. Austerity and welfare reform have bitten viciously in many ways across Scotland and the wider UK. The outcomes are writ large in this report and across the plethora of evidence of increased destitution and hardship. Almost 4 million people across the UK experience destitution, including 1 million children (Fitzpatrick et al., 2023) and survey after survey highlights how many people are going without essentials.

In this context, pleas from both governments for patience while economic growth is built ignore 3 fundamental points. First, that people are going without essentials today. This is a stain on the conscience of one of the wealthiest nations in the world. Second, that economic growth in and of itself will not reduce poverty; government decisions to support people will – including, crucially, in the redistributive power of

social security. Third, that economic growth built on economic insecurity is less sustainable in the long term as it is built on unequal foundations that create the inequalities, poverty and subsequent pressure on workforces and public services that we see today.

These pleas also create a false separation of economic and social policy. A weak social safety net weakens our economy. Politicians often rightly talk of individuals locked out of the labour market by NHS waiting lists, yet ignore the impacts of the social security system on weakening people's resilience when they need it the most. Good career advice rarely starts with recommending a period of deep financial insecurity and the anxiety that goes with it.

This is why we make the case in this report for a strengthened social security system in Scotland. Not only in terms of how it is delivered, particularly by the UK Government, but also in its general adequacy. Both the UK and Scottish Governments are under intense budget pressure, but the trade-offs that individuals are facing at the moment and the damage this does to the fabric of our society demands political bravery and commitment.

From enforcement to empowerment

A fundamental part of any social security system is the relationship between those who receive it and the agencies responsible for delivering it. Individuals need security and support whether they are in work, actively seeking work or unable to work.

However, in recent years, the dominant policy direction of the Department for Work and Pensions (DWP) has been 'work first', while reducing social security spending. This has been harmful and often counterproductive. As we showed in Poverty in Scotland last year, we have seen a huge shift from poverty being a story largely about being out of work to one where, despite working, many people on low incomes are still in poverty.

People using the system have, for years, complained of its hectoring approach. The system is one in which you are guilty until proven innocent. It is also one where there is little return for complying with often draconian, and inconsistent, conditions. As we show throughout this report, payments are often inadequate and labour market outcomes are poor. Neither the state nor the individual are getting good outcomes from the system.

Superficially, the 'work first' posture has increased the proportion of income that people on lower incomes have from work; generally employment is high and unemployment is relatively low. Yet if we look a little deeper, that approach looks less successful, with recent research highlighting that permanent disability and ill health are a bigger part of economic inactivity in Scotland, and that restricting benefits has been associated with both higher employment and rising inactivity (Reeves et al., 2024). Such economic insecurity will not encourage sustainable growth and the poor outcomes for individuals and families are already writ large.

If the 'work first' approach was intended to reduce poverty, it has largely failed.

Adequacy and support

As we showed in our report on the early years of UC's rollout in Glasgow, how UC is enforced and administered need not deliver these poor outcomes (Hay, 2020). Good work coaches, empowered to support people positively, rather than police them, can support better outcomes. It is welcome that the new UK Government has made clear that it intends to change the footing of the DWP to be more supportive of individuals. In Scotland, it will be crucial that that is done in partnership with devolved services, not least employability support.

At the other end of the spectrum, the rapidly rising homelessness and destitution levels amongst those coming to the UK for work, study, to join family or to seek sanctuary continue to be ignored with devastating effects. Both governments must work together to implement credible pathways out of the most severe harms for each of the different groups affected. A critical part of the shift in the narrative must include ensuring that we extend a genuine safety net to all who need it, regardless of where they were born and end destitution by design through the immigration system.

There is public support for better social security

There is evidence that people in Scotland support a more adequate social security system (Sarygulov and Arslanagić-Wakefield, 2020) and two-thirds of people in the UK think that the basic rate of UC is too low (JRF and Trussell, 2024). The public recognises the damage that an inadequate social security system does to low-income families and wants a social security system that can act as a more reliable

safety net when people need support (Sarygulov and Arslanagić-Wakefield, 2020).

Rebuilding social security as a moral and economic imperative

We make a number of recommendations in this report as to how the social security system, both in its administration and adequacy can be improved. To be frank, many of them are not particularly novel and anyone working on poverty reduction will be well-versed in them.

Part of the reason for this has been the intentional undermining of the system's importance in political debate. That must be undone to drive change.

It is, of course, a legitimate aim for any government to seek to prevent as many people from having to rely on social security. Creating smoother transitions for workers when employers close and excellent support for re-employment can reduce the amount of time people need out-of-work support or avoid the need for it completely. But people will always be unemployed for one reason or another. Impoverishing people while they are, is no way to manage social security spending sustainably.

Again, it is a legitimate policy aim to prevent people from needing disability assistance payments due to ill health. But the way to that is not by weakening the social security system. It is by providing better public services and by employers being more adaptive to people's physical and mental well-being. And of course, people will always suffer ill health, and disabled people will always need additional

support, and we all deserve adequate, dignified support in those circumstances.

In conclusion, our social security system is a crucial part of the fabric of our society. ‘Our’ in this context is crucial: social security is there for us all; its weakening puts us all at risk and we need to fix it.

3. Poverty rates and progress on targets

Poverty rates over time

Poverty in Scotland fell rapidly over the decade from 1999–2002 to 2009–12, from 24% (1.2 million people) to a low of 18% (900,000 people). Over the following decade the trend in the after housing costs (AHC) relative poverty rate has reversed, creeping back up to a level of 21% in 2020–23 (1.1 million people).

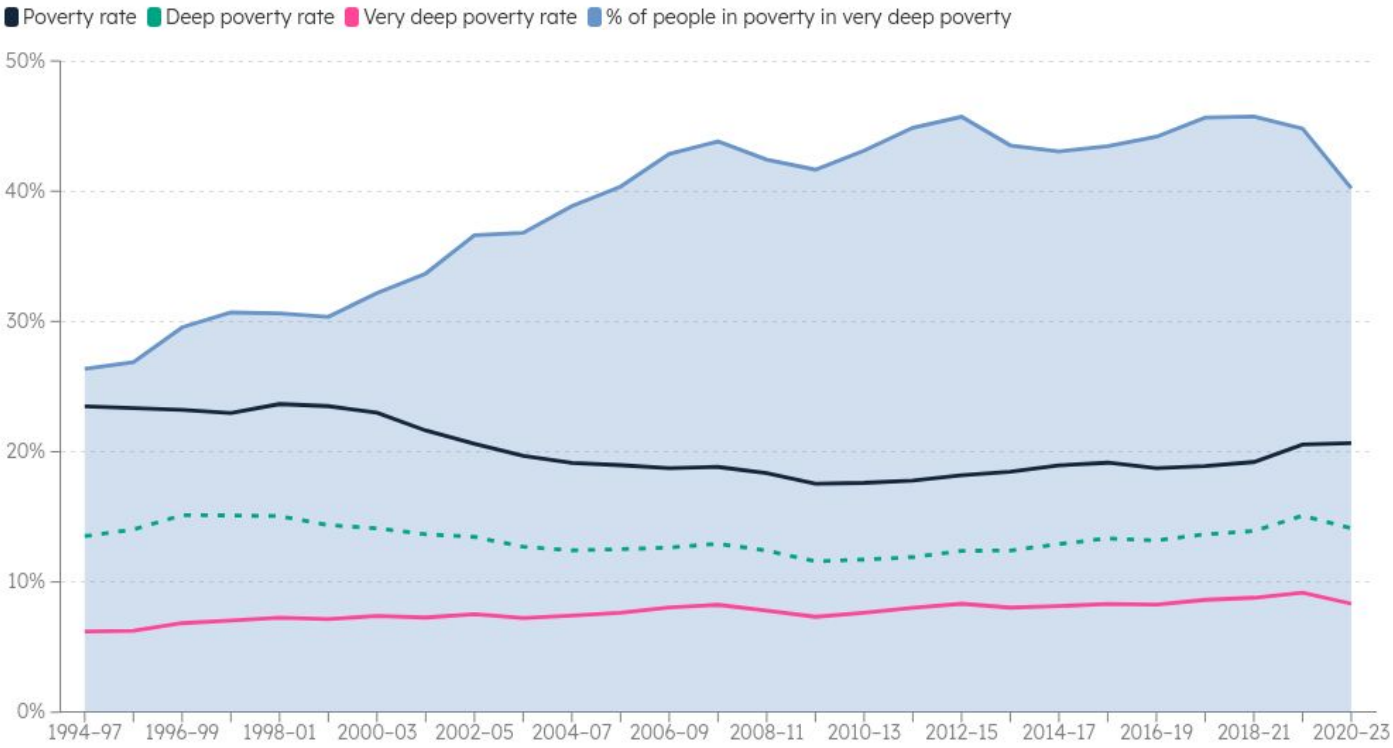
While Scotland and the rest of the UK saw a similar overall decrease in poverty between 1994–97 and 2020–23, there have been some distinct patterns in Scotland. In the rest of the UK, there was no significant decline in poverty for 20 years, but between 2000–03 and 2009–12, Scotland saw a steady reduction in poverty rates. Scotland made more significant progress in reducing poverty, but it has also seen a steadier increase over the last decade.

Depth of poverty

Very deep poverty steadily increased between 1994–97 and 2019–22 when nearly 1 in 10 people (9%) in Scotland were trapped in very deep poverty, making up nearly half (45%) of all people trapped in poverty in Scotland. In the latest year of data, there was a fall in the still very high proportion of people in poverty who are in very deep poverty (40%) – those living on incomes which are less than 40% of median incomes. This reflects perhaps the lingering impact of the £20 uplift to UC that has now been removed. However, what is clear from our later analysis is that for those on the

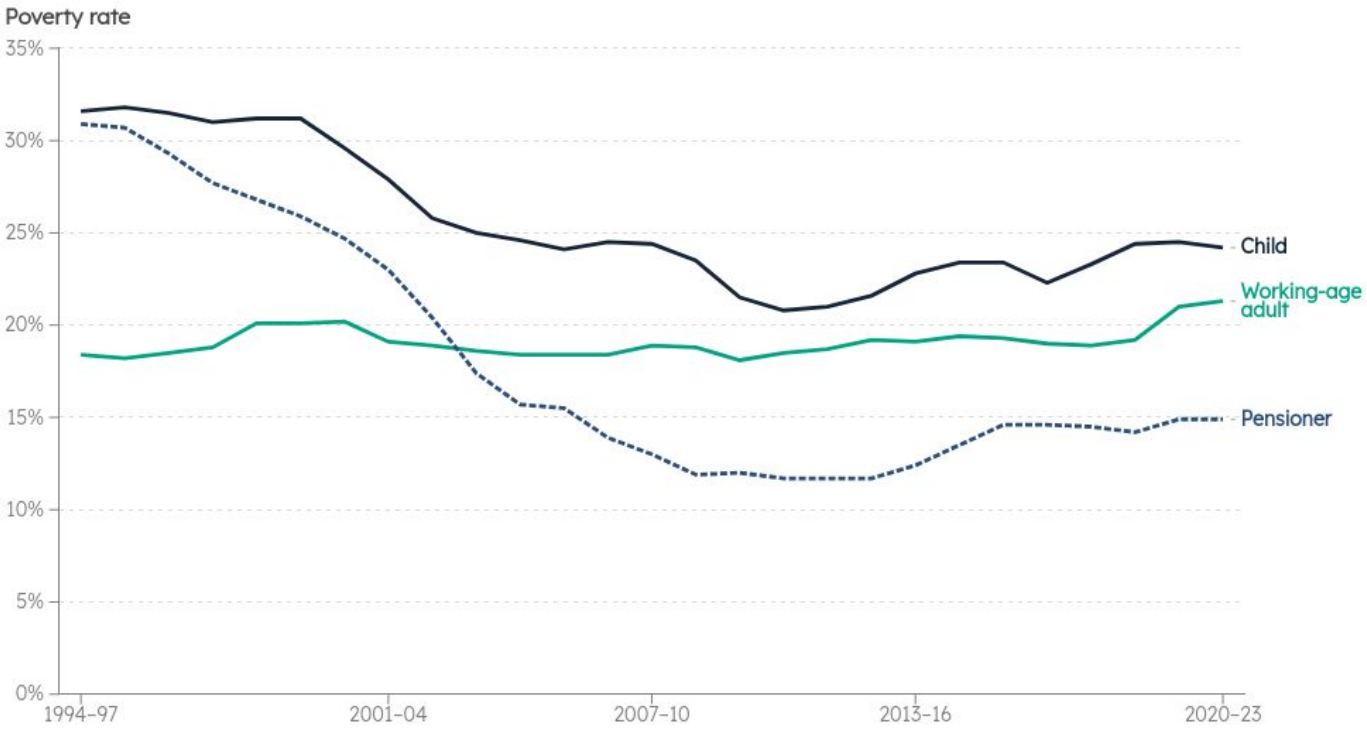
lowest incomes, social security remains woefully inadequate.

Figure 1: Proportion of people in poverty by depth
1994–97 to 2020–23



Source: JRF analysis of Household Below Average Income

Figure 2: Poverty rate (AHC) for children, working-age adults and pensioners
1994–97 to 2020–23



Source: JRF analysis of Household Below Average Income

Children

Child poverty generally fell between 1996–99 and 2010–13. Between 2010–13 and 2018–21, it rose again from around 1 in 5 to around 1 in 4 children in poverty. Child poverty has remained stable since then, at around 24%, which shows the same lack of progress as what is seen across the UK, where child poverty has remained at around 30% since 2014–17.

The latest year of data includes families who have experienced the full implementation of the SCP, so we would have expected to see further divergence in the poverty rate between Scotland and the rest of the UK. We have found that there is significant under-reporting of the SCP within the data and this has likely led to a higher child poverty rate than expected. Later in this section, we highlight the expected impact of the payment over time on child poverty in Scotland.

Working-age adults

Last year we saw an uptick in the poverty rate for working-age adults; this has not reversed in the latest year of data. With increasing inactivity since the pandemic and a deterioration of the value of social security, it is likely that this trend will not be reversed without changes in the wider context or targeted interventions.

Pensioners

Between 1994–97 and 2008–11, the risk of falling into poverty for pensioners more than halved, from 31% to 12%. This was driven by the UK Government's commitment to reduce poverty and the use of the 'triple lock', ensuring pensioner incomes kept up with rising prices and wage inflation. Since 2013–16, poverty for pensioners has increased by 3 percentage points after sitting at 12% for the previous 5 years.

At the same time, poverty before housing costs was increasing for pensioners between 2011–14 and 2015–18. This is likely due to lower-income pensioners having less income from private pensions and being more reliant on state pensions and

means-tested benefits. The value of these has grown at a slower rate than private pensions, as increases in state pension income mean that some pensioners are no longer entitled to Pension Credit or are entitled to lower amounts. Finally, for those who do qualify for means-tested support the take-up of pension credit is low, meaning that many of the lowest-income pensioners are being left behind.

There has been a narrowing of the gap between the before housing costs (BHC) and AHC poverty rates over the last 5 years. This suggests that housing costs are now playing a more active role in causing poverty amongst older people while actions to increase their incomes before housing costs are working more effectively.

Figure 3: Pensioner poverty in Scotland – before and after housing costs
1994–97 to 2020–23

Source: Scottish Government analysis of Family Resources Survey

Child poverty targets

Children in Scotland continue to be at a greater risk of poverty than the rest of the population.

The Scottish Government remains some way off reaching its 2030/31 child poverty reduction targets, with relative poverty, absolute poverty and persistent poverty all

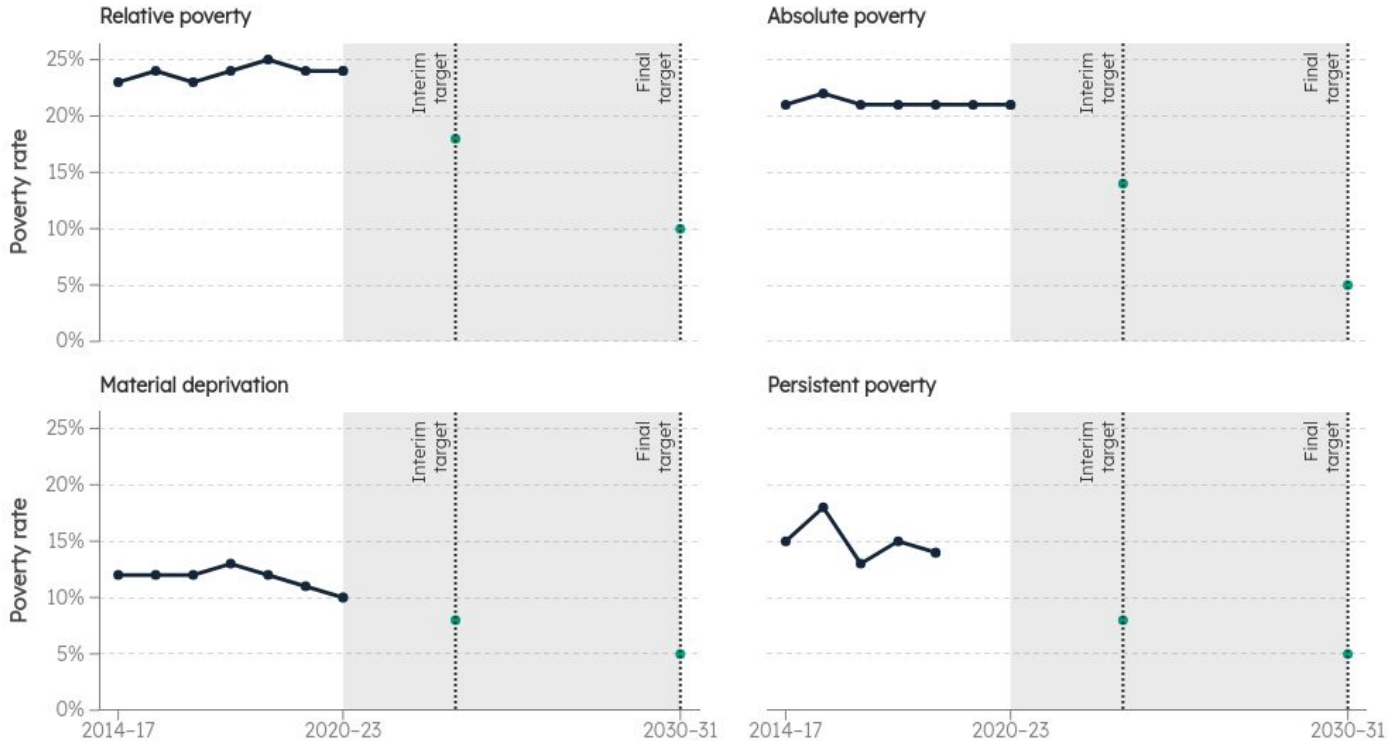
needing to close by more than 10 percentage points.

Indeed, although data is a year behind, it seems clear that across all 4 measures, the interim targets are highly unlikely to be met.

Relative child poverty sits at 24%, 6 percentage points above the interim target. Absolute child poverty is 7 percentage points over the interim target and persistent poverty is a massive 10 percentage points over the interim target. Material deprivation is closest to the interim target at 3 percentage points over, but this is unlikely to improve in the next year due to the impact of the cost-of-living crisis on low-income families.

While it seems likely that the interim targets will be missed, this should be taken as a wake-up call, with time remaining to close the gap by 2030/31.

Figure 4: What has happened to the child poverty targets since they were announced compared to the interim and final targets



Source: Scottish Government analysis of HBAI and Understanding Society

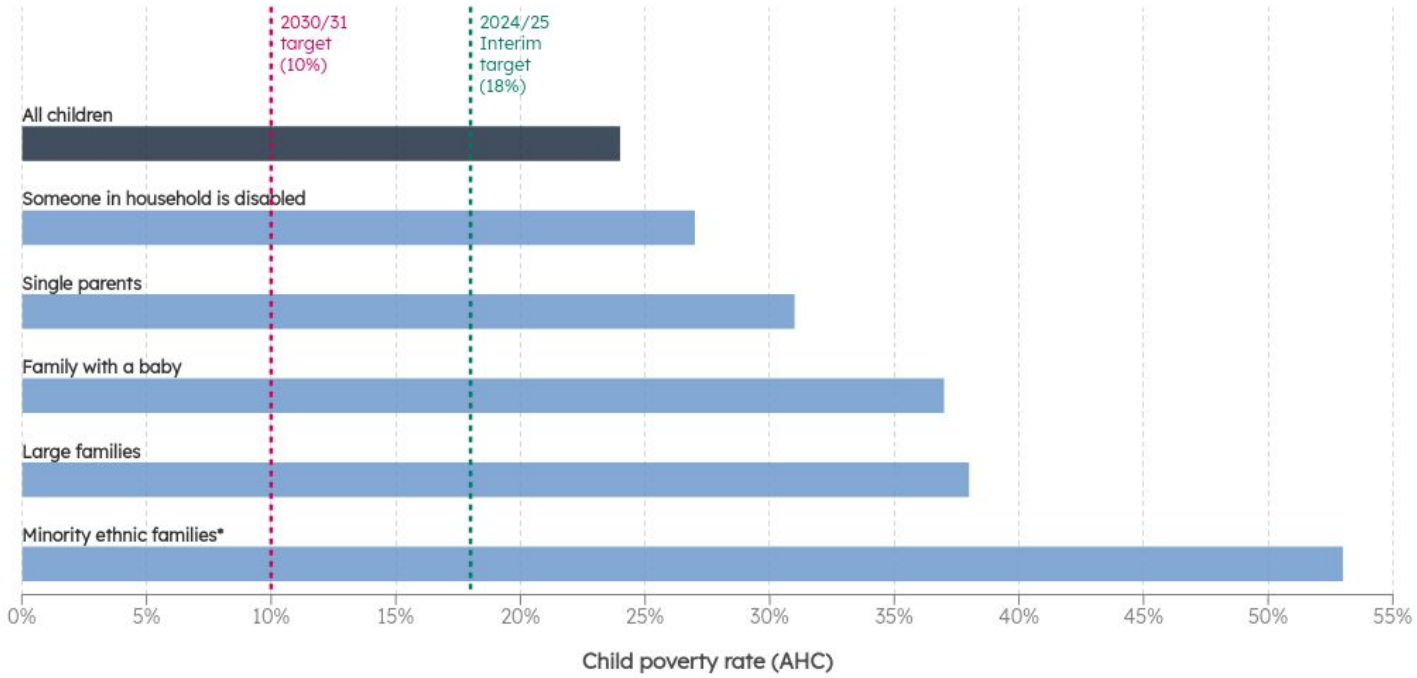
Scottish Government's priority families

The Scottish Government also identified 6 priority families in which children are at a greater risk of poverty (Scottish Government, 2021). In 2020–23, children in households where someone is disabled have the closest poverty rate as all children in Scotland (27% compared to 24%). However, this group makes up the largest proportion of children in poverty (55%).

Around 3 in 10 (31%) children in single-parent families were in poverty. Nearly 2 in 5 children in a family with a baby (37%) or in a large family (38%) are trapped in poverty.

Over half (53%) of children from a minority ethnic background are trapped in poverty, 5 times the 2031 target and more than twice the poverty rate found for all children. Minority ethnic children now make up a fifth of children in poverty but a 10th of all children.

Figure 5: Child poverty rates compared to the targets for the Scottish Government's priority families



Source: JRF analysis of Households Below Average Income
Note: The sample size for children with a young mum is too small to publish. The sample for a family with a baby is small in 2020/21. However, it shows a similar poverty rate to earlier years and there is just a small difference between the 5 and 3 year average. *Our definition of minority ethnic does not include people from an 'other white' background.

Capturing the impact of the Scottish Child Payment

As noted above, the key data used to calculate poverty rates in the UK has failed to adequately capture the introduction of the SCP. The DWP, which collects this data, is working to resolve this in future but it remains hard to interpret child poverty rates in Scotland, particularly if you want to measure progress towards child poverty targets.

We think it should be a high priority for both the DWP and Scottish Government to resolve this as quickly as possible.

It should be of significant concern for both the Scottish Government and DWP that the Scottish Government could invest over £400m per year in a targeted payment and for it not to be captured in these figures.

We also gave evidence to the Scottish Parliament on the positive impact that the payment has had on families. While this would not necessarily mean that all families would be lifted above any of the formal poverty lines, it is clear that it is having a positive impact on people's day-to-day lives. This conflicted with the lack of progress seen within the data. Parents told us how they could not survive without it as the cost-of-living crisis has eaten into their incomes.

> "That £300 meant everything to my family at that time, it was a godsend and it felt like we could breathe again."
>
> Andrew, Dundee

> "Now it's literally to survive [...if it wasn't there] I wouldn't cope."
>
> Alex, Fife

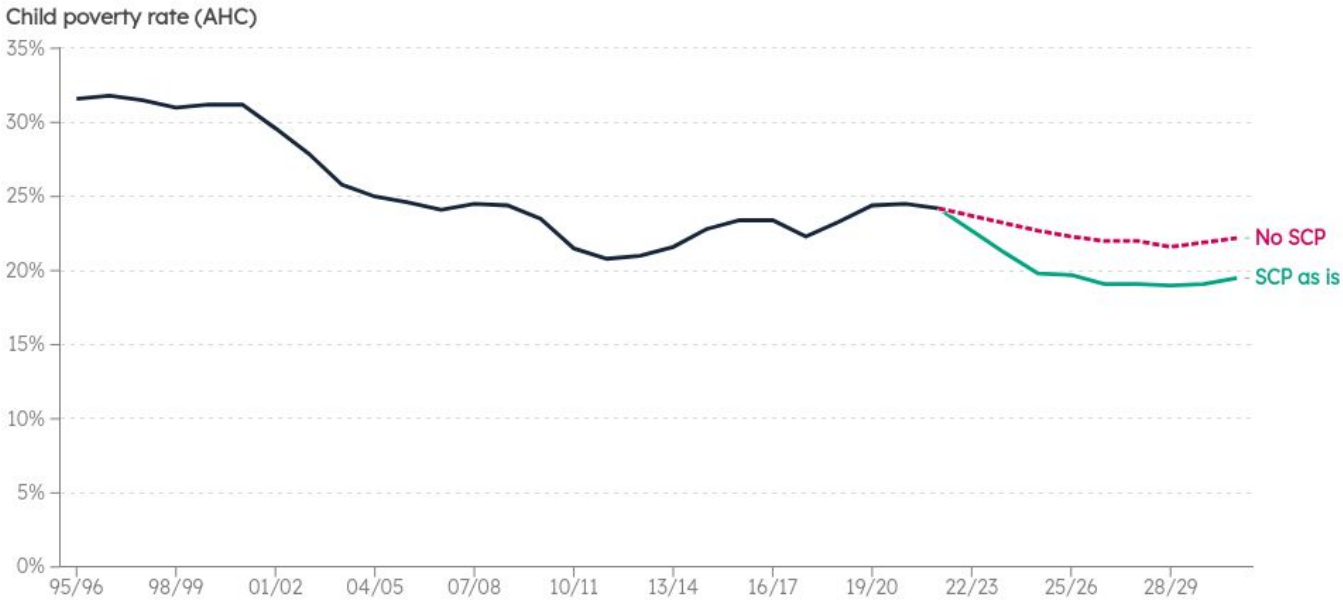
To fill this knowledge gap while the data is made more robust, we modelled the child poverty rate for future years, up until the final target year. We assume that a similar

proportion of families who are eligible for the payment take it up as do now (that is, an assumed take-up rate of 87%). We see that the modelled poverty rate with the SCP is significantly lower than the rate in the current year of data, falling from 24% in 2020–23 to 20% by 2024/25.

When we compare the modelled poverty rates in 2030/31 with and without the payment, the poverty rate with the payment is 3 percentage points lower than with no payment. Although the poverty rate remains around 10 percentage points above the target of 10%.

This highlights both how impactful the payment might be on reducing child poverty in Scotland (even at the current level) as well as how we will need to go further to reach the 2030/31 targets. However, the data deficiencies within the current dataset must be resolved quickly to ensure confidence in this approach is not undermined.

Figure 6: Modelled child poverty rates with and without the Scottish Child Payment (SCP)



Source: JRF analysis of Households Below Average Income (HBAI), and modelling of SCP using the Family Resources Survey and the IPPR Tax-Benefit Model v02_70.
Note: The 'SCP as is' line assumes SCP is £26.70 in 2024/25, rising each year with projected inflation to £29.70 in 2030/31. We assume 87% of families entitled to SCP take it up. Values up to and including 21/22 are a three-year average using the HBAI data and are plotted on the centre year within the average. Eg, if the average is across 2010–2013 it will display on the chart on 2011/12. Lines shown beyond 21/22 include modelled values.

How housing and work affect poverty rates

While the core of this report is an analysis of the impact of the social security system it is important to recognise the important role that housing costs and earnings from work play in the current levels of poverty in Scotland.

Urgent need for affordable housing in the right place

Housing is clearly the most important cost that every household faces and it has a significant impact not only on people's lives more generally but also on poverty rates.

The type of property someone lives in is crucial: 2 in 3 of all people trapped in poverty live in a rented home; 44% in the social rented; and 22% in the private rented sector. This also includes over half of children in poverty (54%) who live in the social sector and a further 23% in private rented accommodation.

And for many of those renters, their housing costs are such as to push them into poverty. One in 4 people in poverty who are living in the private or social rented sector were pulled into poverty only after accounting for their housing costs.

This is clearly a symptom of people's housing being unaffordable. A key measure of housing affordability is whether houses are spending more than 30% of their income on housing. By that measure, we find that 1 in 4 private renters live in unaffordable housing and the pressure increases for low-income households, with 6 in 10 private renters in poverty living in unaffordable housing. This is higher than for any other tenure.

The picture of housing costs in Scotland remains complex and mixed. There remains a 6 percentage point difference in child poverty between Scotland and UK levels, in part owing to cheaper housing, especially the existence of a larger and less expensive social sector. However, this is challenging to report reliably due to several factors,

including sample sizes for families with children, data quality and harder-to-reach precarious private tenants.

This means we do not know the exact extent to which housing is exacerbating poverty, helping to reduce it or whether its positive impacts have stalled. But we know several housing indicators are going in the wrong direction:

- record levels of people are stuck in temporary accommodation and for longer (Scottish Government, 2023)
- new social supply has slowed in the face of cuts to the affordable housing capital budget (Scottish Government, 2024a)
- private rents, especially for new properties, are still increasing, and while record rises are beginning to slow, those higher prices will continue to feed through into the rest of the sector over time (Scottish Government, 2024b) especially as rent controls are relaxed
- social rents are set to rise above inflation for the next couple of years as landlords try to recoup lost revenue and get business plans back on track (Scottish Housing Regulator, 2022)
- higher mortgage interest rates are putting pressure on household budgets, especially low and modest earners (Ray-Chaudhuri et al., 2024).

It will take significant public investment (in both new supply and support for housing costs) and the political will to make good-quality housing a real priority by both governments to turn this around. But the returns for families, local communities and the economy are significant. The Scottish Government is often criticised for its lack of

preventative focus in policy and good, affordable housing is an excellent preventative policy. You cannot build a better future for yourself and your family without a warm, safe and secure home that meets your needs and that you can afford.

A move to good work

Employment continues to be a protective factor in reducing the risk of poverty. In families where one or more person works, 14% of people are in poverty compared to 59% of people in families where no one is in work (excluding families where one or more person is retired).

However, the push to get more people into any work has now created the situation where most people in poverty are now in households where someone is working – 6 in 10 people in poverty have one or more adults in work, and this rises to 67% of children in poverty. This does create an opportunity however to tackle poverty via the labour market. It requires efforts to move beyond the narrow focus of labour market participation as an end in itself and widen policy focus to how we might improve the quality of employment, with a specific focus on low-paid work.

The case for intervention on job quality is most stark for workers from minority ethnic communities. We highlighted last year in a report looking at the labour market and employability experience for this group in Glasgow (Evans, 2023). Workers of colour are 3 times more likely to be in insecure work, have higher rates of underemployment and are paid £1.26 per hour less than white workers. They are also more likely to live

in private rented housing and to be over-represented in the priority industries/sector we identified in last year's Poverty in Scotland report (Birt et al., 2023), where low-paid work is more common.

In summary, the statistics for people of colour in housing, social security and work paint a deeply unjust picture. The result is rising child poverty rates for this group that is now double the national average.

What is particularly disappointing is that this situation was recognised by the Scottish Government in its 2022 Tackling Child Poverty Delivery Plan. In it, the central approach to reducing poverty was via work. Every action related to poverty reduction amongst minority ethnic families was work-related: both increasing the employment rate and assisting progression. For the funding then to be cut for specialist services such as the Parental Employment Support Fund makes it entirely predictable that we have seen no positive change in their poverty rates (Congreve and Randolph, 2022).

As reported in last year's Poverty in Scotland report (Birt et al., 2023), moving parents into work and supporting those in work to achieve higher incomes and greater job quality will have to be a big part of the solution in bringing child poverty levels down. That report outlines the actions that should be taken by the Scottish Government to do this.

4. What do low-income families want from social security in Scotland?

To help us in preparing this report we have worked with our EPSG, a group of 5 people across Scotland with lived experience of poverty. Their experience and skills have helped shape this report. In this section, we explore their reflections on what they expect from and have experienced with our social security system. Their frustrations with the inherent inadequacy of the system are matched by their critique of how the system treats the individuals who rely on it and deserve better.

Everyone should be able to avoid destitution

> "Protection for people, from you know, going destitute and making sure they've got the essentials in life."
>
> Andrew, Dundee

At the most basic level, the EPSG strongly felt that a social security system should mean that no one in Scotland was left destitute: rather social security should be a solid foundation on which people can rely.

Our group members were clear that currently, benefits levels were not sufficient for families to cover the essentials, did not have a clear rationale for their levels and

created a sense of insecurity:

> "I don't know anyone that's on benefits that feels secure, but you should feel secure."
>
> Alex, Fife

> "These Universal Credit payments, they don't seem to keep pace with the cost of living."
>
> Andrew, Dundee

This chimes with our work with Trussell (2024) and a wide group of organisations to ask the UK Government to introduce an Essentials Guarantee (described in more detail later in this report).

The group also felt that protection from destitution should extend to everyone, no matter where they were born. Some people are excluded from accessing most social security because they are subject to the no recourse to public funds (NRPF) condition or have restricted eligibility (RE). The group felt that the system was designed in a way to create a harmful situation for those subjected to it:

> "[The] systems are so broken, badly designed and they're harmful. Really, really harmful."
>
> Andrew, Dundee

While this report focuses on those who are eligible for social security, we will explore in more detail the impact of NRPF in a separate piece of work. Ultimately the EPSG felt strongly that any policy that forced people into destitution was unacceptable, no matter where they were from or what their immigration status was.

A secure and stable income

For members of the group currently reliant on social security, day-to-day management was not only difficult because of the inadequate amounts of support, but could also feel highly precarious.

There is a lack of continuity of support for claimants. For example, Laura from Glasgow told us about her experience moving from legacy benefits to UC. Despite already being 'on the system', DWP required her ID to be checked but could not provide her with an immediate appointment – she was left with no income for 3 weeks over the Christmas holidays.

Laura said:

> "the first available appointment they had was like 3 weeks later and so for 3 weeks there was no benefits there. I had no money coming in at all. And I couldn't do anything because I had to wait 3 weeks for this appointment."

Laura described the attitude from DWP as being 'This is what's happening. You have to deal with it, suck it up and that's it'.

Having your income stopped abruptly when you are already struggling to afford the essentials because of administrative complexities is not good enough. We know that cutting back to make ends meet has long-term negative impacts on people's health and well-being (Birt and Cebula, 2023) (Birt et al., 2022). By creating a more reliable 'people-centred' system, many families in poverty could be spared these side effects of the system.

In their charters, both Social Security Scotland and DWP set out their ambition to create a reliable and secure system. They state that they will 'pay you on time in the right amount' and 'provide you with the correct decision, information or payment'. Yet many of the policies currently embedded in our social security system undermine that certainty. Policies such as sanctioning, the 5-week wait for UC payments and the challenge of budgeting for working families on UC whose earnings vary from month to month nurture insecurity rather than embedding greater security.

To be trusted and treated with compassion

> "They make you feel guilty for getting what you are entitled to."
>
> Alex, Fife

Reflecting on their experience claiming UK benefits through the DWP (this includes UC and legacy benefits), the group members told us how the current system lacks compassion, dignity and trust in and for claimants and their families.

> "I could use a couple of words, but the one I think is the best description is cruel. The benefit system nowadays is a punishment. […] And stop punishing innocent people and targeting the worst off. It's cruel."
>
> Andrew, Dundee

> "It's just like it's not easy at all. It's totally made to put you right off. It stresses you out. It upsets you. It tears your hair out. It was an awful experience for me."
>
> Laura, Glasgow

Some hostile elements of the system, particularly at the UK level, created a sense of fear even for people who had never been personally affected. Recent rhetoric (Pring, 2023) about upping the use of sanctions, without any evidence of their effectiveness

but some clearly outlining their potential harm for claimants in vulnerable circumstances, was raised as an example:

> "Just the barbaric thing that is sanctions. Some of the stories you've heard the people getting sanctioned is just… I go back to the cruelty thing again. Your situation's bad enough, but then to add to that with sanctions. I mean, I've never been sanctioned. I don't know what that does to somebody mentally."
>
> Andrew, Dundee

Removing harmful or hostile aspects of the system, and training staff to be more helpful and focused on the individual claimant would create a more compassionate system. As we alluded to at the start of this report, it is incumbent on each part of the social security system to destigmatise and defend this vital public service.

Person-centred

> "I think it's quite clear how the person-centred Social Security Scotland is. Throughout it, they're saying we will help you. We're doing this for you. We'll be kind to you. Whereas the DWP is like 'we'll make sure we have our money'. It's very rigid."
>
> Alex, Fife

The group felt that explicitly designing a system that recognises the different circumstances individuals are in and the barriers that they face would result in a less stigmatising and more just and effective system.

Zain, who works part-time and claims benefits, including disability benefits, told us how he would like to try out different things, like more or different work, to see what is best for him. He feels that the current system makes this difficult as it might affect his benefits straight away. This is risky for his income and would require him to deal with the bureaucracy of the system.

> "[Social security should be a] safety net, to be able to try different things even if you don't necessarily stick to them. [So I can] try different things and still keep the same benefit until you're set on the direction that you want to go in. No, we fear of losing anything you know."
>
> Zain, Glasgow

A person-focused system would instead recognise his goals, build on his strengths and support him to succeed. The social security system must be designed flexibly and responsively, recognising that financial insecurity is unpredictable and individual circumstances can change for anyone. It should be focused on the claimant and not just their compliance with the administrative system.

Trained and knowledgeable staff

Everyone in our group felt that well-trained and knowledgeable staff, particularly at the first point of contact, was crucial in creating a better social security system in Scotland.

This seems particularly important when we know that eligibility, application processes, agreeing commitments and maintaining ongoing requirements are complicated, putting off applicants and making it harder for them to access all the benefits they are entitled to.

The group felt that many staff were not fully equipped or empowered to help if needed. This was highlighted as a particular issue when dealing with frontline DWP staff:

> "[Social Security Scotland] will assist you and try and help you and support you and you can speak to one person from start to finish whereas the Universal Credit system you have an issue then 'Oh well I'm not a decision maker'."
>
> Alex, Fife

> “the Universal Credit one was the one that pushed me to the limit. It was very frustrating. They kept asking for the same thing you submitted to them the week before.”
>
> Sylvia, Glasgow

Ensuring claimants can access knowledgeable staff in both social security systems is crucial in making sure that people’s circumstances are fully understood and that they receive the amount and type of benefits to which they are entitled.

5. Does social security in Scotland uphold dignity, fairness and respect?

The diminishing value of social security has hurt those who need support the most.

As we noted above, the former UK Government's 'work first' drive has failed to reduce poverty and a big part of that is the unpicking of the social security system at the same time.

To see how the value of social security changed over time, this section looks at how incomes in Scotland, including from benefits, have changed over the last 30 years. When we talk about benefits in this section, we are referring to both means-tested and non-means-tested working-age and child benefits unless otherwise stated.

This analysis uses nominal incomes, meaning that they are not adjusted for inflation over the 30-year period. This is important as it means we can show how the composition has changed for each of the income deciles over time.

We find that working-age household's total incomes have grown over this period, in part due to inflation. However, there is variation across the income scale, with higher and middle-income households seeing their total household income grow faster than low-income households.

Growth in household incomes, across the income distribution, is primarily due to growth in incomes from work. In higher income deciles, growth is from the increasing value of income from work while in lower income deciles it is a combination of the growing value of income from work and growing numbers of working households.

In contrast, income from social security has stagnated across the period. As a result, for the lowest-income working-age households (those in the bottom 10% of incomes in Scotland), household incomes have grown little and social security continues to make up the majority of this.

Families in receipt of low-income working-age benefits have been consistently at a greater risk of poverty than most people in Scotland over the whole period. This risk did reduce for a time for families with children with the introduction of Child Tax Credits in 2003/04, in part due to a broadening of eligibility to benefits. The depth of poverty, however, has worsened since then for people receiving low-income, working-age benefits, and there has been an increase in the proportion of those sitting just above the poverty line, where there remains a risk of falling into poverty.

This result is not inevitable. Well-designed social security policy can be highly impactful. For example, pensioner poverty has fallen a lot since the introduction of Pension Credit for low-income pensioners and the commitment to the ‘triple lock’, and there were significant reductions in child poverty, following the introduction of Child Tax Credits. This is in stark contrast to those who have not been prioritised in policy terms, such as large families, who continue to face higher poverty rates.

Income composition for families in poverty over time

Our focus in this section is low-income, working-age households in income deciles 1, 2 and 3; that is, those either in poverty or close to the poverty line.

For context, in 1994–97, around a third of people in household income decile 3 were in poverty. This fell to around 1 in 10 people in 2020–23. This is due to changing rates of poverty and changing income distributions, including the stagnation of the very lowest incomes and increasing median incomes. Across all 20 years, the vast majority of people in deciles 1 and 2 were in poverty.

Higher-income households are evidently less reliant on benefits, with most of their incomes coming from work.

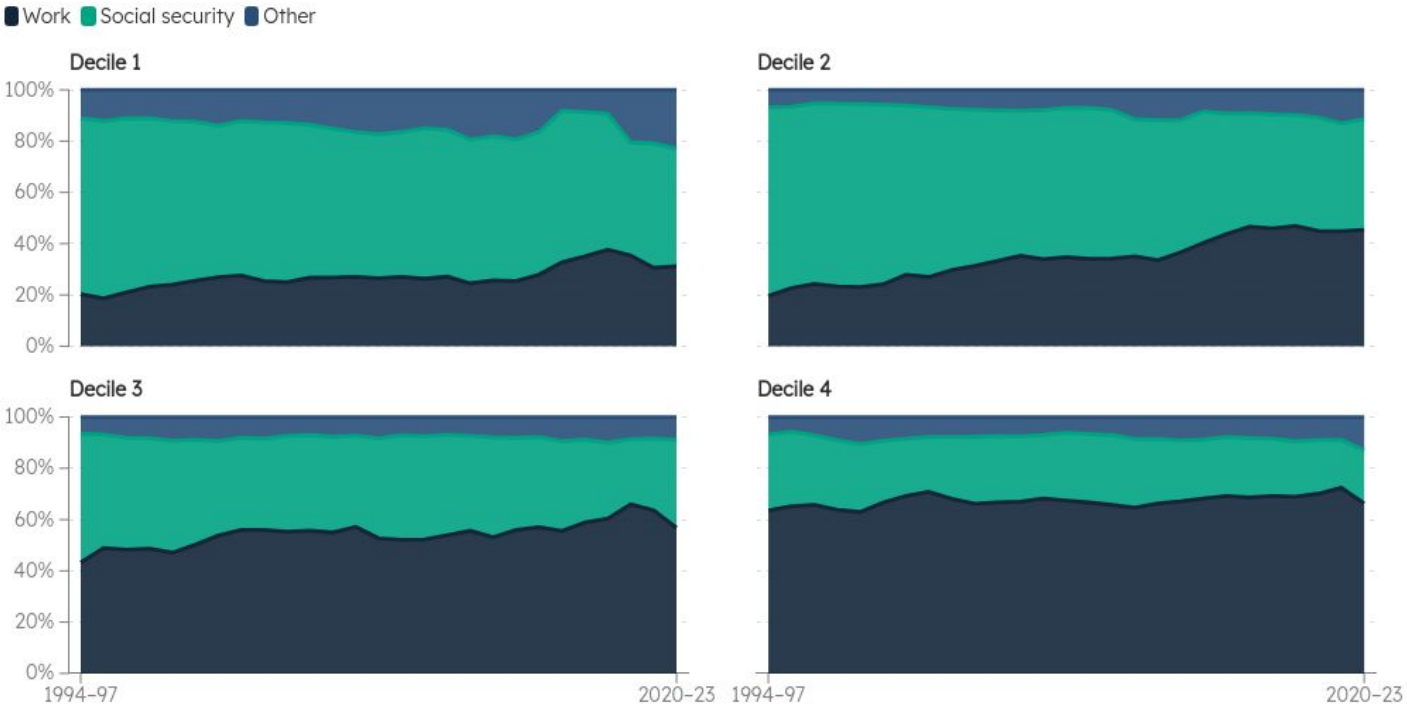
While ratios of income from work or social security are not intrinsically good or bad, reducing the reliance on benefits and increasing the contribution of work can be mutually beneficial to the individual and state. For this to happen sustainably, both increasing labour market participation and improving job quality must be prioritised.

This section analyses:

- how the composition of low-income households has changed over time
- how income composition and income levels over time have changed
- the poverty rate for people in receipt of different benefits
- the poverty depth of people in receipt of UC or equivalent

- the households most likely to rely on social security and the proportion of their income that comes from social security.

Figure 7: Proportion of household income from work, social security and other sources by income decile
1994–97 to 2020–23



Source: JRF analysis of Households Below Average Income • Analysis is of working-age households only.

Looking at this over time, we see that the proportion of income from work has increased for low-income households but most dramatically for those in decile 2. The

proportion of income from work more than doubled for these households between 1994–97 and 2020–23. For families in the bottom income decile, the proportion of income from work has grown, but not at the same pace, while the proportion of income from benefits has fallen by around one-third.

Across deciles 1 to 3, increases in the proportion of income from work are mirrored by increasing labour market participation between 1996–99 and 2020–23. This pattern is clearest in decile 2, where the proportion of households in work rises from 39% of households to 61% of households. This mirrors the rise in the proportion of income from work, which went from 21% to 45% over the same period.

At the same time, in decile 3, the proportion of working households also increases (from 67% to 72%) but the change is less than is seen in decile 2. Yet the change in the proportion of income from work in decile 3 is similar to the rise seen in decile 2, which could suggest better work quality and quantity for these households.

Despite this huge shift into work for low-income households and policy changes to 'make work pay', those in the bottom 20% of incomes remain below the poverty line in 2020–23. Increasing participation and value of earnings show just a slight change in lifting incomes in the second decile over the poverty line when we compare them to 1994–97.

This means that while work has become more of an important income source for low-income families over the last 30 years, the adequacy of benefits remains critical in keeping families out of poverty. Even for households mostly just out of poverty in

2020–23 (decile 3), social security makes up one-third of their income, which is likely to be what is keeping them above the poverty line.

Some receive no income from social security

The above shows an average across households in Scotland. However, there is a significant proportion of working-age, low-income households that receive no income from social security. There could be several reasons for this, such as having NRPF, holding savings above the savings threshold, not claiming benefits you are entitled to, being sanctioned or not reporting income from benefits when surveyed.

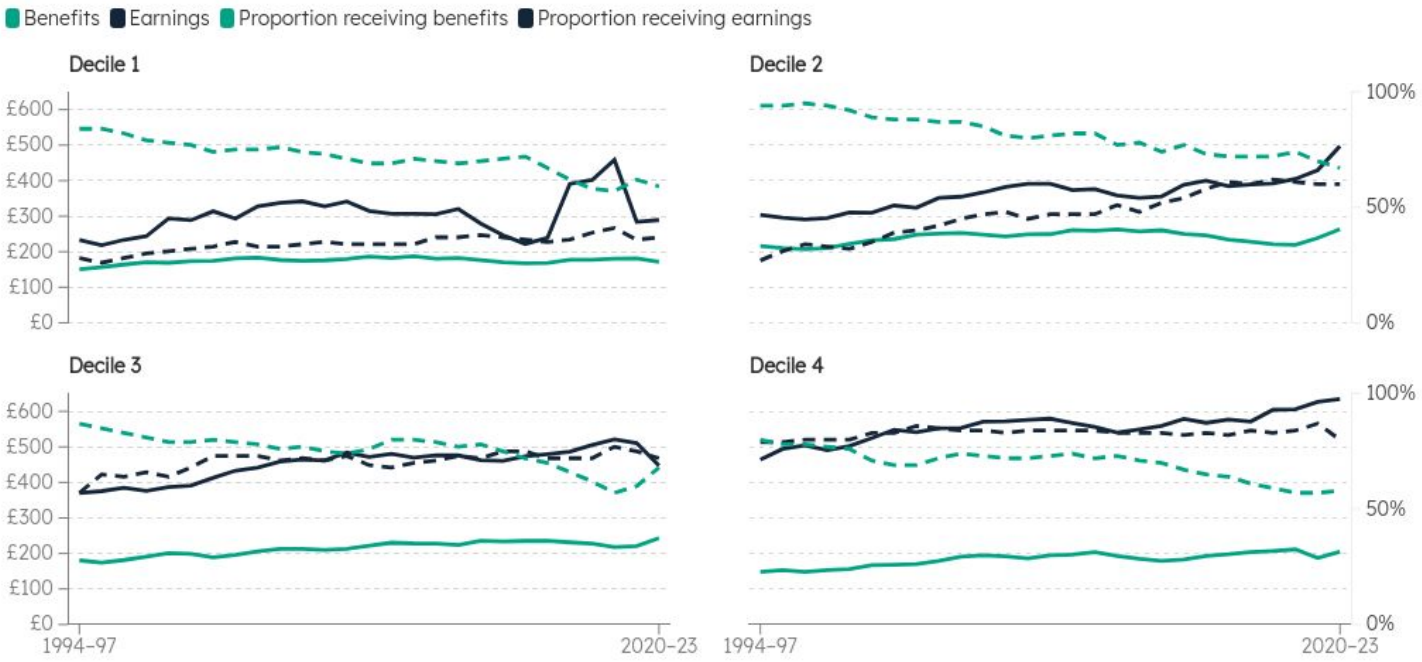
We know that there is under-reporting of benefits within the Family Resources Survey, therefore the following values likely overstate the proportion of households not in receipt of benefits. However, comparing this value in 1994–97 to the value in 2020–23 is likely to show an accurate picture of change over time, especially given the scale of the changes. The proportion of households receiving no income from social security rose from 16% of households in decile 1 in 1994–97 to 41% of households in 2020–23. In decile 2 we see that it rose from 6% of households in 1994–97 to 33% in 2020-23.

The poorest 10% of incomes are hardest hit

We know that income from earnings has grown to make up over half of incomes for working-age households in deciles 3 and 4 and almost half of working-age household incomes in decile 2. It has consistently made up the majority of incomes in deciles 5 to 10. However, as total household incomes increase from decile 1 through to 10, the

amount of income from each source and how they have grown are also important considerations in understanding how different working-age households are more or less reliant on different income sources over time.

Figure 8: Average income and proportion receiving incomes from work and benefits by total household income decile
1994–97 to 2020–23



Source: JRF analysis of Households Below Average Income
Analysis is of working-age households with some income from given source. Households not in receipt of benefits or with no income from work are excluded in calculating the mean on each income source.

This analysis focuses on working-age households that do receive some income from work or benefits and excludes those who receive no income from this source. The analysis uses nominal values and we would expect some growth over time due to inflation. However, it shows that this growth has not been seen equally across deciles and income sources.

Figure 8 shows the proportion of people with income from work or social security on the right-hand axis. Reflecting Figure 7, we see the proportion of households in receipt of benefits has fallen between 1994–97 and 2020–23 across deciles 1 to 4 while the proportion with income from work has grown.

Income from benefits grew little across the 4 lowest income deciles between 1994–97 and 2020–23. In decile 1 it rose from £150 to £171. In decile 2 it rose from £216 in 1994–97 to £262 in 2010–13 but then fell back to £219 in 2018–21 before rising due to the £20 uplift (£263 in 2020–23). Across the period, people in the lowest income decile have seen the lowest value of benefits and smaller contributions from work. Low-income households in decile 2 have seen a higher value of benefits combined with a slightly higher contribution from benefits than in decile 1.

In real terms, this means that the value of benefits has fallen for low-income families. In decile 1 income from benefits in real terms falls from £269 to £180 and in decile 2 from £386 to £274 (2022/23 prices). Both the first and second deciles have also seen a decrease in value in real-term income from work.

The level and coverage of benefits is a crucial component in generating the current income distribution in Scotland, with families in the bottom decile consistently receiving less in benefits than households in deciles 2 and 3, which may well be down to issues of benefit take-up. Additionally, if you have lower incomes from work, you would expect higher incomes from benefits. However, the fact that the value of benefits is lower in decile 1 than in decile 2 suggests that there is scope for social security to drastically lift the incomes of the lowest-income households.

The overall increase in income from employment across deciles 2 to 4 highlights the role of employers in keeping families out of poverty. When households are in insecure work, incomes are more vulnerable. This is because social security has seen less growth and makes up a lower proportion of household budgets. This also shows the importance of setting an appropriate minimum wage, with clear growth in incomes from work for households on low incomes in decile 2.

Level of support varies, but not in a good way

As expected, people in families receiving low-income benefits are at a greater risk of poverty than other people in Scotland, but even within those receiving income from social security, there are considerable variations in the level of support offered. This is not clearly tied to any objective assessment of what it takes to meet essential costs or what is a reasonable minimum given their circumstances and family type.

Let us look first at low-income benefits targeted to working-age families. In 2020–23, 260,000 people in poverty were in a family receiving UC, while 170,000 people in

poverty were in a family receiving a legacy benefit. This means that nearly half (48%) of people in families receiving UC were living in poverty while 39% of people in families receiving a legacy benefit were in poverty.

The poverty rate more than halved between 2000–03 and 2003–06 for people on a legacy benefit, from 63% to 30%. This sharp reduction was due to the introduction of Child and Working Tax Credits in 2003, which both increased the levels of support and range of people in receipt. There was also a steep fall in the poverty rate for people in families receiving UC since its introduction in 2015–18, but this is likely due to the demographic shifts in claimants as they were moved from legacy benefits to UC (from a cohort of single people to one that was more mixed).

Figure 9: Poverty rate for people in a family receiving different benefits
1994–97 to 2020–23

Source: JRF analysis of Households Below Average Income and the Family Resources Survey
Note: Legacy benefits include Child Tax Credits, Working Tax Credits, Job Seekers Allowance (excl. people receiving contributory JSA), Income Support, Employment and Support Allowance (excl. people receiving contributory ESA) and Housing Benefit.

Pension credit is a targeted benefit for low-income pensioners and its introduction in 2003 has contributed to a significant reduction in pensioner poverty in Scotland (see Figure 2). It highlights the potential for well-designed and resourced social security policy interventions to have a significant impact on poverty rates. Pension credit, despite poor take-up rates (estimated at only around 6 in 10 of those eligible), acts as a minimum income guarantee for pensioners (DWP, 2024). In 2024/25, Pension

Credit tops up a single pensioner's monthly income to £948. This can be compared to just £393 for single working-age people, over 25 years old on UC if they receive no additional payments for housing.

The poverty rate after housing costs is notably lower for pensioners (15%) than for working-age adults (21%) and children (24%). The poverty rate for people in families receiving pension credit sat around the rate for all people in Scotland between 2003–06 and 2018–21 but has since increased to 26% in 2020–23. However, poverty for people in families receiving pension credit has been consistently higher than the rate seen for other pensioners in Scotland.

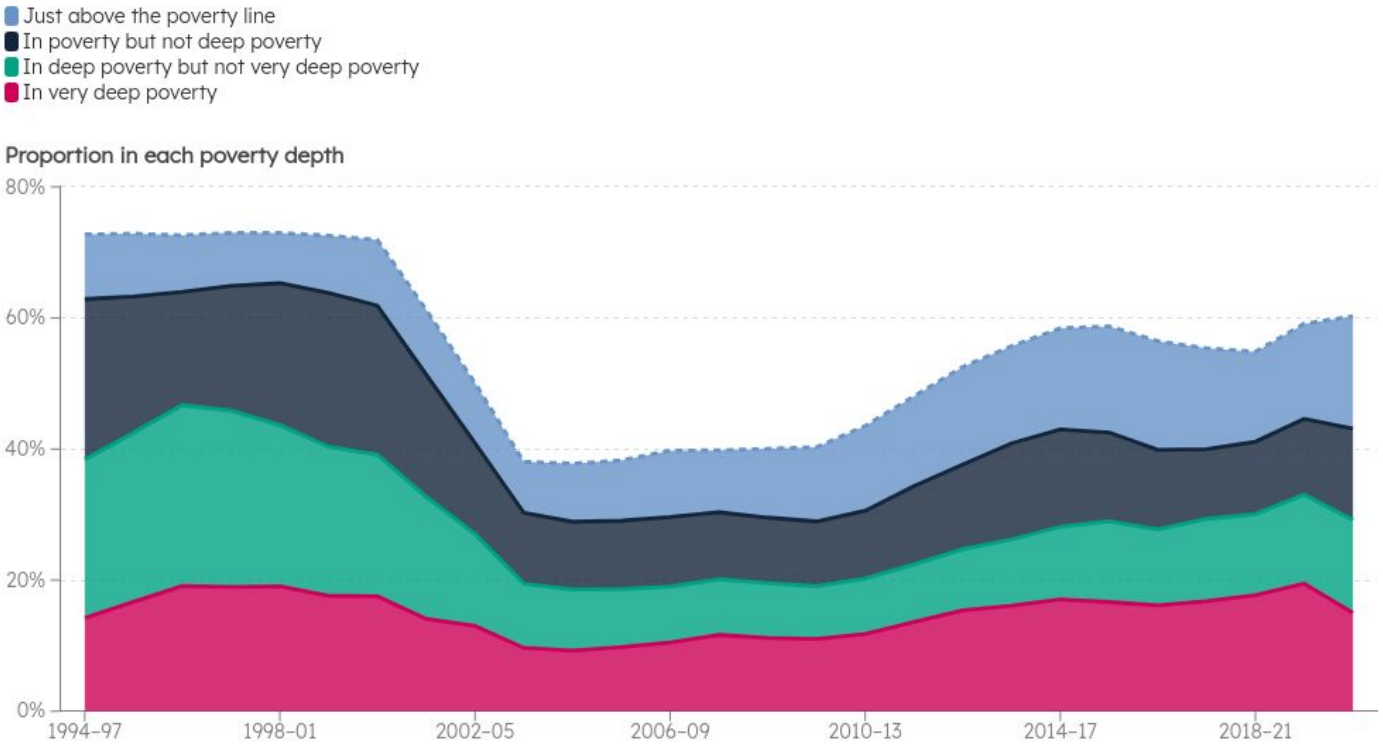
Disability benefits are not low-income benefits; their purpose is to cover the additional costs of being disabled. This could include contributing to the cost of care and support in a disabled person's home, accessing suitable transport or heating their home more. We will discuss the poverty rate for people in families receiving disability benefits in more detail below. The poverty rate, when including disability benefits as general household income, is similar to the poverty rate for all people in Scotland in 2020–23. It has risen steadily between 1994–97 and 2020–23.

Now looking at the depth of poverty for those in receipt of social security payments (Figure 10) we see that there was a significant and steep fall in poverty for people in working-age families receiving low-income benefits in the early 2000s. However, there has been a consistent rise in poverty since 2009–12.

Since 2009–12 there has been a growth in the proportion of people in families in receipt of UC or equivalent benefits in deep and very deep poverty. In 2009–12, 8% of

people in families claiming UC or equivalent were in deep but not very deep poverty, rising to 14% in 2020–23 while very deep poverty rose from 11% to 15%. There has also been a slight increase in the proportion just below the poverty line from 10% to 14%. Falls in the poverty risk for all depths of poverty in 2020–23 is likely due to the impact of the £20 uplift to UC.

Figure 10: Poverty depth for people receiving Universal Credit or equivalent legacy benefit



Source: JRF analysis of Households Below Average Income and the Family Resources Survey

While the depth of poverty has worsened for people receiving low-income working-age benefits, there has also been an increase in the proportion sitting just above the poverty line, where there is a risk of falling into poverty. In 2009–12, 1 in 10 people in a family receiving a low-income benefit were sitting just above the poverty line. This has now risen to 17%.

A social security system should keep families out of poverty. It is very concerning that so many families who receive low-income benefits are living below the poverty line, and that this has deepened over the last 15 years.

Which households are most likely to need social security?

People in some working-age households are more or less likely to have income from social security and this has changed over time. It is important to know which families are more reliant on social security to make up their income to best understand where social security changes might make the biggest impact, for better or worse.

Some of the households who experience the highest poverty rates in Scotland (single parents, large families and families with young children) are also those more likely to be in receipt of benefits and to rely on them to make up a larger proportion of their household income. Parents in these 3 family types are less likely to have all parents in full-time work due to challenges with childcare and the availability of flexible, family-friendly work.

Again, this highlights that while social security is an important lever by which we can lift families out of poverty, employers and policy-makers have a significant role to play in supporting parents who can work into good work. However, this must mean more than just improving rates of pay. It must also include employment security, opportunities for training and progression, flexible working and improved hours of work so that parents can gain a reliable income from work while juggling childcare.

Proportion of households in receipt of a benefit

In general, the proportion of working-age households in receipt of a benefit has fallen across the total population between 1994–97 and 2020–23. We would expect some household types to be more likely to receive benefits either because they qualify for a specific benefit (for example, disability benefits) or they are more likely to be living on a low income so are entitled to low-income benefits.

In 2020–23, the majority of households headed by a single parent (95%), with 3 or more children (83%), with a child under 5 (76%) and where someone is disabled (62%) received some income from social security. These 4 groups are also more likely to face additional barriers to entering the labour market.

Less than 2 in 5 households that are minority ethnic (38%), single adults without children (38%) and families where all adults are under 25 (26%) received some income from social security. For single adults without children and young adults, this is likely due to higher levels of labour market participation and/or study.

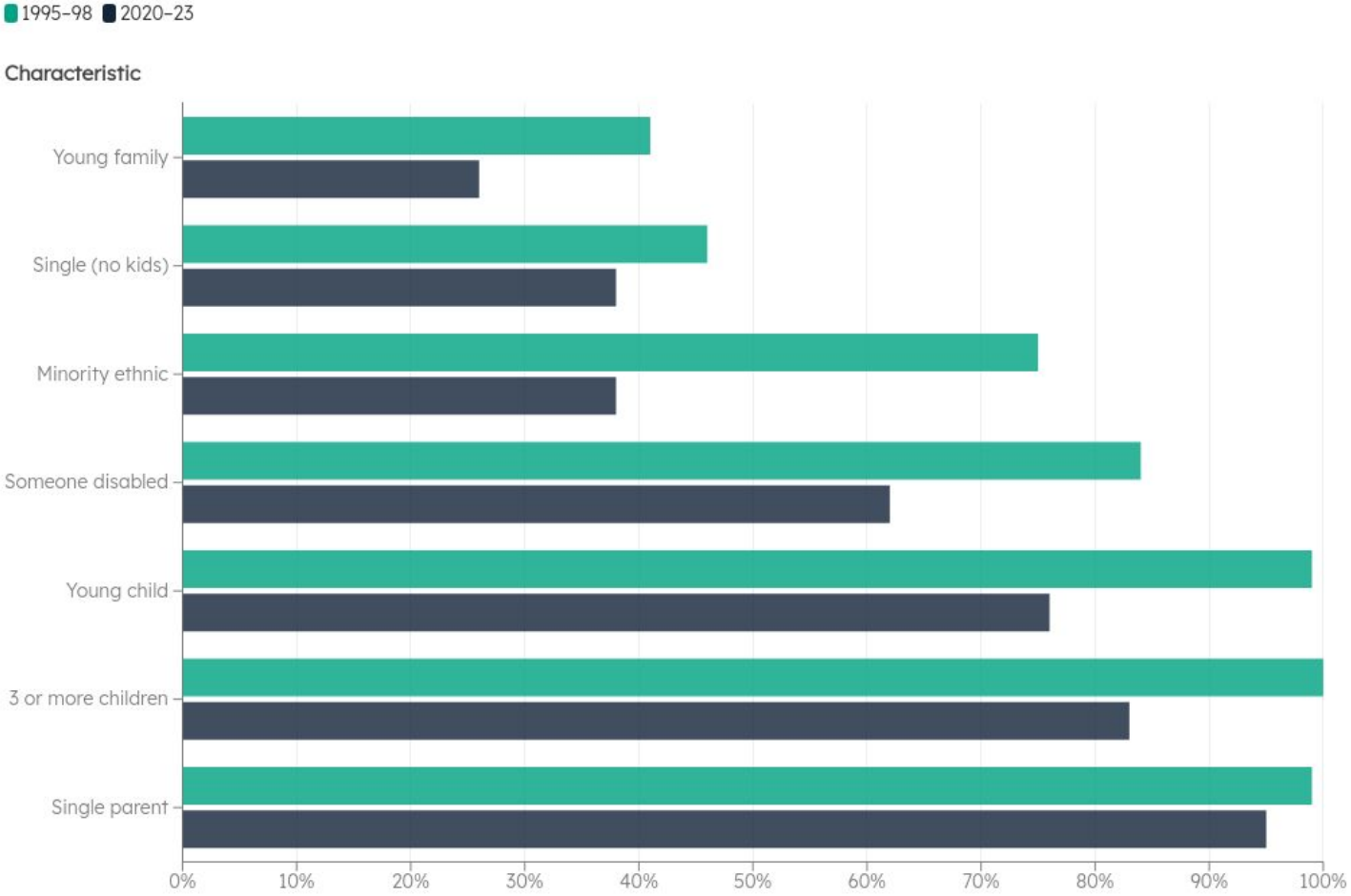
In contrast to this, 54% of minority ethnic people were in poverty in 2020–23, yet less than 2 in 5 minority ethnic households receive income from social security, and just 1 in 5 receive a low-income benefit. The lack of income from social security could be further increasing rates of poverty and deep poverty for this group. There is significant evidence that ethnic minority communities experience additional and different barriers to accessing social security than white households (Biggs, Wildman and Holman, 2024). Some examples of these barriers include a lack of information, language barriers and fear and distrust of authority, stemming from institutionalised racism and the creation of a hostile environment towards immigrants (Sanders, 2021).

Figure 10 shows that across all the household types that we looked at, the proportion of households receiving at least some household income from benefits has fallen between 1995–98 and 2020–23, following the pattern seen more broadly in the population. The biggest fall is for minority ethnic households where the proportion receiving income from social security has halved from 75% to 38% of households.

At the same time, we have seen increasing rates of poverty for people from minority ethnic communities in Scotland (Scottish Government, 2024c). With smaller sample sizes in Scotland, it is difficult to fully pick apart the reasons behind the scale of this fall. There have been changes in population size (Walsh, 2017) and demography over this period as well as the introduction of several policies that deter state institutions from providing support to immigrants, many of whom are people of colour. The combination of these factors could be one of the reasons for such a steep fall for minority ethnic households.

There has also been a large fall for households where someone is disabled (84% to 62%) and where there is a child under the age of 5 (99% to 76%). The smallest change is for single-parent households where the proportion of households receiving some income from social security has fallen from 99% to 95%. This is likely because many of the same barriers to work continue to persist to this day.

Figure 11: Proportion of households receiving at least some income from social security by household characteristic
1995–98 vs 2020–23



Source: JRF analysis of Households Below Average Incomes
Note: All groups at the household level except young family under the age of 25. We are comparing to 1995-98 due to some information being unavailable for 1994-97.

Proportion of household income made up of benefits

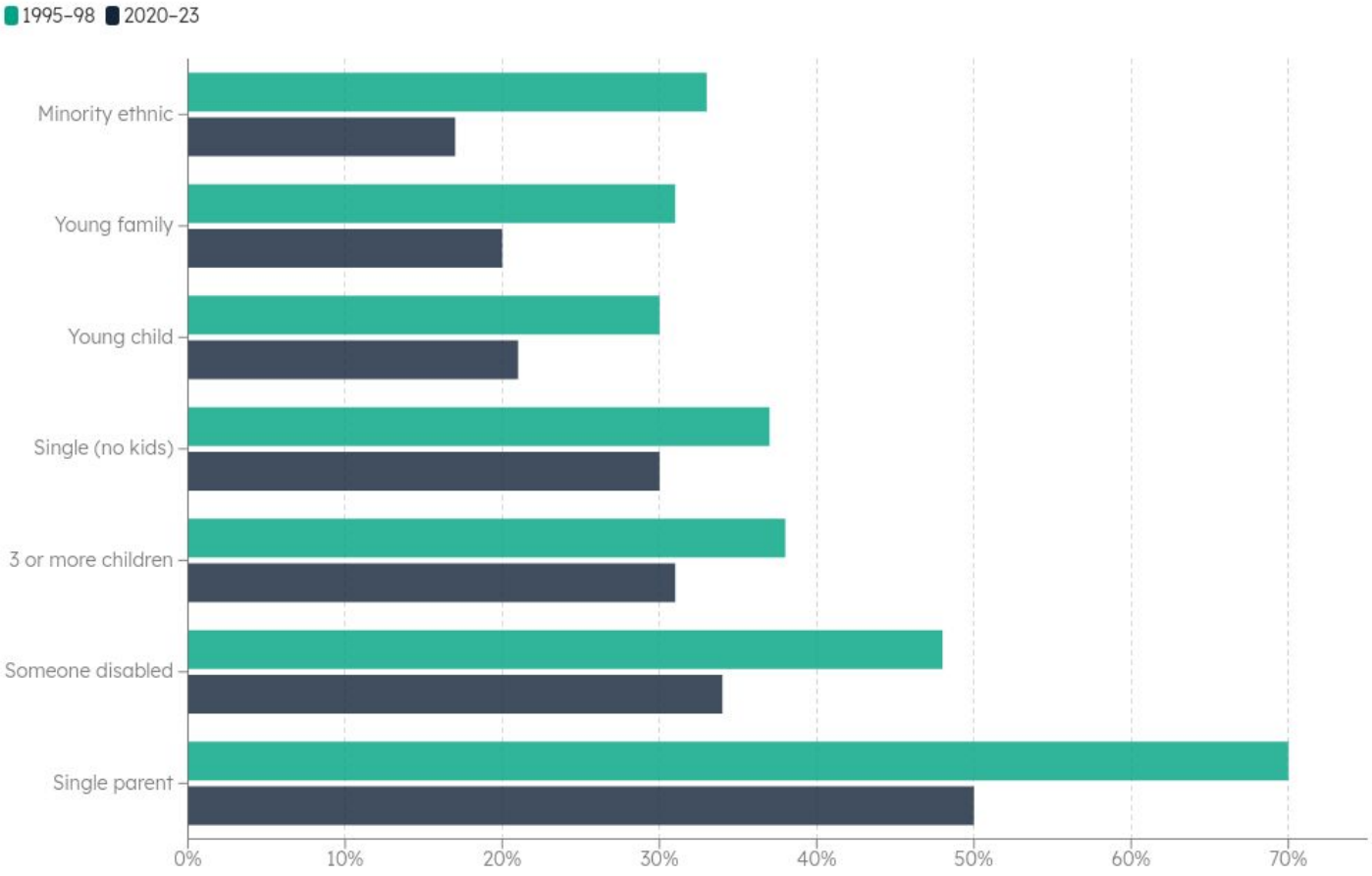
We can also see what proportion of working-age household income is from benefits to gain a better understanding of the scale of the impact that changes to social security might have on different household types. A household type where a greater proportion of income is from social security is more likely to be affected by changes to social security over, say, minimum wage.

In 2020–23, single-parent households had the biggest proportion of their incomes from social security, with social security making up, on average, half of household incomes. Around a third of household incomes are from social security for households where someone is disabled (34%), with 3 or more children (31%) or are single adults with no children (30%). On average, of the groups we looked at, benefits make up the lowest proportion of minority ethnic households' incomes at just 17%.

The trend in Figure 11 showed that the proportion of families receiving some income from social security had fallen across these household types between 1995–98 and 2020–23. Figure 12 shows that the proportion of income from social security has also fallen for these groups. This relates to the earlier findings around increasing income from work across income deciles (see Figure 7).

The biggest fall in the proportion of income from social security is seen for single parents (70% to 50%) and minority ethnic households (33% to 17%). Single adults without children and households with 3 or more children have seen the lowest fall in the proportion of income from social security (7 percentage points).

Figure 12: Proportion of household income from social security by household characteristic
1995–98 vs 2020–23



Source: JRF analysis of Households Below Average Incomes
Note: All groups at the household level except young family under the age of 25. We are comparing to 1995-98 due to some information being unavailable for 1994-97. Analysis only covers those in receipt of a benefit.

The failure of 'work first' to reduce poverty

This section shows that we have seen a reduction in the proportions of income from benefits across the income distribution, with work now being more important across income deciles. This has also been seen for household types that are more reliant on social security. Across households in Scotland, work has been an increasing source of income for low-income families, while the value of social security has stagnated. In large part, this is by design. Previous UK Government policy has been to hold back the value of benefits and prioritise pushing people into any job, with little or no concern for the quality of that work or its suitability for an individual.

As a result, for the lowest-income families, work quality and quantity have meant that their incomes have grown less than seen for higher-income households. In part, this is a symptom of the prevailing employability approach of ABC (Any job, Better job, Career). It is widely accepted that we have stalled at 'A'. Therefore, the lowest-income adults are pushed into and then remain trapped in low-paid and insecure work (Birt et al., 2023), not making the move onto 'better work' or 'career'. As we argued in Poverty in Scotland 2023, employers have more impact than ever before on low-income families.

Additionally, the impact of a stagnant social security system is not evenly distributed across families. Some families are more reliant on benefits than others due to the structure of their family (large families and single parents) or their family members' characteristics (disabled households and young children) and they will have seen a greater impact on their incomes than others. Many of these families face barriers to

entering the labour market, so they have no option but to put faith in the social security system. There is an opportunity here for changes to the social security system that will ensure adequate support for families who rely most on social security.

All in all, this leads to the conclusion that the previous UK Government's stated policy aim of reducing poverty by 'supporting' people into work has largely failed (Johnson, 2023). By weakening the adequacy of the social security system while neglecting work on job quality this has led to a significant increase in the prevalence of in-work poverty and done little or nothing to reduce overall poverty levels.

6. Cost-specific benefits

This section looks at 3 areas where social security is designed to cover costs and/or compensate for lost income so as to support families.

First, it will look at the elements of social security designed to cover housing costs. In legacy benefits this was Housing Benefit, but now is the housing element of UC. It will then go on to look at disability and caring benefits that are designed to cover the additional costs of being disabled and to increase incomes for full-time carers who are much less likely to be able to work full-time.

Housing support over time

Housing costs are often the first bill that households look to cover and therefore play a crucial role in the disposable income of a household. Families on low-income benefits sometimes get support for their housing costs. In the legacy system, this was through Housing Benefit but in the current system, it is largely through the housing element of UC. Unfortunately, in UC, the housing element is not easily reported as a separate amount. This means that in the Households Below Average Income data it is not possible to analyse the impact of the housing element of UC.

In general, rents for social tenancies will be eligible to be covered in full for those in receipt of UC. It is not always the case, however, that this is what households will receive. Households' total UC payments (or Housing Benefit payments) are subject to

means testing and will often be reduced as the household's income from work increases. This is called 'tapering'. As a result, while the household will be eligible for their rent to be covered in full their income from work will mean they have to contribute towards their social rents as well. Some households will also be subject to the 'social sector size criteria', often referred to as the Bedroom Tax or the spare room subsidy, but that is largely offset by the availability of Discretionary Housing Payments provided by the Scottish Government (via councils).

However, the amount of private rent that is covered by both the legacy benefits and UC is capped at 30% of local market rents for the property size. This is called the Local Housing Allowance (LHA) rate. This is measured over larger areas than local authorities known as broad rental market areas (BRMAs). Families whose rent is higher than this cap are required to meet the shortfall out of their other income as well as any amount they are assessed as having to contribute from their income from work.

While this is intended to limit the amount spent through social security covering the costs of private rentals, in some areas in Scotland it can be near impossible to find a property within the LHA rate (especially since LHA has been repeatedly frozen – it was frozen from 2015 to 2019, re-set to cover the bottom 30% rents in 2019 but then frozen again until 1 April 2024). Between June 2023 and now, 12 local authorities[1] in Scotland have announced housing emergencies, citing a lack of affordable homes, among other issues, such as exceptional temporary accommodation numbers. This means that low-income families unable to access social housing are being pushed

into more and more unaffordable private rents.

Analysing LHA rates vs new advertised rents

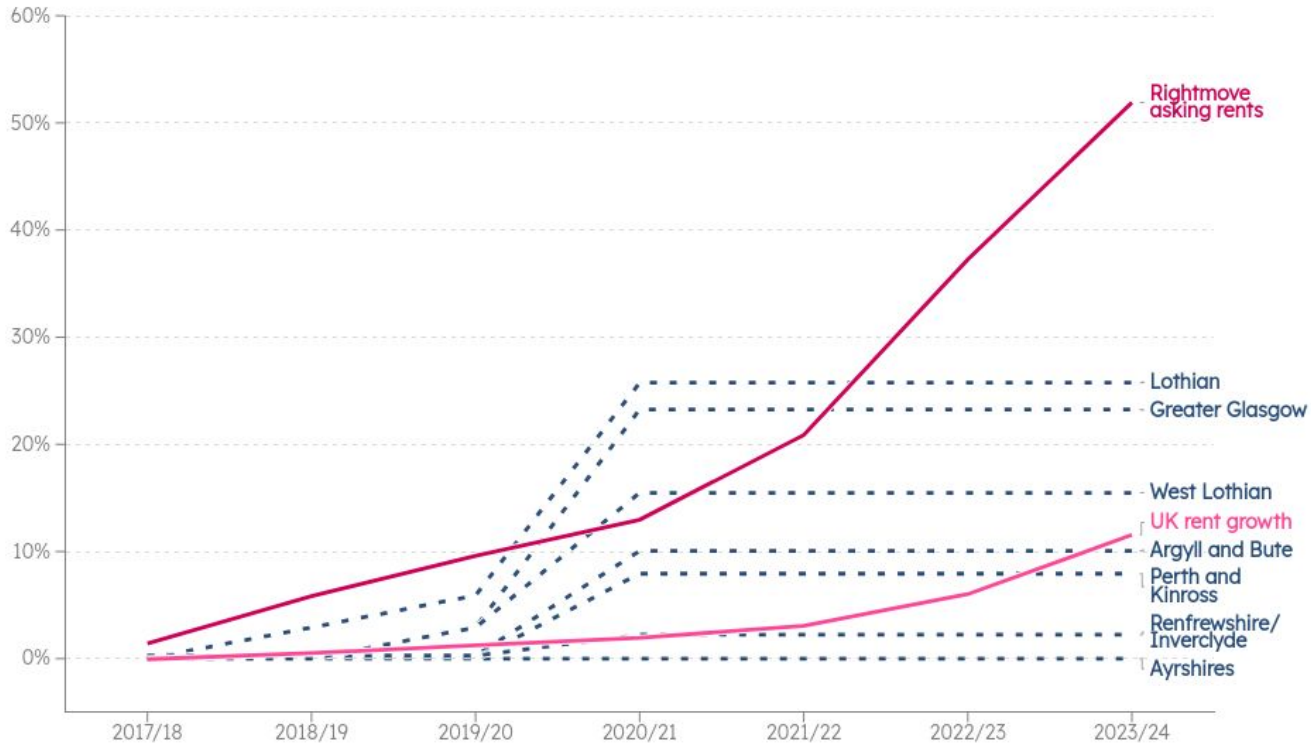
Data on the actual rents that tenants are paying across the private rental sector in Scotland are not measured well, meaning analysis of rents in the private rental sector is difficult and needs to be treated with some caution. However, there is data available on new rents in Scotland, so in that context we can explore the adequacy of LHA for a household seeking a new tenancy.

Newly advertised rents are what private landlords are asking for, per month, in this case on the property search engine Rightmove. These rents tend to be higher and more volatile than rents across the whole private sector as they only measure the rent on new tenancies. Landlords tend to use changing tenants as an opportunity to raise rents. This is even more so in recent years when they are reacting to inflation, increased interest rates and the relaxation of rent controls, introduced during the pandemic and unwound by the end of March 2024. Monitoring new rents, though, is particularly relevant in the context of a constrained supply of social housing and where tenants need or want to move as it is a better definition of what will be affordable to them on the open market.

Figure 13 shows this measure against the relevant LHA rates of the last 6 years. It shows that new private rents in Scotland have grown at a much faster rate than LHA rates, even in the areas that have seen the largest uplift in LHA rates (Edinburgh and Glasgow). Growth in LHA rates varies a lot across the country. In the Ayrshires, there has been no growth in LHA rates since 2017–18. Argyll and Bute, where a housing

emergency has been declared, has seen similar growth in LHA rates as seen in rents more generally in the UK (10% and 12% respectively). In the greater Glasgow and Lothian areas the LHA has grown the most, about a quarter more than the rates seen in 2017–18. All of these are significantly less than the growth seen in new rents that are now over 50%, higher than was seen in 2017–18. This means that current LHA rates are unlikely to cover new private rents across the country.

Figure 13: Cumulative growth of LHA rates for 2-bedroom properties, UK private rents and Scottish asking rents



Source: JRF analysis of the Housing Price Index, Rightmove quarter 4 rents, LHA rates for selected BRMAs

Looking more broadly at housing costs for families on UC or equivalent low-income legacy benefits (irrespective of their tenure), we see that housing plays a significant role in pulling them into poverty:

- 1 in 10 people are pulled into poverty due to their housing costs
- 1 in 5 people are in unaffordable housing, spending 30% or more of their income on housing costs
- high housing costs are a major contributor to pulling families into poverty with 1 in 4 people in high-cost housing being in poverty for this reason.

It is clear that housing costs play a significant role in pushing people in receipt of benefits into poverty. The LHA was intended to cover reasonable housing costs, but for many people in receipt of low-income benefits, it does not cover their housing costs, which therefore eats into their remaining household income and pushes many into poverty.

Disability and care

Disability, benefits and poverty

As we note in more detail below, there is a significant body of evidence regarding the additional costs that disabled people face as a result of their disability (Scope, 2023) and the social security system attempts to offset those costs, principally through non-means tested payments to disabled people.

Before the devolution of key disability benefits to the Scottish Parliament, this was principally done through the Disability Living Allowance and its successor Personal Independence Payments (there were separate payments for children and pensioners). Social Security Scotland now administers 'Disability Payments' for eligible people in Scotland (with separate payments for children, working-age adults and pensioners). The full caseloads of recipients in Scotland are not yet all on the relevant Social Security Scotland payments so we simply refer to these non-means-tested payments as 'disability benefits'.

It is an important principle of equity that disability payments are not means tested; they should act as a societal safety net for all disabled people to mitigate the additional costs that they face as a result of being disabled. They are not, therefore, intended to support low-income families or to avoid families falling into poverty. This is in contrast to support like the SCP, which is intentionally targeted at low-income families so as to reduce poverty (or at least alleviate it).

Often in political debate this point is lost and disability benefits are seen as an anti-poverty measure. Of course, if they did not exist, far more disabled people would be left with inadequate incomes, but the fact that disability payments are often talked about in the same context as poverty shows their underlying inadequacy and the threadbare nature of support for disabled people and their families who do experience low incomes.

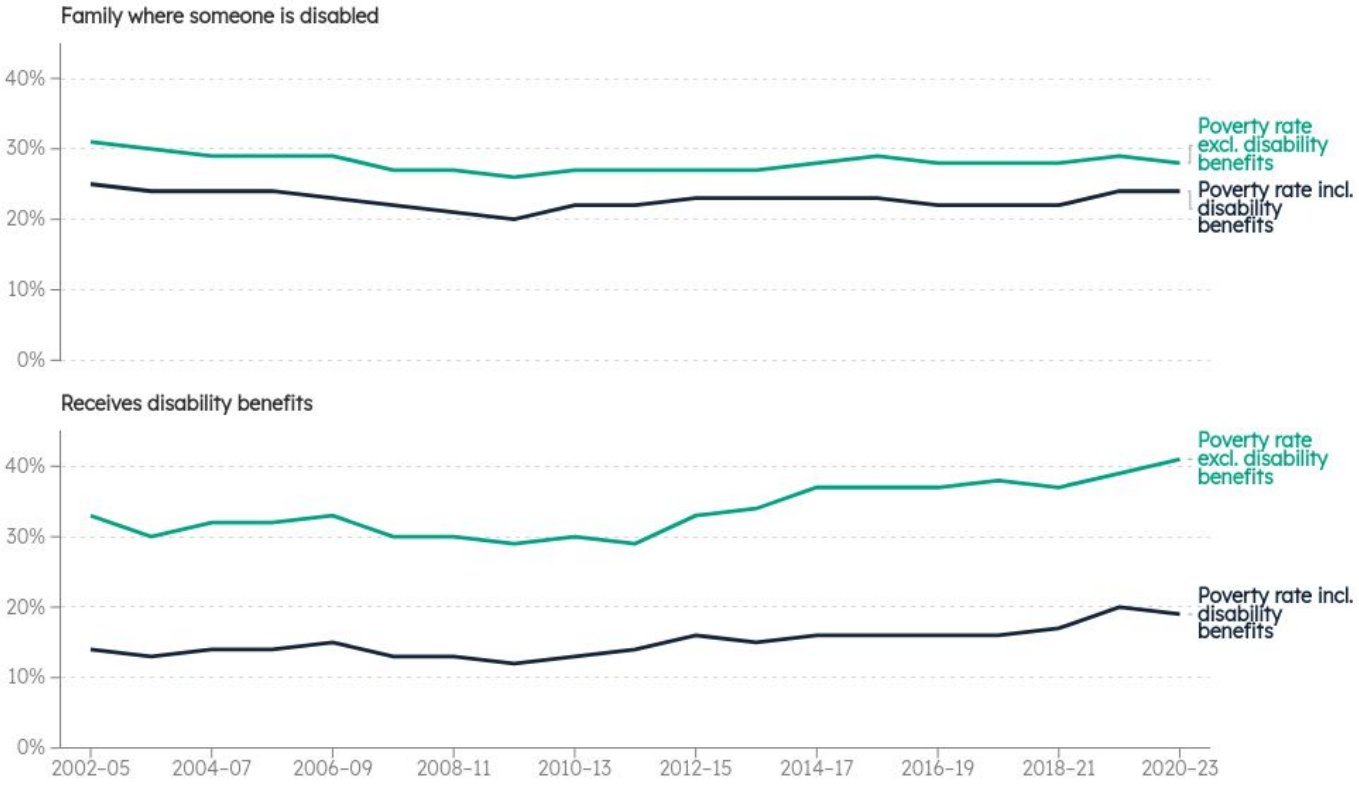
As a result, how disability benefits are treated in calculating poverty rates is crucial. This is because poverty rates are calculated using a household's total income from all

sources including from work and benefits, crucially including disability benefits. As disability benefits are intended to cover the additional costs of being disabled, they do not contribute to a household's disposable income; that is, the funds are not available to spend on day-to-day costs. This means that using the total household income including disability benefits overestimates the incomes of households in which someone receives disability benefits, masking the risk of poverty for those households.

To show the impact of this, we can look at poverty rates for families where someone is disabled and families where someone receives disability benefits to see what happens to the poverty rates when disability benefits are excluded, better reflecting the money available to these families.

This section will look at 2 key groups: people in households where someone is disabled, and within this group, people in families receiving disability benefits.

Figure 14: Comparing poverty rates with and without disability benefits



Source: JRF analysis of Households Below Average Income and the Family Resources Survey

When we compare poverty rates including and excluding disability benefits, we see increased levels of poverty for both people in a family where someone is disabled and families receiving disability benefits. People in families where someone is disabled number around 2.4 million people in 2020–23, of whom only around a quarter are in a family that receives disability benefits. For people in a family where someone is disabled, the poverty rate in 2020–23 increases from 24% (already higher

than the population average of 21%) to 28% when you exclude disability benefits. The gap between poverty rates when you include and exclude disability benefits has remained around 5 percentage points between 2002–05 and 2020–23.

Focusing only on people in families who receive disability benefits, we see a much larger impact on the poverty rate when we exclude these payments. In 2020–23 the poverty rate doubles for people in families in receipt of disability benefits when disability benefits are excluded, rising from 19% to 41%. This gap has widened over time, with poverty rates 15 percentage points higher in 2011–14, when benefits are excluded, rising to 22 percentage points higher by 2020–23. For people in families receiving disability benefits, the poverty rate including disability benefits has risen slightly. However, this has increased even faster when disability benefits are excluded creating a further divergence in the poverty rates with and without disability benefits.

This is likely due to a combination of factors: the value of disability benefits and low-income benefits, and changes to median incomes over time.

Disability benefits have increased in line with inflation over this period while other low-income benefits were frozen between 2016 and 2020 and have yet to ‘catch up’. Eight in 10 families in which someone receives disability benefits have no adults in work so are more likely to rely on low-income benefits to make up their household income. We find that 48% of families that receive some income from disability benefits also receive a low-income benefit such as UC. As the value of these benefits has fallen behind inflation while the median income has continued to rise, this is likely to lead to increasing poverty whether disability benefits are or are not included. This

explains why poverty is increasing for families in receipt of disability benefits, even when disability benefits are included.

As disability benefits have actually kept up with inflation, they have made up more of a household's income over time too. In 2011–14, for households where one or more persons received a disability benefit, disability benefits made up 18% of a household's income. In 2020–23 this increased to 21%. This means that when disability benefits are excluded, low-income families in receipt of disability benefits are even more likely to be pulled into poverty.

The additional costs of being disabled

It is clear, then, that removing disability benefits from total household income is a better way to measure poverty for families where someone is disabled. Yet there is evidence that disability benefits do not cover the full cost of being disabled and that the barriers experienced by disabled people often mean that they pay more for goods and services than people who are not disabled (Scope, 2023). This means that living with a disability can continue to eat into a household's remaining income. Scope found that in 2023, after taking into account disability benefits, the average disabled household faces extra costs of £975 per month.

One large cost for some disabled people is the cost of paying for adult social care. Adult social care covers a wide range of activities that support older or disabled adults to live independently (The King's Fund, 2024). In Scotland, adult social care is funded through local authorities, with authorities charging for self-directed social

care for individuals whose income falls above a given threshold. If an individual has an income over the threshold, each local authority has the option to set the cost of different care provisions and to set a taper on how much an individual is expected to contribute, ranging from 30% to 100% of care costs.

The Scottish Government has committed to end social care charging for non-residential care by 2026, but reaching this goal is currently looking unlikely.

Under the current system, setting a protected income threshold is positive and means that some income is seen as essential. However, the threshold is low and is not tied to the actual costs of living, making it hard for low-income families that need social care to cover the cost of essentials in reality. For example, some families receiving UC are expected to contribute to care costs. Therefore, while self-directed support is desirable because it allows disabled people to choose the care that supports them best, social care charges can make it even harder for low-income disabled people to make ends meet.

Another challenge for people using adult social care in Scotland is that costs vary both between local authorities and from year to year. Local authorities can increase the expected contribution of families towards care costs and the individual costs for services at the beginning of a financial year. This has raised some serious challenges for disabled people during the cost-of-living crisis when costs have gone up across the board. Additionally, this has resulted in a ‘postcode lottery’ for disabled people over their social care costs.

If this government cannot deliver its promise to end social care charging by 2026, it must, at a minimum, increase the income threshold to reflect a suitable standard of living until then.

How social security is failing disabled people

As we set out, there is already evidence that disability benefits are making up a greater proportion of income within households where someone is disabled. This means that it is increasingly likely that households are either unable to meet the additional costs of being a disabled person and/or unable to meet their other basic needs.

As the poverty measure excluding disability benefits does not take into account these additional costs faced by disabled people, we can also look at whether people who are in families where someone is disabled or in receipt of disability benefits are more likely to be living in material deprivation. Material deprivation measures, which are based on whether families say they are unable to access or afford a range of particular goods and activities, are useful for understanding how much costs might be eating into a family's disposable income. The goods and activities that are used in this analysis vary depending on whether the person is a child, working-age adult or pensioner.

There are clear differences in the likelihood of experiencing combined low-income (less than 60% of the median income) and material deprivation for families where someone is disabled: 13% of children and 15% of working-age adults in a family where

someone is disabled were in households below the poverty line (including disability benefits) and in material deprivation. This is more than triple the rate seen for children and working-age adults in families where no one is disabled (3% and 5% respectively). We also see a similar pattern for working-age adults in families in receipt of disability benefits, with 13% of working-age adults in combined low-income and material deprivation compared to 8% in families not in receipt of disability benefits.

As we noted above, this creates the insidious position that many disabled people face today. Those either unable to work or excluded from the job market by employers, a lack of transport or social care must rely on the means-tested elements of the social security system with the broader weaknesses we highlight in this report. On top of that, low-income households where someone is disabled will also have to make up the gap between their disability benefits and the actual additional costs that they face or, just as likely, go without crucial support that would guarantee their independence and dignity.

Caring and poverty

In Scotland, 430,000 adults provide informal care for a disabled adult or child. Some carers, performing full-time care (35 hours or more), are eligible for Carer's Allowance (UK-wide) or Carer Support Payment (living in certain areas of Scotland).

One in 4 (26%) carers and 1 in 3 (34%) people in families receiving Carer's Allowance were trapped in poverty in 2020–23.

> "I think carers need a better help or assistance [...] They're doing a job basically for free. [...] But it's the prevention of being able to go into the workplace and work full time and things like that. So I think I would like to see some kind of better help and understanding for carers."
>
> Andrew, Dundee

Andrew tells us how caring full-time means he cannot work, reducing his chance of receiving an income from employment while taking on significant caring responsibilities for his son.

As we would expect, we find that as the hours of care increase, there is a decrease in the proportion of working-age carers who are in work. Of those working-age carers caring 35 hours or more a week, 67% were not in work. This is compared to 32% of working-age carers caring for less than 20 hours a week and just 26% of working-age adults who are not carers.

Disability and caring benefits are closely linked, with half of families in receipt of Carer's Allowance also receiving a disability benefit.

7. What has happened to the value of low-income benefits over time?

This section will look at the value of benefits over time for different types of families. It will focus on families without children (single adults and couples) and families with children (couples with children, single parents and large families).

It uses real-term values so that we can adjust for inflation and see the 'real' change in benefits and earnings over time. It looks at the value of different income sources and benefits (in 2022/23 values) and compares it to the poverty line over the last 10 years.

Using real-term values makes it simpler to think about what costs these incomes can cover at the current moment. This allows us to more easily compare what the value means for families over time and think about whether the rates are adequate.

Throughout this section, it is critical to keep in mind these key values of adequacy, equity and fairness. Families should not be in poverty, and benefits should help to lift families out of poverty providing a fair and adequate safety net.

Income: Some of the families have hours of work at the National Minimum Wage/National Living Wage (NLW) and this is included as part of their income, minus any tax that they may pay (including Council Tax). Others, including some of

the working families, are also entitled to benefits and we have assumed that they are claiming everything that they are entitled to. None of the families have a disability benefit or carer's allowance. We also assume that the families do not have any deductions coming directly from their UC payments. When we compare total income after taxes to the poverty line we use the before housing costs (BHC) poverty line.

Housing: All families, unless otherwise stated, live in Fife in a private rented property that was sitting at the 30th percentile for the given year. This is a reasonable assumption for some areas where there is not a shortage of private rents. However, in some areas in Scotland, there are high levels of competition for accommodation, making it harder to find a property at this lower end. Additionally, these rents are likely to reflect a family that has not moved home. As we saw in Figure 13, new rents have grown rapidly, outpacing the support available for those costs, meaning that when families wish to move they may have to accept higher rents and meet the gap in costs from other income. We also have some examples with 'higher rents' where we have estimated rents at the 50th percentile by increasing 30th percentile rents by 12% (Watson, James and Gibb, 2023).

When we refer to housing costs, we also include Council Tax (including water rates) in the total costs. All one-bedroom properties were assumed to be in Council Tax band B, 2-bedroom properties in Council Tax band C and 3-bedroom properties in Council Tax band D. These Council Tax bands are at the low end of the scale and many families in such properties could be in higher Council Tax bands. Where relevant, we have applied the Council Tax and water- reduction schemes. When we compare their

income after they have paid for housing, we use the after housing costs (AHC) poverty line.

All of the above information has been converted into 2022/23 prices.

Families without children

This section will explore incomes, including benefits, for working-age adults without children. It will begin by looking at the adequacy of benefits as well as some of the key failures in benefits that create the current poverty trap. Single working-age adults without children have some of the highest poverty rates in Scotland: 1 in 3 single men and 1 in 4 single women are in poverty. Couples tend to fare better but are also given little support through the benefits system.

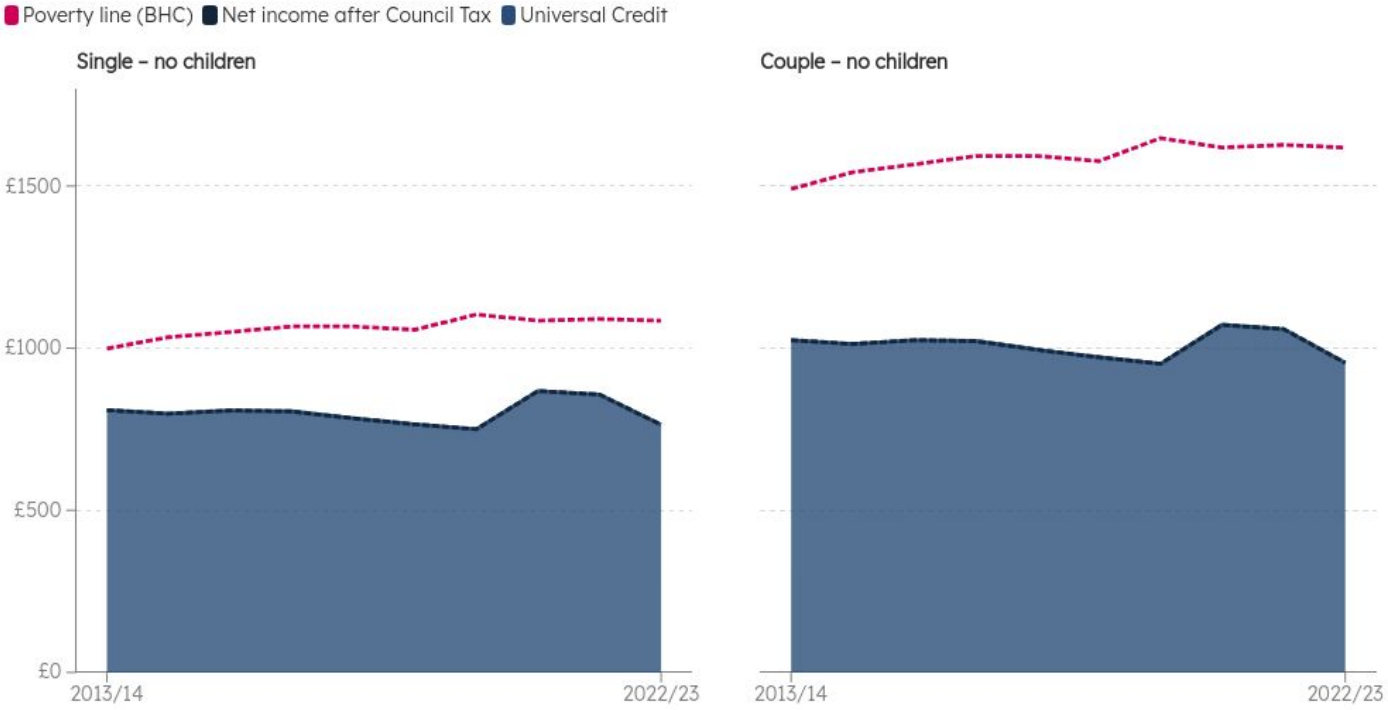
Basic rate of benefits for adults without children

The basic rate of benefits is what is paid to adults in families without children when they are not in work. These have consistently left working-age adults, both single and couples, significantly below both the before and after housing costs poverty lines. The value of benefits has also fallen over time. For a couple, it has fallen from £1,025 per month (including the housing element) to £955 per month between 2013/14 and 2022/23, and for a single adult, it has fallen from £809 to £764 per month. Although there was a temporary increase in benefits in 2020 due to the temporary £20 uplift during the pandemic.

As the value of benefits has fallen slightly but housing costs and the median income have grown, low-income families reliant on the basic rate of benefits have fallen further below the poverty line (AHC) between 2013/14 and 2022/23. In 2013/14, single people had an income after housing costs that was 52% below the poverty line (AHC), in 2022/23 this has fallen to being 64% below the poverty line (£526 per month). For couples, over the same period, this fell from 55% below the poverty line (AHC) to 65%.

This is not the safety net that we should all be able to rely on. Instead, it plunges people into deep poverty and destitution.

Figure 15: The basic rate of out-of-work benefits (including housing element) for single adults and couples without children
2013/14 to 2022/23



Note: All values in 2022/23 real terms. Assumes the family live in a lower-cost private rented, one-bedroom property in Fife.

Figure 16: Income after housing costs for single adults and couples without children

Note: All values in 2022/23 real terms. Assumes the family live in a lower-cost private rented, one-bedroom property in Fife. Housing costs include total rent and water rates.

Age and benefits

For households where adults are below the age of 25, their benefits entitlement is even lower than for older working-age adults. In 2022/23, a single adult under 25 who was not in work was entitled to just £265 (excluding housing costs) while couples (both under 25) were entitled to £335 per month under UC.

In 2022/23, both single and couple working-age adults where all adults are under 25 would have an income around 75% below the poverty line (AHC). This is not acceptable and there is no clear reason as to why younger adults should be entitled to a lower rate of benefits than adults aged 25 and over. The EPSG highlighted the unfairness of the lower rate for adults under 25, focusing on the fact that people above and below the age of 25 both need the same essentials and they cost just as much.

> "Sure, whether you're a couple or a single person at the age of 24 or at the age of 26, it's only a 2-year difference. It's no cheaper for the 24-year-olds to live than it is for the 26-year-olds. Nothing is less for them. They eat just as much, they use just as much gas and electricity, they're out working maybe just as much as what the 26-year-old does, so they still need all the costs for getting to work."
>
> Laura, Glasgow

The lower rate for claimants under 25 also assumes that adults under 25 should and could live with family which for many is not possible while for others, they have their own family to care for.

In addition to lower rates of benefits, many younger workers also experience a lower rate of pay. This means that even adults under 25 who are in work (whether claiming UC or not) are effectively required to work more hours per week to reach an acceptable standard of living. The Low Pay Commission has now been instructed by

the new UK Government to end this inequality by ensuring the highest band on National Minimum Wage (National Living Wage) (NLW) applies to 18–25-year-olds by 2025 (Department for Business and Trade, 2024).

Work taking the load

As we saw in the earlier section, the proportion of income from work, and the value of earnings, has increased over time for low-income families. Work has helped to keep some families in Scotland out of poverty.

Between 2013/14 and 2022/23, for couples and single working-age adults without children, moving all adults into full-time work pulls families out of poverty before we consider their housing costs.

For couples, full-time work keeps them safely over the poverty line (AHC), even when accounting for housing costs. However, single adults fall below the AHC poverty line in 7 out of 10 years and sit around the AHC poverty line across the period.

Couples receive no social security support while support for single people has fallen dramatically receiving the equivalent of £203 per month in 2013–14 and no support in 2022–23. This is in part due to the removal of the work allowance for working-age adults without children in 2016–17.

For single adults not in full-time work, their situation becomes much more precarious. Even if they are working 3 days a week (25 hours) on the NLW they remain in or at

risk of poverty. They hover close to the poverty line BHC and fall into poverty AHC over the whole 10-year period. They get minimal support from the social security system, the equivalent of £366 per month in 2013/14 and £199 per month in 2022/23. They are entitled to a single occupancy reduction in Council Tax but earn too high an income to meet the requirements for the Council Tax Reduction Scheme.

For couples, they remain above the poverty line (BHC) if one adult works full-time and the other works part-time (16 hours) when we do not consider housing costs. Between 2013/14 and 2015/16 they would receive a small amount of income from UC (less than £100 per month), but this support goes once the work allowance for families without children is removed in 2016/17.

When we include housing costs, they fall below the poverty line (AHC) in 7 out of 10 years. The increasing value of the minimum wage in recent years means that couples have an income at or above the AHC poverty line since 2020–21.

This highlights the vulnerability of families without children where adults cannot work full-time. Even single adults, working full-time in lower-cost housing, are pulled into poverty after housing costs if they are paid only the NLW.

Housing costs

For low-income families in work, housing costs can play a significant role in pulling families into poverty who would otherwise have incomes that would keep them above the BHC poverty line. While work may protect their incomes BHC, unaffordable

housing can pull them below the AHC poverty line.

As can be seen for single working-age adults who are working full-time on the NLW, even in 'affordable' rented housing, rents would still leave them in poverty AHC in 7 out of 10 years. If their housing costs were any higher (for example, they had experienced a higher-than-average rent rise or were in a higher Council Tax band) they could easily be pulled into poverty. These differences are far from improbable. As can be seen in Figure 13, on average, new rents in Scotland have grown much faster, so if this family had to move during the 10-year period, their monthly rent would likely be higher.

If a single adult working full-time on the NLW was to move from a more affordable 30th percentile rent into a rent closer to the middle of the market (50th percentile) they would fall into poverty (AHC) in all 10 years. After the change in the work allowance in 2016/17 they would receive minimal support through the social security system receiving the equivalent of £27 or less per month in 4 of the 7 remaining years.

In Figure 17 we show that a couple (one working full-time and one working part-time on the NLW) in a rented property in the middle of the market would be pushed into poverty for the entire 10-year period.

Figure 17: After housing costs poverty for single adults (working full-time) and couples (one full-tim

This level of vulnerability within the rental market is deeply concerning.

While housing also poses serious challenges for families with children (particularly large families), it highlights the lack of a safety net in place for adults without children even when they are in work. Considering that for the last 10 years, the Government has talked about valuing hard-working families and the new UK Government has a significant focus on getting people into work, there clearly must be a change in the system if full-time work while living in affordable housing can continue to leave working families in poverty.

Families with children

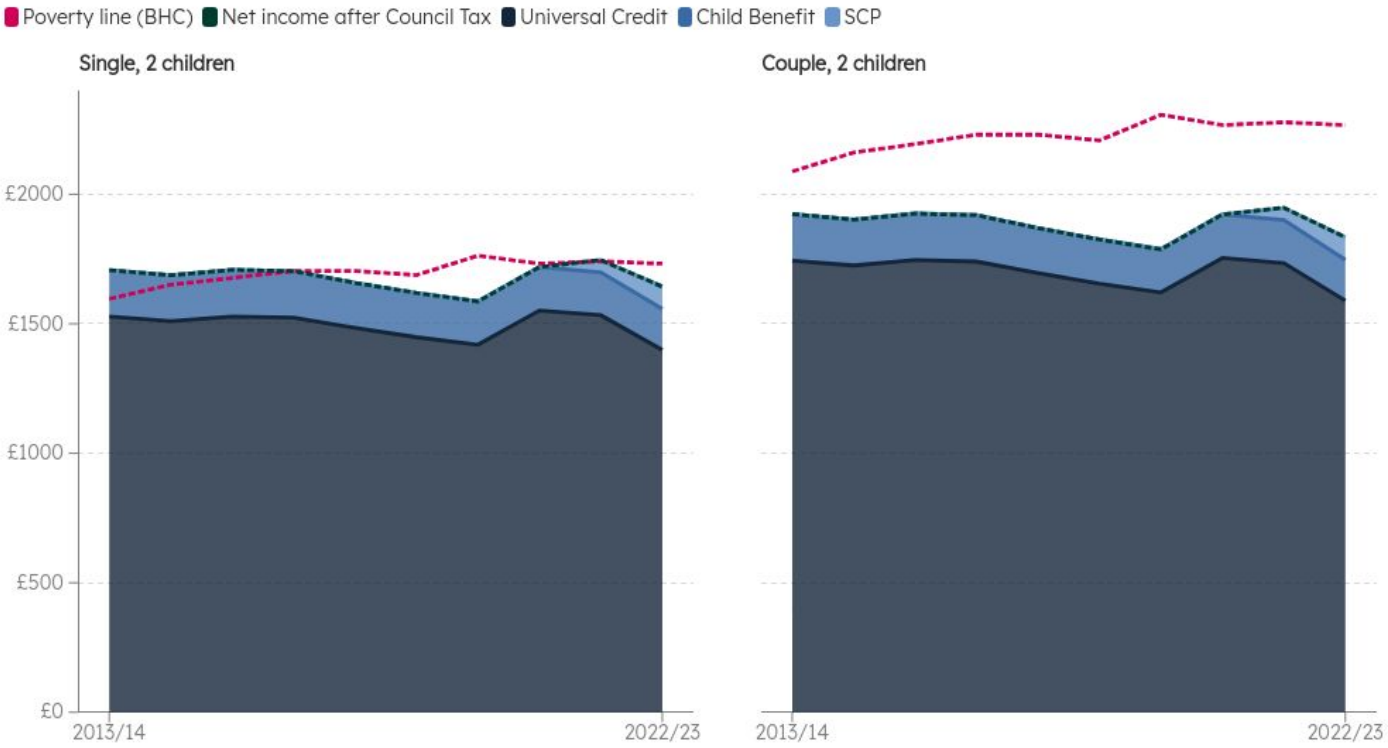
This section will explore incomes, including benefits, for families with children. It will begin by looking at the adequacy of benefits for families with 2 children where one is pre-school and one is primary-aged where no parents are in work. It will then go on to look at some of the challenges faced by families with children, touching on some of the Scottish Government's priority families.

Basic rate of benefits for adults with children

Single parents with 2 children (one pre-school and one primary-aged) who are not in work sit on or fall below the poverty line (BHC) in 5 out of 10 years and are below the AHC poverty line across the full 10-year period. Couples with 2 children (one pre-school and one primary-aged) who are not in work fall below both the AHC and BHC poverty lines in all 10 years.

For families with children, the value of benefits has also fallen, however, the introduction of the SCP and the £20 uplift to UC during the Covid-19 pandemic has meant that this fall has been reversed in the last few years. However, this reversal has stalled since the removal of the £20 uplift leaving couples with 2 children in 2022/23 with almost £90 less per month to survive on than they would have received in 2013/14.

Figure 18: The basic rate of out-of-work benefits (including housing element) for single adults and couples with 2 children (one aged 0–4 and one primary school-aged)



Note: All values in 2022/23 real terms. Assumes the family live in a lower-cost private rented, 2-bedroom property in Fife.

The gap between incomes after housing costs and the poverty line (AHC) has widened for families with children. In 2013/14, a single-parent family with 2 children would have had an income 9% below the AHC poverty line; in 2022/23 they are 24% below the poverty line. For couples with 2 children, their income in 2013/14 was 24% below the AHC poverty line and in 2022/23 it was 37% below it.

Work for families with children

Before continuing this section, there are clear barriers for many parents to work, particularly full-time work. For parents, the cost of childcare and lack of flexible working can make juggling family and work life difficult. Childcare costs are also not included within the calculation of the relative poverty line so families may have higher incomes from work but some, often a high proportion, can be consumed by childcare costs.

That being said, it is also crucial to a child's development that they can spend time with their parents. Ultimately it should be each household's choice as to how they balance their income, work opportunities and spending time with their children. But low-income families are often left with impossible choices that all end in a constant struggle to make ends meet.

Families with children are allowed to earn some income from work before their benefit payments get reduced. This is called the work allowance. Since 2016/17, adults without children have had their payments reduced unless someone in the family has a disability that limits their ability to work. The amount you lose depends

on the taper rate. In 2022–23 for every pound you earn, you lose 55p of your UC.

The combination of the taper rate combined with the cost of childcare means that for many parents work does not pay. This is particularly stark for single-parent households in which one parent must juggle supporting and caring for their family with the household finances. As pointed out by a member of the EPSG, the social security system needs to be understanding of the additional responsibilities and juggling required by single parents and build this into both its rates and expectations for single parents.

> "I think with single parent one should be higher than anything else 'cause they're under the most pressure to provide."
>
> Zain, Glasgow

A single parent of 2 children (one pre-school and one primary-aged) working 16 hours a week has an income above the BHC and AHC poverty lines across the 10 years. In 2013/14, two-thirds of their income came from benefits (UC and Child Benefit) and one-third came from earnings. In 2022/23, this has fallen to 58% of their income coming from benefits, including new support through the SCP. In the most recent years (2020 to 2023) this family has moved further over the AHC poverty line, with the £20 uplift (now removed) and SCP keeping them from falling into poverty. In 2019/20, prior to the £20 uplift, the family sat at only around £10 per week (in 2022/23 terms) above the poverty line.

For a couple with children the same age, with one parent working full-time and one not working, the family sit above the BHC poverty line for the 10-year period. In 2022/23 they would be 11% above the poverty line (BHC). After housing costs, they would sit at or fall below the poverty line (AHC) in all 10 years.

If the second parent moved into part-time work (16 hours) the family would be lifted slightly higher over the poverty line, 24% above the poverty line (BHC) in 2022/23. The move into part-time work would also keep this family above the AHC poverty line for the entire 10-year period. For couples in both work scenarios, the growth in household incomes is due to the growth in income from work.

Young parents

Like adults without children, young parents receive a lower rate of UC than adults 25 and over. However, if they are in work they do receive the same work allowance as older parents. The Scottish Government include children with a mother under 25 in their priority families (although there are challenges in analysing this within the data) as they are at a higher risk of poverty.

Young parents not in full-time work are pushed further below the poverty line due to this lower rate of UC for adults under 25.

One of the members of the EPSG reflected on her experience as a single, young mother of 3 children after her relationship broke down:

> "I was 24 and a single mum of 3 kids and so I was getting a lower [age-based] rate and nothing for my third child. I got so done over by the system. [...] I can't understand why you would get paid less; it's not adequate."
>
> Alex, Fife

One key point that has become apparent across this research is that these failures within the system do not act alone: they frequently intersect, making the situation even worse for some families. As can be seen in this case, Alex was affected by both the lower rate for adults under 25 and the 2-child limit. This left her in a significantly worse financial position than a parent a few years older who had had their children at the same age but whose third child was born before April 2017.

Large families

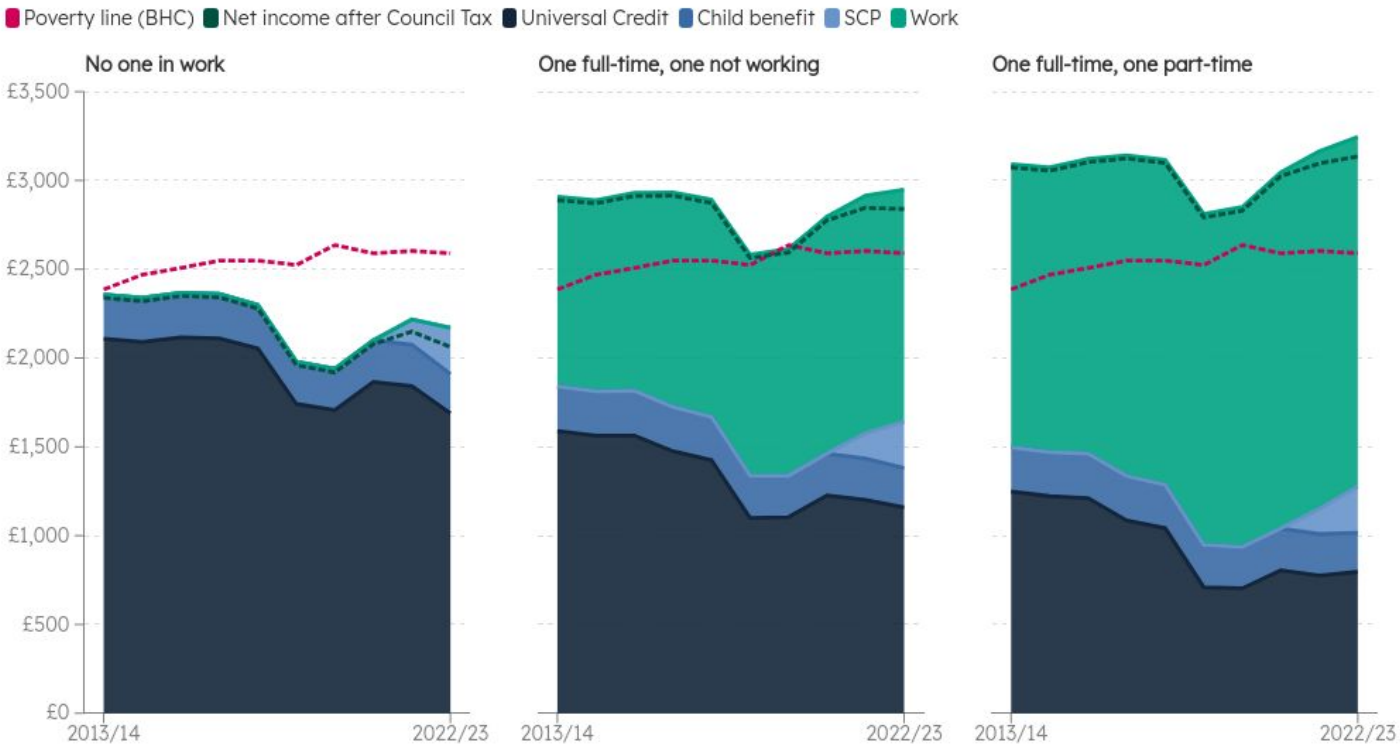
While the value of income from benefits has fallen over the 10-year period, it has fallen even further for large families due to the 2-child limit. The 2-child limit was introduced in 2017/18 by the Conservative Government. This meant that parents would not receive additional UC for any third or subsequent child born after this period. There is a clear fall in income for families in the charts below after this date.

In these examples, we will use the term large family to refer to a specific family with one baby aged 9 months, one toddler aged 3 and a primary school-aged child aged 7. Because the 2-child limit does not affect a third child born before April 2017 we only see the impact of the 2-child limit in 2018/19 (as the baby is now born after April

2017). The maximum work scenario that we have used in these examples is where one parent is working full-time and one is working part-time due to having 2 pre-school children.

In 2022/23, if this large family had no adult in paid work their income would fall 20% below the poverty line (BHC). Moving one parent into full-time work would pull them over the poverty line (BHC) by 6%. Moving the second parent into part-time work would pull the family further over the poverty line, to 18%, before accounting for housing.

Figure 19: Couple with 3 children (one baby, one toddler and one primary-aged) by family work status

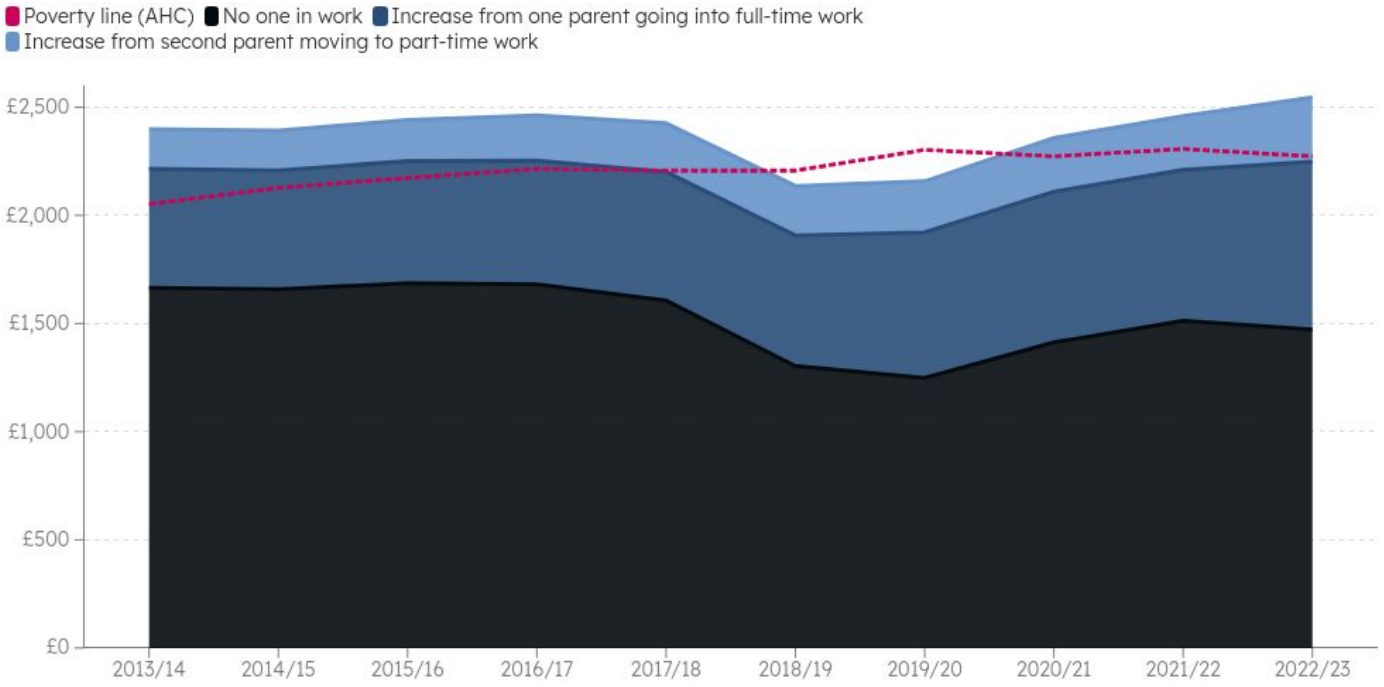


Note: All values in 2022/23 real terms. Assumes the family live in a lower-cost private rented, three-bedroom property in Fife.

Looking at poverty after they pay for their housing costs (Figure 20) when both parents are not in work, they are in poverty (AHC) in all 10 years. If one parent moves into full-time work on the NLW then they are lifted out of poverty (AHC) before the 2-child limit affects them (2018/19) but are in poverty (AHC) for all the following years. If the second parent moves into part-time work on the NLW then they fall into poverty after the introduction of the 2-child limit. However, the temporary £20 uplift and subsequently the SCP lifts them over the poverty line from 2020/21 to 2022/23.

Ultimately, the £20 uplift and SCP mitigate the impact of the 2-child limit on the family's poverty status.

Figure 20: Gains for parents of a large family moving into/increasing their hours of work compared to the poverty line (AHC)
Couple with a 9-month-old baby, 3-year-old and 7-year-old



Note: All values in 2022/23 real terms. Assumes the family live in a lower-cost private rented, one-bedroom property in Fife. Housing costs include total rent and water rates.

Members of the EPSG highlighted the injustice of this policy as well as the challenges it poses to parents of large families. Andrew, who is a parent of 3 children but has not

been affected by the policy because their children were born before 2017, felt that the policy punished children and did not achieve its purpose.

> "What they have introduced is prejudice. And I would go so far to say discriminatory against young children. And it's absolutely disgusting! Abhorrent that an innocent child is punished for being born. I mean, who made this up? You know, it's so cruel."
>
> Andrew, Dundee

Alex, a single parent to 3 children, who have had stretches of their childhood where she was not in receipt of UC, told us how, when she had become pregnant with her third child, her family situation had been more financially stable. Now, when she needs support from social security, she must stretch the benefits she receives for her 2 children to cover 3:

> "[If you have] got 3 kids and you get paid for 2 of them. And like, I don't know how I meant to make money just magically spread between more kids than I get help for."
>
> Alex, Fife

In later sections, we discuss the impact that removing this policy would have on child poverty in Scotland.

Adequacy of incomes

Across the different family types presented here, the majority of families are either vulnerable to poverty or experience poverty if they rely on support from social security, even if they are in work. How we capture adequacy is debated. However, the EPSG is clear in calling for a system that protects against destitution, that offers sufficient (secure and stable) support to live a dignified life, that is person-centred and respects people's different circumstances (caring, disability, ability to work), and that supports families out of poverty.

At the Joseph Rowntree Foundation (JRF) we have several ways to assess the adequacy of incomes. Each of these can be useful in understanding where the current system falls.

The Minimum Income Standard (MIS): This is where the public creates a basket of goods that they think comprise the minimum that families should be able to afford for a modest life. We calculate what household income different kinds of families would require to reach this standard. Most family types are below the MIS except some couple families where all adults are in full-time work (Davis et al., 2024). For families to reach the MIS, many parts of society must work together to increase wages, reduce housing costs, manage inflation and improve access to goods and services. Therefore, while a more adequate social security system must play its part, we must pull all levers to reach this goal.

The poverty lines (AHC and BHC): A significant number of example families fell below the poverty line in 2022/23. This happens for a number of reasons, including a lack of adequacy of benefits as well as a lack of eligibility. For others, just above the line, small changes in income or housing costs from month to month could pull them into poverty.

Destitution: The basic rate of support within UC is now so low that out-of-work households without children who need to get by only on this basic rate now fall below the destitution income threshold. Many more will fall below this once insufficient housing cost support and various deductions from UC are taken into account. The situation is even worse for families with NRPF, with the current system remaining severely inadequate, leaving them destitute if they are unable to work (whether due to a change in circumstances or the restrictions placed by the asylum system).

8. Social security is key to fixing foundations and re-balancing economy

Modelling alongside policy recommendations

The modelling in this section has been done using the Institute for Public Policy Research's (IPPR) Tax-Benefit Model and the latest 3 years of the Family Resources Survey. The model works by using families' characteristics and circumstances to calculate their income, benefit entitlement and tax liabilities for a given year. This allows us to project their total household income in future years based on what we know about them now and what we anticipate the tax-benefit policy environment will look like in the near future. In our modelled scenarios below we have created alternative tax-benefit policy environments (for example, one where the benefit cap has been lifted) to look at the impact on household incomes compared to a 'do nothing' scenario.

The modelling focuses on 2030/31, the year the Scottish Child Poverty targets are to be met. However, it also talks about poverty rates for working-age adults.

UK Government policy changes

Removing young people's rate: We suggest removing the young people's rate so that all working-age adults are entitled to the equivalent amounts (depending on

family type) no matter their age. While employment rates are higher for younger adults, poverty rates for adults aged 16–24 have been increasing in recent years from 27% in 2018–21 to 39% in 2020–23. While this policy change alone is unlikely to have a significant impact on poverty rates for all people in Scotland it could have a big impact on low-income young adults and their risk of falling into poverty.

Removing the benefit cap: In February 2024 around 2,000 families in Scotland were affected by the benefit cap. The Scottish Government (2024d) currently mitigate this through Discretionary Housing Payments, although these need to be applied for and are not passported for all who are affected. While this is a small number of families, the impact of benefit capping is damaging and costs relatively small amounts to resolve. As the numbers are so small it is challenging to model the impact. However, it appears that greatest effect would be lifting capped households out of deep poverty into poverty, rather than pulling them above the poverty line. While this policy alone has limited impact on poverty rates, it highlights the extremely negative impact of benefit capping on the families affected.

Removing the 2-child limit: Removing the 2-child limit has the biggest impact on poverty in Scotland. It could lift around 10,000 children out of poverty, reducing the 2030/31 child poverty rate by 1 percentage point compared to the policy remaining in place.

The 3 UK policies combined: These policies do not work in isolation. Many families experience more than one of these effects at the moment, while implementing one policy without changing the others may also have consequences. For example,

removing the child limit but not removing the benefit cap may result in some larger families being capped and losing some, or all, of their new entitlement amount. Combining these 3 policies we could potentially lift over 40,000 people in Scotland out of poverty, including nearly 25,000 children, reducing the child poverty rate by 2 percentage points.

The Essentials Guarantee: The Essentials Guarantee means that the basic rate of UC would be set every year based on an independent calculation of the cost of essentials. As the value of these essentials can vary from year to year for a number of reasons, we can only use the latest cost of these items to estimate the impact on poverty of implementing the Essentials Guarantee.

This means that, unlike the other projections, we are discussing the immediate impact of the Essentials Guarantee on poverty rates in Scotland in 2024/25. We find that the introduction of the Essentials Guarantee could lift around 140,000 people in Scotland out of poverty, including around 30,000 children. Such a reduction would mean a fall in the child poverty rate of at least 3 percentage points, bringing Scotland significantly closer to the 2024/25 interim child poverty target of 18%.

Scottish Government policy changes

The social security policies modelled here are indicative rather than specific requests to the Scottish Government. They are intended to show the scale of the challenge that is faced if Scotland is to reach the child poverty targets.

Increasing the SCP to £50 per week per child in 2025/26: Increasing the SCP to £50 next financial year and continuing to increase it by inflation in the following years could lift around 15,000 children out of poverty by 2030/31 at a cost of around £370 million. This would reduce the projected child poverty rate by around 2 percentage points. It could also lift 25,000 children out of deep poverty.

Creating a premium for children in priority families in 2025/26: It would also be possible to more strategically target the child payment to the priority families who we know are more likely to experience poverty and deeper poverty (making it harder to lift them over the poverty line with the current payment). We have selected 4 priority family types that experience additional challenges due to the structure of the current social security system and its interaction with the labour market because of their family characteristic:

- **single parents and families with a baby:** more likely to rely on social security and be unable to access the labour market
- **large families:** experience the 2-child limit
- **young mothers:** experience the younger rate of benefits.

While we have shown that there are clear inadequacies in disability benefits, not all families who are in the priority group where someone in the household is disabled will be in receipt of a disability benefit, so we have not modelled the SCP premium for them here.

We have also not included a premium for minority ethnic families for a number of reasons, including previous studies that suggest that work is the primary lever that would help reduce minority ethnic poverty rates (Cebula and Evans, 2021; Evans, 2023). Maximising benefit take-up for eligible families, opening up access to social security for low-income workers who are currently excluded (owing to NRPF conditions) and more reliable support for housing costs in the private sector are also likely to be important for improving the prospects for these families. For both of these family types there are also clear challenges in implementing a premiums system based on self-declaration.

Increasing the SCP to £50 for these families (large families, single parents, those with a baby and young mothers) could lift 10,000 children out of poverty and 15,000 out of deep poverty. However, this would cost around £200 million (more than half the cost of increasing the payment for all children) and is projected to reduce the child poverty rate by 1 percentage point.

9. Recommendations

This report highlights many weaknesses in the current social security system and underlines how its failures are causing poverty. Our chief recommendations fall into roughly 2 baskets: one, to improve the adequacy of the system and the other, to improve how people who use it experience it.

Those recommendations also split into things that the Scottish and UK Governments should do together and then recommendations for each government in turn.

The UK Government's responsibility here also should not be understated. It still holds the majority of the responsibility for the social security system and while many of its weaknesses pre-date the current government, in its manifesto the Labour Party (at a UK level) committed to 'reviewing Universal Credit so that it makes work pay and tackles poverty'. There is much to do for the new UK Government to keep up its end of the social contract in Scotland.

For the Scottish Government, while the commitment to invest significantly in the Child Payment, out with the auspices of the Barnett formula, is welcome, with the Scottish Parliament's poverty reduction targets looming this cannot be the summit of its ambitions.

The change in government in Whitehall should provide an opportunity for both of Scotland's Governments to work together. Poverty reduction is genuinely an area

where reserved and devolved powers overlap and can, and should, complement each other. While political gain may be made of being seen to trump or outflank the other government, it is hard to see how people in Scotland struggling to get by benefit from it.

The UK Government and the Scottish Government should:

- commit to joint working on poverty reduction and, in particular, how the devolved and reserved social security systems interact
- as part of that, any review of how Job Centre Plus operates must consider how it can effectively cooperate with devolved employability services (just as it will have to cooperate with local services across England and Wales)
- work together to increase take-up of benefits
- explore why minority ethnic households in Scotland are far less likely to receive social security and act appropriately to rectify that gap
- cooperate in their respective child poverty reduction strategies to maximise the efficacy of their efforts within their respective powers.

The UK Government should:

- as a first step towards an Essentials Guarantee, implement a protected minimum floor below UC's standard allowance would limit the deepest hardship caused by debt deductions and the benefit cap
- remove the benefit cap and 2-child limit

- uprate and sustain annual uprating to LHA to cover at least the bottom 30% rents
- equalise the rates of benefit (the Standard Allowance) for young people under 25 years with those of over 25
- detoxify the approach of DWP to UC recipients, creating a more supportive environment for claimants, where 'work first' and sanctions are replaced by a mutual commitment for claimant and state to secure good outcomes for people.

The Scottish Government should:

- raise its ambitions of current actions to meet the child poverty reduction targets - for example the premise of 'Pathfinders' or 'Fairer Future Partnerships' to provide easier-to-access services in local areas is welcome, but to only do so in a limited number of local authority areas lacks the urgency required
- consider how best to use the SCP to contribute towards meeting the Child Poverty Reduction Targets
- strengthen the Discretionary Housing Payments system so that it offers more reliable housing support for those facing unaffordable housing
- commit to reviewing the adequacy of disability assistance payments, not just their delivery
- set out the steps towards a Minimum Income Guarantee in Scotland.

References

Bestwick, M. and Schmuecker, K. (2024)The Impact of hardship on primary schools and primary and community healthcare (https://www.jrf.org.uk/deep-poverty-and-destitution/the-impact-of-hardship-on-primary-schools-and-primary-healthcare)

Biggs, H. Wildman, J. and Holman, E. (2024) Improving benefit take-up among Scotland's seldom-heard groups (https://natcen.ac.uk/publications/improving-benefit-take-among-scotlands-seldom-heard-groups)

Birt, C. and Cebula, C. (2023) 10 cold, hard facts: Low-income Scottish families grow weary after another winter of the cost of living crisis (https://www.jrf.org.uk/cost-of-living/10-cold-hard-facts-low-income-scottish-families-grow-weary-after-another-winter-of)

Birt, C. Cebula, C. Evans, J. and Hay, D. (2022) Poverty in Scotland 2022 (https://www.jrf.org.uk/understanding-poverty/poverty-in-scotland-2022)

Birt, C. Cebula, C. Evans, J. Hay, D. and Mckenzie, A. (2023) Poverty in Scotland 2023 (https://www.jrf.org.uk/understanding-poverty/poverty-in-scotland-2023)

Cebula, C. and Evans, J. (2021) Ethnicity, poverty, and the data in Scotland (https://www.jrf.org.uk/race-and-ethnicity/ethnicity-poverty-and-the-data-in-scotland)

Congreve, E. and Randolph, H. (2022) The rationale for employability support (https://fraserofallander.org/the-rationale-for-employability-support/)

Davis, A. Blackwell, C. Ellis, W. Padley, M. Stone, J. and Balchin, E. (2024) A minimum income Standard for the United Kingdom in 2024 (https://www.jrf.org.uk/income-savings-and-debt/a-minimum-income-standard-for-the-united-kingdom-in-2024)

Department for Business and Trade (2024) Letter from Angela Rayner and Jonathan Reynolds to Low Pay Commission (https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-updated-low-pay-commission-remit-2024/letter-from-angela-rayner-and-jonathan-reynolds-to-low-pay-commission-july-2024-html-version)

Department for Work and Pensions (2023) Households below average income, 1994/95–2021/22 (http://doi.org/10.5255/UKDA-SN-5828-15)

Department for Work and Pensions (2024) Income-related benefits: estimates of take-up: financial year ending 2022 (https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-ending-2022/income-related-benefits-estimates-of-take-up-financial-year-ending-2022#estimates-of-take-up-by-caseload-and-expenditure)

Evans, J. (2023) Glasgow communities of colour failed by employability services and workplace racism (https://www.jrf.org.uk/race-and-ethnicity/glasgow-communities-of-colour-failed-by-employability-services-and-workplace)

Fitzpatrick, A. Bramley, G. Treanor, M. Blenkinsopp, J. McIntyre, J. Johnsen, S. and McMordie, L. (2023) Destitution in the UK 2023 (https://www.jrf.org.uk/deep-poverty-and-destitution/destitution-in-the-uk-2023)

Hay, D. (2020) How well is Universal Credit supporting people in Glasgow? (https://www.jrf.org.uk/social-security/how-well-is-universal-credit-supporting-people-in-glasgow)

Hoynes, H. Joyce, R. and Waters, T. (2023) Benefits and tax credits (https://ifs.org.uk/inequality/benefits-and-tax-credits/)

Johnson, P. (2023) Lots more people are working, but in jobs that keep them in poverty (https://ifs.org.uk/articles/lots-more-people-are-working-jobs-keep-them-poverty)

Joseph Rowntree Foundation and Trussell (2024) Guarantee our Essentials: reforming Universal Credit to ensure we can all afford the essentials in hard times (https://www.jrf.org.uk/social-security/guarantee-our-essentials-reforming-universal-credit-to-ensure-we-can-all-afford-the)

Pring, J. (2023) Flawed universal credit means government's plans for sanctions 'are inexplicable (https://www.disabilitynewsservice.com/flawed-universal-credit-means-governments-plans-for-sanctions-are-inexplicable/)'

Ray-Chaudhuri, S. Waters, T. and Wernham, T. (2024) 320,000 people pushed into poverty because of mortgage interest rate rises (https://ifs.org.uk/news/320000-people-pushed-poverty-because-mortgage-interest-rate-rises)people-pushed-poverty-because-mortgage-interest-rate-rises)

Reeves, A. Fransham, M. Stewart, K. Reader, M. and Patrick, R. (2024) Capping welfare payments for workless families increases employment and economic inactivity: Evidence from the UK's benefit cap (https://doi.org/10.1111/ijsw.12651)

Sanders, C. (2021) What is the 'hostile environment'? An introduction to immigration policy in Britain (https://www.port.ac.uk/news-events-and-blogs/blogs/democratic-citizenship/what-is-the-hostile-environment)

Sarygulov, A. and Arslanagić-Wakefield, P. (2020) Separate support? Attitudes to social security in Scotland (https://www.brightblue.org.uk/portfolio/attitudes-to-social-security-in-scotland/)

Scope (2023) Disability Price Tag 2023: the extra cost of disability (https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023)

Scottish Government (2021) Tackling child poverty priority families overview (https://www.gov.scot/publications/tackling-child-poverty-priority-families-overview/)

Scottish Government (2023) Homelessness in Scotland: 2022–23 (https://www.gov.scot/publications/homelessness-in-scotland-2022-23/pages/main-findings-2022-23/) (https://www.gov.scot/publications/homelessness-in-scotland-2022-23/pages/main-findings-2022-23/)

Scottish Government (2024a) Housing Statistics 2022 & 2023: key trends summary (https://www.gov.scot/publications/housing-statistics-2022-2023-key-trends-summary/pages/affordable-housing-supply/)

Scottish Government (2024b) Housing statistics for Scotland Quarterly Update: new housebuilding and affordable housing supply to end March 2024 (https://www.gov.scot/publications/quarterly-housing-statistics-june-2024/)

Scottish Government (2024c) Poverty and Income Inequality in Scotland 2020–23 (https://data.gov.scot/poverty/)

Scottish Government (2024d) Discretionary Housing Payments in Scotland: 1 April 2023 to 31 March 2024 (https://www.gov.scot/publications/discretionary-housing-payments-in-scotland-1-april-2023-to-31-march-2024/pages/management-information-expenditure-by-funding-stream/)

Scottish Housing Regulator (2022) Rent increases by Scottish social landlords: a thematic review (https://www.housingregulator.gov.scot/landlord-performance/national-reports/thematic-work/rent-increases-by-scottish-social-

landlords-a-thematic-review/#section-2)

The King's Fund (2024) Key facts and figures about adult social care (https://www.kingsfund.org.uk/insight-and-analysis/data-and-charts/key-facts-figures-adult-social-care#:~:text=Adult%20social%20care%20covers%20a,and%20stay%20well%20and%20safe.)

Walsh, D. (2017) The changing ethnic profiles of Glasgow and Scotland and the implications for population health (https://www.gcph.co.uk/latest/publications/345-the-changing-ethnic-profiles-of-glasgow-and-scotland)

Watson, A. James, G. and Gibb, K. (2023) Rapid rehousing transition plans: assessing the affordability of the private rented sector for LHA recipients in Scotland (https://www.cih.org/media/szslk3vv/0362-rapid-rehousing-transition-plans-report-final.pdf)

Note

1. As of 4 October 2024, 12 Local Authorities in Scotland have declared a housing emergency. This includes: Aberdeen, Angus, Argyll and Bute, Dumfries and Galloway, East Renfrewshire, Edinburgh City, Glasgow City, Fife, West Dunbartonshire, Scottish Borders, West Lothian and South Lanarkshire.

How to cite this report

If you are using this document in your own writing, our preferred citation is:

Birt, C., Cebula, C., Evans, J., Hay, D. and McKenzie, A. (2025) Poverty in Scotland 2024. York: Joseph Rowntree Foundation.