Child Poverty (Scotland) Bill

The Joseph Rowntree Foundation’s response to the Social Security Committee’s call for evidence

22 March 2017
1. The Joseph Rowntree Foundation warmly welcomes the Scottish Government’s commitment to tackling child poverty and setting statutory targets to 2030. Income targets are necessary if we are to achieve specific and measureable progress. The approach used in Scotland’s current child poverty strategy and measurement framework (pockets, prospects and places) is a helpful way of understanding the multiple drivers of modern-day poverty. Setting targets for children – in effect families – is a necessary but partial route to reducing poverty in the population as a whole.

2. In autumn 2016, JRF published an independent strategy for solving poverty in the UK. This followed a manifesto briefing on the contribution of devolved and local powers in Scotland. It is costed and evidence-led as far as possible. It has much in common with the Scottish Government’s proposals, but it is an all-age strategy, reflecting the risks and costs faced by people at various points in their lives. We would encourage the Scottish Government and Parliament to consider how far the Child Poverty Bill combined with the Fairer Scotland Action Plan and the emerging approach to Inclusive Growth will provide the basis for a comprehensive approach to solving poverty across the population.

3. Previous approaches to addressing child poverty have had some success, not least in Scotland where a combination of employment growth, relatively lower housing costs relative to the UK as a whole and increased child benefits and tax credits contributed to sustained progress. However, this was achieved at the same time as working-age households without children saw little or no progress, especially single adults and young people who have experienced an increased rate of poverty. At the same time, older people have experienced a very substantial drop in poverty levels in Scotland as in the rest of the UK. One risk of focusing on families with children in isolation lies in neglecting the relative fortunes of all household types.

4. The root causes of poverty in Scotland today are multiple and our policy and practice responses need to be equally diverse. JRF identifies an ineffective benefits system as one of five major root causes of poverty. New social security powers being devolved are an opportunity to reduce poverty. However, solving poverty means we must also take action across education, skills and employment, other public services and at different spatial scales. While the main social security powers are reserved to Westminster, there are limits to Scottish action on the ‘pockets’ side of the equation. But even here,

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2 https://www.jrf.org.uk/report/scotland-without-poverty
poverty-solving objectives can be applied to existing and new powers and much more can be done to reduce the premium in energy, credit and other financial services faced by low-income households. Most of the long-term actions related to ‘prospects’ or life-chances and ‘places’ are already devolved to Scotland and exercised via local government or public agencies. The role of anchor organisations and employers more broadly is significant to any plan to solve poverty including living wage payment as well as high quality apprenticeship opportunities, strategic use of procurement, on-the-job training for employees with fewer skills, flexible working and addressing other barriers to progression.

5. Long-term modelling for JRF by a team at Heriot Watt University of around 40 policy options\(^3\) shows poverty could be reduced by 40% over the next 25 years driven for example by childcare reforms, closing the gender pay gap and GB social security changes\(^4\). This would require a positive set of economic circumstances and policy choices, and could see poverty for working-age adults in Scotland fall to about 11% and among children to 13%. Although these would be the lowest rates of poverty for almost 60 years by the time we reach 2040-41 (the point at which the modelling stops), this would take longer than the 2030 target date proposed in the Child Poverty Bill and still fall short of the 10% relative child poverty AHC target. Poverty can be solved within a generation but it will take long-term, comprehensive action and a strong degree of cross-party agreement.

6. There is little doubt that the target measures set out in the Bill are ambitious. Solving child poverty is a complex economic and social challenge. The table (over) shows the position for 2015-16 based on figures published on 16 March 2017. Trend analysis indicates that Scotland, as for the UK as a whole, has passed a turning point with child poverty rates rising again after a period of progress. While projections will vary and should always be checked against actual out-turn figures, the most recent projection by the Institute for Fiscal Studies (IFS) for JRF\(^5\) points to a significant rise in child poverty by 2021-22 and quantifies the substantial effect of UK policy choices on social security and tax in driving this projection relative to the outlook for wages, employment and inflation.

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\(^3\) https://pureapps2.hw.ac.uk/portal/en/publications/what-would-make-a-difference-modelling-policy-scenarios-for-tackling-poverty-in-the-uk(7d7451f8-e7ec-45ec-bd41-af0f2ffae786).html

\(^4\) These include: reversing cuts to Universal Credit work allowance and introducing a second-earner work allowance; raising Job Seekers Allowance in line with the National Living Wage to both improve adequacy and maintain work incentives; uprating working-age benefits in line with the cost of essentials and the extra costs faced by people with a disability; taxing some benefits to maintain universal coverage but improve targeting; and raising the upper earnings limit within national insurance.

Child Poverty (Scotland) Bill targets and child poverty in 2015-16

<table>
<thead>
<tr>
<th>Measure</th>
<th>Before Housing Costs (BHC)</th>
<th>After Housing Costs (AHC)</th>
<th>Target*</th>
<th>Progress to achieve target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative poverty</td>
<td>190,000 (19%)</td>
<td>260,000 (26%)</td>
<td>&lt;100,000 (&lt;10%)</td>
<td>-160,000 (-16%)</td>
</tr>
<tr>
<td>Absolute poverty</td>
<td>160,000 (16%)</td>
<td>240,000 (24%)</td>
<td>&lt;50,000 (&lt;5%)</td>
<td>-190,000 (-19%)</td>
</tr>
<tr>
<td>Low income and material deprivation</td>
<td>100,000 (10%)</td>
<td>110,000 (11%)</td>
<td>&lt;50,000 (&lt;5%)</td>
<td>-60,000 (-6%)</td>
</tr>
<tr>
<td>Persistent poverty (2011-15)</td>
<td>100,000 (10%)</td>
<td>120,000 (12%)</td>
<td>&lt;50,000 (&lt;5%)</td>
<td>-70,000 (-7%)</td>
</tr>
</tbody>
</table>

*Absolute numbers expressed for 2015-16

7. The Bill proposes using **After Housing Costs (AHC)** as the basis for more stretching targets than Before Housing Costs (BHC). We support this and would encourage continued publication of both BHC and AHC since these highlight the relative contribution of housing costs to poverty. This leads to significantly more families with children and working-age households in poverty and fewer older households in poverty (since housing cost may be low or zero).

8. It is worth considering the role of housing costs further. For the UK as a whole, 20% of children were in relative poverty before housing costs in 2015-16 (1% higher than in Scotland). This rose to 30% of children after housing costs, 4% higher than in Scotland. Another way to look at this is the share of UK child poverty experienced in Scotland. On current figures, 7.3% of the UK’s 13.6 million children live in Scotland. On a BHC basis, 6.9% of the UK’s children in poverty are in Scotland. On an AHC basis, 6.4% of the UK’s children in poverty are in Scotland. The extra proportion of families in poverty as a result of housing costs is relatively less in Scotland, reflecting lower average housing costs for each tenure type. However, the average additional 6-7% share of child poverty related to housing costs in the three-year period to 2015-16 is the biggest difference since the current data series began in 1994-95.
9. The **combined low income and material deprivation** measure is important because it includes incomes below 70% of the median (the relative poverty threshold plus the next 10% at risk) and a ‘basket of essentials’ element. Taking these elements in turn, we would welcome the inclusion of a target which estimates the numbers living far below the poverty threshold, allied with new survey approaches in partnership with agencies who respond to people in crisis\(^6\) since an essential step to solving poverty is to ensure no-one is destitute. The main UK dataset Households Below Average Income (HBAI) includes a combined measure of material deprivation and *severe* low income which allows tracking of the number of children who are materially deprived and living in a household with less than 50% of current median income. This may be a suitable complementary target for the Bill.

10. Turning to material deprivation, each year JRF publishes a Minimum Income Standard (MIS) for the UK based on public deliberation about the household budgets needed to cover the goods and services regarded as essential for a modest but adequate standard of living. This is higher than the relative poverty threshold and fluctuates over time. Pensioner couples are the only household type able to achieve a MIS budget through the state pension and other income-related benefits. We estimate that living on less than 75% of the relevant MIS budget is close to the relative poverty threshold. We favour including ‘basket of goods’ measures in defining poverty because they seek to capture the *adequacy of income relative to essential costs*. Households facing extra costs, for example due to disability or remoteness, will have different income-to-cost needs relative to others. A Minimum Income Standard for Remote Rural Scotland is published by Highlands and Islands Enterprise to estimate the extra costs of remoteness\(^7\).

11. In a period of rising inflation, squeezed incomes due to sluggish wage growth and a freeze in social security payments, a sharper focus is needed on holding down the cost of non-housing essential items faced by low-income families. Currently these are not taken into account in measuring poverty. Consider the Scottish Government’s commitment to reduce the poverty premium: if households in, or at risk of, poverty benefit from cheaper energy

\(^6\) Our recent work on Destitution in the UK\(^6\) highlights the scale of extreme poverty and the particular risks faced by single young men, only a minority of whom are migrants, asylum-seekers or refugees. Regular survey and administrative data are of limited assistance in measuring destitution, which is why JRF’s work uses a census approach with organisations responding to different forms of crisis which, even then, is a partial way to estimate destitution.

\(^7\) See the 2016 report [http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland---a-policy-update.html](http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland---a-policy-update.html) and the original survey from 2013: [http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland.html](http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland.html)
tariffs, access to affordable credit, insurance and household goods, lower and more predictable childcare costs and bank accounts that don’t levy disproportionate fees, they will be better able to meet their costs. There will be more money left over, even with similar incomes. But if this kind of progress were not measured, poverty figures would remain stuck. We would encourage the development of a combined costs measure going further than housing – measuring poverty after essential costs (AEC) - which should be adjusted for disability. This would help to highlight the actual costs different households face and may drive a closer linkage with policy decisions.

12. A measure of **persistent child poverty** is included in the Bill. This is defined as being in poverty for three out of four years. We welcome a focus on the duration of poverty experiences. JRF’s definition of solving poverty would see less than 10% of the population being in poverty at any time, with no-one in poverty for more than two years. A more ambitious persistence target for Scotland would be no more than two years out of three. There is a strong case to conclude even this is too long for families with children, especially for under-fives. We know that families with children under five have higher poverty rates than other families and that long-term scarring effects result from growing up in poverty which are less evident with shorter spells.

13. New figures on this measure show 12% of children in Scotland experienced persistent poverty (AHC) in the period 2011-15, the same as in 2010-14. This compares with 16% in England, 17% in Northern Ireland and 20% in Wales. In terms of absolute numbers, Scotland is closer to achieving the proposed persistence target (along with the combined low income and material deprivation target) than the other targets since this would mean 60,000-70,000 fewer children experiencing these types of poverty by 2030 compared with 160,000-190,000 fewer children experiencing relative or absolute poverty. We do not make an assessment at this stage of the relative difficulty of achieving each target, but a process of weighing up and setting priorities will be needed across the targets.

14. The current **child poverty measurement framework** (CPMF) was developed to inform annual reporting for the current child poverty strategy in Scotland. It has 37 indicators spanning money (pockets), life chances (prospects) and neighbourhoods (places). This helpfully covers different dimensions of poverty experience and future risks, as well as the role of place. This ‘balanced scorecard’ approach offers a summary of which indicators are improving, stable or deteriorating. For the latest year, 9 indicators are green (clear improvement), 26 are amber (stable) and 2 are red (getting worse). It enables a deep-dive into the single Scotland Performs measure on child poverty and, if used proactively, should drive decision-making across many portfolio areas of government.
15. A new monitoring framework will be needed to support the proposed statutory targets. These should be at the heart of a revised set of ‘pockets’ indicators (covering incomes, deprivation and costs), but any approach to monitoring should continue to track many of the current indicators which seek to measure circumstances of families in poverty and their odds of escaping it.

16. JRF's strategy to Solve UK Poverty covers five major drivers: incomes and costs, education and skills, social security, community and family support, and an inclusive economy generating fair work. These are reflected to a large extent in the current indicators but we would recommend development of other indicators which:

- track both income maximisation and cost reduction;
- are weighted firmly towards contributing factors that can be influenced by devolved powers;
- include some focus on wider GB factors (e.g. Universal Credit uptake and work allowances, benefit sanction rates); and
- are aligned to the most relevant parts of the national performance framework.

For example, employment rate measures in each local authority area can be complemented with survey data on skills and living wage coverage, and presented for groups with higher risks of child poverty including lone parents, some minority ethnic groups and disabled children or parents. Other relevant indicators include access to savings and affordable credit, children in workless families, in-work poverty, participation in work-related training for low-income parents and housing/energy costs for low-income families.

17. Among the current 17 measures for 'prospects', we note that 9 refer to 'poorest households', 6 to 'poorest areas' and 2 are generic. Area-based measures are an important way to gauge the circumstances of people living in neighbourhoods classed as multiply deprived according to SIMD 2016. However, in most cases even in the 20 per cent of places faring worst, a majority of residents are not income-deprived or employment-deprived. Conversely, most families living in, or at risk of, poverty don't live in the most deprived places. The picture varies across Scotland. In Glasgow, the association between poor households and poor places remains strong, even as the city accounts for a declining share of Scotland's most deprived areas. In Renfrewshire, about half of poor households live in the fifth of most deprived neighbourhoods. However, in Perth & Kinross poor households are dispersed more evenly between areas of high, medium and low deprivation, spanning urban neighbourhoods, smaller towns and rural areas. We would
recommend that area-based measures are complemented as far as possible with survey measures of how low-income households are faring at home, at school, in and out of work and in families and communities. Indicators of poverty risk can be drawn upon such as working tax credits, free meal entitlement, families with disabled children and looked-after children.

18. A timetable is proposed for publishing delivery plans in 2018, 2021 and 2026. We think this is suitable for a high-level plan aligned to strategic policy drivers. We would recommend a new delivery plan is published early in the next and subsequent parliamentary term rather than at the end of it. One government and parliament cannot bind the next - a fresh look at the start of each term would aid scrutiny and accountability. We believe that something closer to a dynamic operating plan will also be needed. This would enable a more responsive approach to delivery, for example reflecting improvements to be made after each annual reporting cycle, shifting priorities where more or less attention is required, ensuring strong linkages with other policy areas and responding to major changes in the external environment such as the economic and fiscal position. At the mid-point of the next Scottish Parliament (2023-24) and half-way towards 2030, there may be a strong case to undertake a more thorough review of the rate of progress achieved.

19. JRF supports the principle of a duty to report annually on actions towards achieving the child poverty target. Local authorities and NHS Boards can make a significant dent in the causes and consequences of child poverty. This duty should apply jointly to the Scottish Government and its main agencies, including those with responsibility for skills and enterprise functions. The potential risk would appear to lie in ‘retro-fitting’ existing spending commitments into the annual reporting framework, on the basis that most programmes have some impact on child poverty.

20. Within the limits of local powers and budgets, the distinctive contribution of local government (and later this year expressed through Local Outcome Improvement Plans) and the NHS should be mapped. We would like to see a delivery plan that is co-produced with local agencies, focuses on the strongest approaches that deliver the biggest reductions in poverty via better use of data, evaluation evidence and resource allocation.

21. As well as publishing good practice examples which typically describe inputs and promising approaches, reporting activity needs to get closer to impacts and outcomes in selected areas. Although impact cannot be gauged in all cases, we can achieve a better grasp of what works for whom and where than we currently have. Annual reporting should therefore highlight the evidence underpinning key actions, the scale of impact and how these relate to
spending decisions to ensure actions are, as far as possible, effective and affordable.

22. Newly-elected local authorities in 2017 will approach the child poverty targets from different angles. Some have convened fairness or tackling poverty commissions. These include Shetland, Renfrewshire, Fife, Dundee, East Lothian, Glasgow, Perth & Kinross and North Lanarkshire. While these commissions consider distinctively local features of poverty, they have also covered many common features which are likely to be useful for other councils and NHS Boards.

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References
Scottish Parliament Information Centre (2017) Child Poverty (Scotland) Bill SPICe Briefing by Suzi Macpherson and Jon Shaw, 17/10

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8 Member of the Scottish Government’s Ministerial advisory group on child poverty since 2012.