

A National Statistics Publication for Scotland

Poverty and income inequality in Scotland: 2012/13

1 July 2014

This publication presents annual estimates of the percentage and number of people, children, working age adults and pensioners living in low income households in Scotland. The estimates are used to monitor progress towards UK and Scottish Government targets to reduce poverty and income inequality. The data published for the first time here are for the financial year April 2012 to March 2013. The latest figures cover a period where the Scottish economy and wider UK economy were both showing little GDP growth and below inflation growth in earnings. These figures also take into account the impact of welfare reforms introduced in April 2012. Median income fell in Scotland in 2012/13.

Key points:

- **16 per cent of individuals** in Scotland were living in relative poverty in 2012/13, an increase from 14 per cent the previous year. In 2012/13, there were **820 thousand individuals** in Scotland living in relative poverty, **110 thousand more** than in 2011/12.
- **19 per cent of children** in Scotland were living in relative poverty in 2012/13, an increase from 15 per cent the previous year. In 2012/13, there were **180 thousand children** in Scotland living in relative poverty, **30 thousand more** than in 2011/12.
- **15 per cent of working age adults** in Scotland were living in relative poverty in 2012/13, an increase from 13 per cent the previous year. In 2012/13, there were **480 thousand working age adults** in Scotland living in relative poverty, **70 thousand more** than in 2011/12.
- **15 per cent of pensioners** in Scotland were living in relative poverty in 2012/13, an increase from 14 per cent the previous year. In 2012/13, there were **150 thousand pensioners** in Scotland living in relative poverty, **10 thousand more** than in 2011/12.
- In terms of **income inequality**, the percentage of income received by the lowest 3 income deciles in 2012/13 was **14 per cent**, unchanged from 2011/12.
- Median income in Scotland in 2012/13 was £23,000, equivalent to £440 per week. This is the third consecutive annual fall in median income in Scotland.
- The proportion of people in poverty who live in working households increased in 2012/13. In 2012/13, 52 per cent of working age adults in poverty were living in households where at least one adult was in employment, as were 59 per cent of children in poverty.

Please Note:

In this publication, all statistics are based on net income. That is, income after taxes and including benefits. Income is calculated at the household level, and reflects the income available to the household after taxes are paid and all benefits and tax credits have been received. Unless otherwise stated, incomes for previous years are in 2012/13 prices (real prices).

All figures in this publication are rounded to the nearest 10 thousand individuals or whole percentage point. In some cases calculations based on the unrounded figures do not match those based on the rounded ones.

The estimates presented in this publication are based on a sample survey and are therefore subject to sampling error. Confidence intervals are a measure of sampling error. A 95 per cent confidence interval for an estimate is the range that contains the 'true' figure on average 19 times out of 20 if sampling error were the only source of errors. Many of the changes referred to in this publication are within the width of the confidence limits and caution should be exercised when looking at year on year comparisons, with longer term trends often giving a clearer picture. More information can be found here:

[Scottish Government - Income and Poverty Statistics - Methodology](#)

Presentation of key points and definitions

Each section starts with a blue box providing the key facts for that section. Where relevant, important definitions are provided in a green box at the end of each section.

Changes to statistics 2012/13:

This publication includes changes to the statistics compared with previous publications:

1. Following publication of the 2011 census results, population totals for Scotland and the UK have been updated for years following the previous census in 2001. As such, the previously published statistics for 2002/03 to 2011/12 have been revised to better reflect the make-up of the population over this period. The effect of this revision is small and does not affect the overall trends seen in poverty and income inequality over this period. Please see [Annex 3](#) for more details.
2. Pensioners are defined as all those adults above State Pension age. Working age adults are defined as all adults up to the state pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women is increasing to 63 and will then increase to 65 between April 2016 to November 2018. The changes do not affect the state pension age for men, which remains at 65. Therefore, as with the previous two reports, the age groups covered by the analysis of working-age adults and pensioners will change for the 2012/13 report. The material deprivation statistics will continue to be based on pensioners aged 65 and over.
3. Small improvements made to the calculation of bonus and property tax in the 2012/13 HBAI data, largely affecting those on higher incomes, will have had an effect on top incomes and measures of income inequality.

Full details of all methodological changes can be found on the [DWP website](#).

Contents	Page
Key points	1
Changes to statistics 2012/13	2
Contents	3
Chapter 1: Poverty	4
1.1 Individuals in poverty	5
1.2 Child poverty	9
1.3 Working age adult poverty	12
1.4 Pensioner poverty	15
1.5 In-work poverty	19
Chapter 2: Income Inequality and the distribution of income	21
2.1 Income distribution	21
2.2 Income thresholds	23
2.3 Trends in income distributions	25
Chapter 3: Household characteristics and income distribution	31
3.1 Household composition	31
3.2 Household economic status	32
Annex 1: Tables	35
Annex 2: Data Sources and Definitions	46
Annex 3: Revisions to income and poverty statistics	53
Annex 4: Welfare Reform in 2012/13	54
Annex 5: Where to find more information	56

The **median household income** is used to find the number of people in **low-income households**



LOW-INCOME THRESHOLD = 60% of MEDIAN

RELATIVE VS ABSOLUTE LOW INCOME

Relative low income: comparison to median of the **current** year.

Absolute low income: comparison to median of the **2010/11** year which allows comparisons over time as well as being a baseline for measuring progress against the Child Poverty Act 2010.

THRESHOLD

A threshold for low income is used for **comparing** sections of the income distribution **over time**.

WHY NOT THE MEAN AVERAGE?

Mean: sum of all incomes, divided by the number of people whose incomes were included.

The **median income** is the amount which divides the income distribution into two equal groups, half having income above that amount, and half having income below that amount.

In unequal distributions, the mean is likely to be influenced by high values, so it does not reflect the experience of most individuals. The median is not affected by a few very high values.

1.1 Individuals in poverty

Key points:

- In 2012/13, **16 per cent of Scotland's people were living in relative poverty (BHC)**, an increase from 14 per cent in 2011/12.
- **820 thousand** people were living in relative poverty (BHC) in Scotland in 2012/13, 110 thousand more than in the previous year.
- Several key factors have affected household incomes in 2012/13. These are discussed within the relevant sections below.

The figures above are based on income '**Before Housing Costs**' (BHC); changes in income '**After Housing Costs**' (AHC) are given later in the text.

The Scottish Government's National Indicator 35 is to "decrease the proportion of individuals living in poverty":

<http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/poverty>

This is measured using relative poverty before housing costs (BHC).

Charts 1A and 1B below show Scottish trends for relative and absolute poverty for all individuals between 1998/99 and 2012/13.

Chart 1A – Relative Poverty – All Individuals

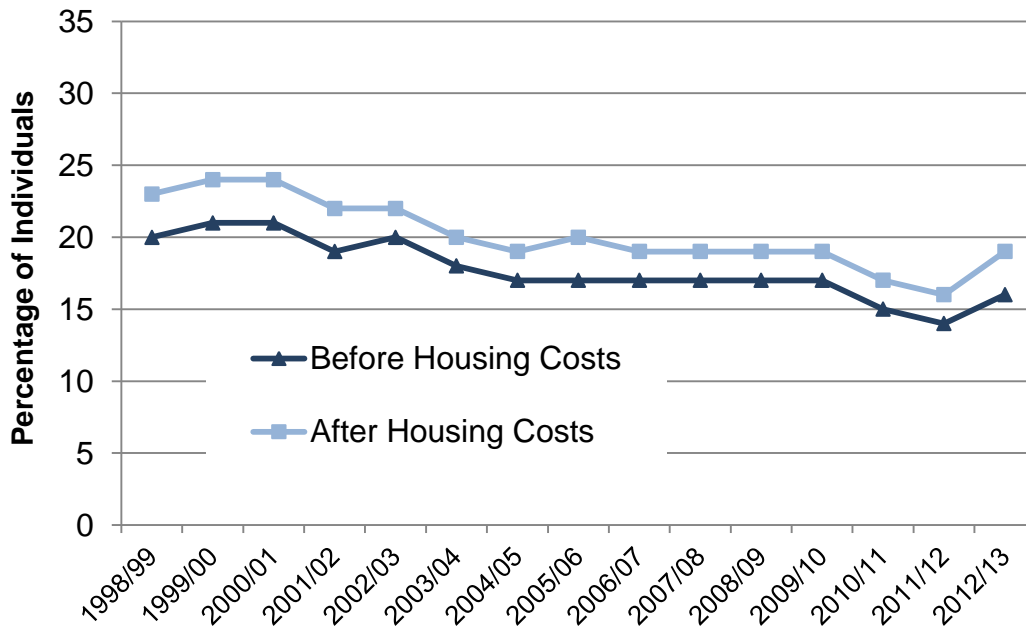
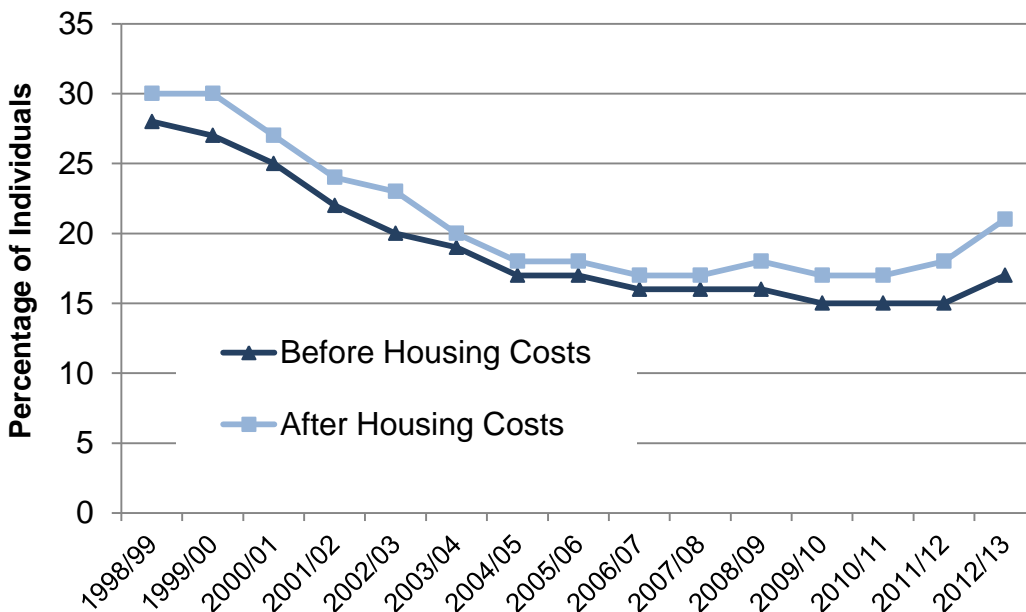


Chart 1B – Absolute Poverty – All Individuals



Source: HBAI dataset, DWP. See Annex 1 (Tables [A1](#) and [A2](#)) for the figures behind these charts.

Charts with confidence intervals for relative and absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#)

Note: The grossing factors have been updated to incorporate the 2011 census results. The previously published statistics have been revised to reflect the population since the 2001 census. Further information is available in [Annex 3](#)

In 2012/13, **relative poverty (BHC) for all individuals** increased to 16 per cent, a 2 percentage point increase compared with 2011/12. In 2012/13, there were 820 thousand people living in relative poverty (BHC) in Scotland, 110 thousand more than the previous year.

The change in the number and percentage of people in relative poverty (BHC) between 2011/12 and 2012/13 is statistically significant. Longer term trends often offer a better indication of significant changes, and prior to 2012/13 there had been periods of declining poverty rates for all groups in the population. Although there has been an increase in poverty this year, it is not yet clear if this is the start of a significant upward trend.

After Housing Costs have been taken into account, 19 per cent of people in Scotland were in relative poverty, a 3 percentage point increase compared with 2011/12. In 2012/13, there were 1 million people living in relative poverty (AHC), 140 thousand more than the previous year. Relative poverty AHC had remained unchanged since 2006/07 at 19 per cent before decreasing to 16 per cent between 2009/10 and 2011/12. This decrease has now been reversed.

Absolute poverty, a measure of whether the lowest income households are keeping pace with inflation, has increased in 2012/13 (both BHC and AHC). Absolute poverty (BHC) increased from 15 per cent in 2011/12 to 17 per cent in 2012/13, an increase of 100 thousand people. This represents 880 thousand people living in absolute poverty (BHC) in 2012/13. As absolute poverty is based on the poverty threshold in 2010/11, and incomes have decreased in real terms since then, absolute poverty rates are now higher than relative poverty rates.

Commentary:

Relative poverty increased in 2012/13. This reflects a number of changes such as: changes in the labour market and employment patterns, continued welfare reform (such as tightening of eligibility for tax credits for couples in employment and freezing of some elements of benefits and tax credits), increases in the personal tax allowance, and decreases in average earned income in the latest year. These factors have varying impact on the rate of poverty with some, such as increasing the personal tax allowance, mitigating the impact of others. The net effect however is an increase in relative poverty.

There was a fall in median income in Scotland in 2012/13 compared with the previous year. While income decreased for most households, the poorest households had the largest percentage decreases in household income in 2012/13. There were small increases in the top two income deciles, the only income deciles to show an increase 2012/13. Income for working age people, and for households with children, fell in 2012/13, while those for pensioner households increased. There were also differences dependent on whether households were in employment or not, and for those in employment, whether they had the opportunity to increase hours worked.

Income from earnings for those at the median income in Scotland increased overall in 2012/13, but fell for those on the lowest incomes. Increases in hourly pay in Scotland varied significantly depending on the sector and skill level of employment. There was little or no growth in hourly earnings for those in lower paid employment.

Over the last decade, relative poverty ([BHC](#)) in Scotland decreased steadily from 20 per cent in 2002/03 to 14 per cent in 2011/12, followed by an increase in the latest year. There was little progress in reducing relative poverty between 2004/05 and 2009/10, with rates remaining flat. The decreases in relative poverty in 2010/11 and 2011/12 were largely due to falling median incomes, rather than any material improvement in people's lives.

Low-Income Poverty Indicators

The Scottish Government currently uses two main indicators of low-income poverty, both of which reveal slightly different information about changes in poverty over time. These indicators are *relative* and *absolute* poverty.

Relative poverty:

Relative poverty is a measure of how many people are living below a defined income threshold in the most recent year. In this report, individuals are said to be in relative poverty if they are living in households whose equivalised income is below 60 per cent of UK median income in that year. Relative low income rates fall if household income for the poorest households increases faster than median income. In 2012/13, the relative poverty threshold for a couple with no children was an income of £264 per week ([BHC](#)) from all sources (see [Annex 2](#) for further information on income definitions). For a couple with children the threshold would be higher and for a single person (without children) the threshold would be lower.

Absolute poverty:

Absolute poverty is a measure of whether income for the lowest income households are keeping pace with inflation. Individuals are said to be living in absolute poverty if they are living in households whose equivalised income is below 60 per cent of the (inflation adjusted) median income in 2010/11. In 2012/13 the absolute poverty threshold for a couple with no children was an income of £272 per week ([BHC](#)) from all sources (see [Annex 2](#) for further information on income definitions).

1.2 Child poverty

Key points:

- In 2012/13, **19 per cent** of Scotland's children were living in relative poverty ([BHC](#)), an **increase from 15 per cent** in 2011/12.
- **180 thousand** children were living in relative poverty ([BHC](#)) in Scotland in 2012/13, **30 thousand more** than in the previous year.
- The percentage of children in combined material deprivation and low income **increased** from 9 per cent to 11 per cent. In 2012/13, there were **110 thousand children** living in combined low income and material deprivation, 20 thousand more than the previous year. For this measure, the low income threshold is defined as 70 per cent of UK median income.
- Incomes for households with children fell in 2012/13 reflecting low wage growth, tightening of eligibility and conditionality for benefits and tax credits under welfare reform, and individual households ability to increase their hours worked.

Child poverty is commonly measured using the following indicators:

- relative poverty ([BHC](#)),
- absolute poverty ([BHC](#)),
- material deprivation and low income ([BHC](#)) combined.

These are three of the four poverty indicators which the UK parliament is required to report on by the 2010 Child Poverty Act. There is also a persistent poverty indicator in the Act but the precise target is yet to be defined. Information on the targets for the Child Poverty Act can be found in [Annex 1](#).

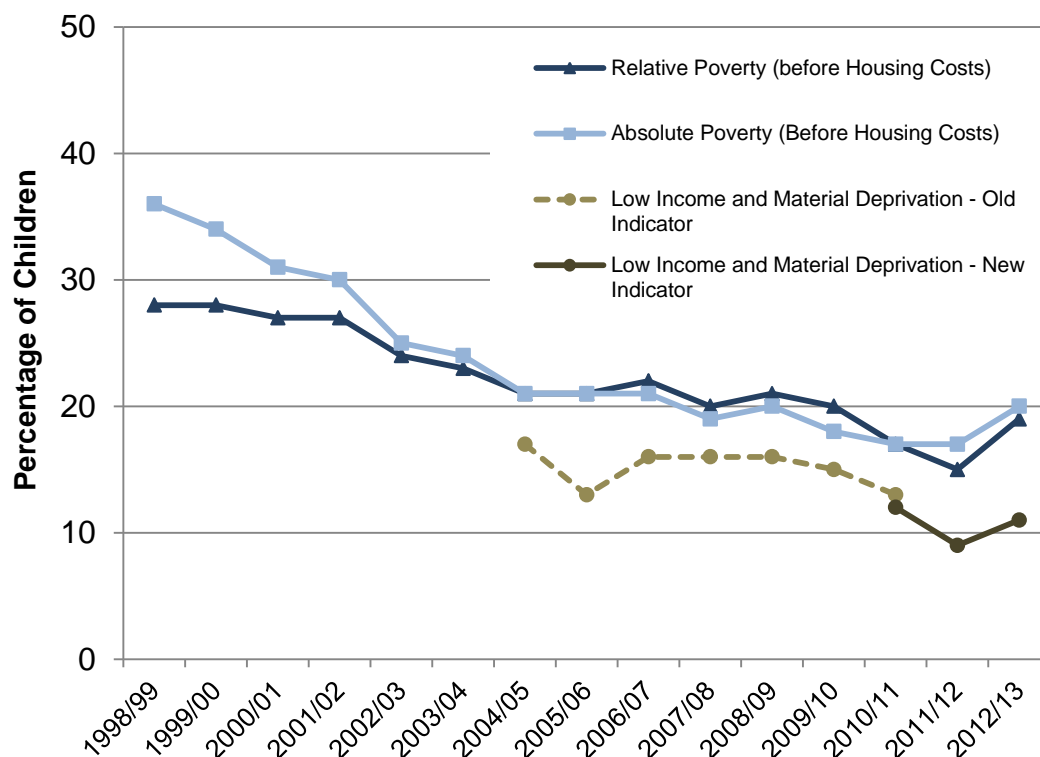
The Scottish Government's National Indicator 36 is to "reduce children's deprivation":

<http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/childdeprivation>

This is measured using the material deprivation and low-income combined poverty indicator.

Chart 2 below presents recent Scottish poverty trends for these three child poverty indicators.

Chart 2 – Child Poverty in Scotland: 1998/99 – 2012/13



Source: HBAI dataset, DWP. See Annex 1 (Tables [A1](#), [A2](#) and [A3](#)) for the figures behind these charts.

Notes:

1. A version of this chart showing the Child Poverty Act targets can be found in Annex 1, Chart A14.
2. Charts with confidence intervals for relative and absolute child poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).
3. Changes in the material deprivation questions in 2010/11 created a break in the series. Data for 2010/11 onwards is not directly comparable with that prior to 2010/11. Further information is available in [Annex 2](#)
4. The grossing factors have been updated to incorporate the 2011 census results. The previously published statistics have been revised to reflect the population since the 2001 census. Further information is available in [Annex 3](#)

In 2012/13, **relative child poverty (BHC)** increased to 19 per cent, a 4 percentage point increase compared with 2011/12. This reverses the downward trend in child poverty over recent years. In 2012/13, there were 180 thousand children living in relative poverty (BHC), 30 thousand more than the previous year.

The change in the number and percentage of children in relative poverty (BHC) between 2011/12 and 2012/13 is not statistically significant. As this is the first increase in child poverty after 3 years of a decreasing trend, it is not yet clear if this is the start of a significant trend.

After Housing Costs, relative child poverty increased to 22 per cent, a 3 percentage point change compared to the previous year. In 2012/13, there were 220 thousand children living in relative poverty (AHC), 30 thousand more than in 2011/12.

The percentage of children in **absolute poverty** ([BHC](#)) in 2012/13 was 20 per cent, an increase from 17 per cent in 2011/12. This represents 200 thousand children living in absolute poverty ([BHC](#)) in 2012/13, 30 thousand more than in 2011/12.

In 2012/13, 11 per cent of children in Scotland were living in **combined low income and material deprivation**, a 2 percentage point increase compared with 2011/12. This equates to 110 thousand children living in combined low income and material deprivation in 2012/13, 20 thousand more than the previous year.

Commentary:

The increase in child poverty in the latest year is driven by a fall in household incomes for working households with children. For households in employment, the reduced entitlement to tax credits has contributed to a fall in household incomes for those with lower earnings who were unable to increase the number of hours worked. At April 2013, there was a 26 per cent decrease in the number of children in households in Scotland in receipt of in-work tax credits, compared with April 2012. There was little change in the number of children in households in receipt of out-of-work tax credits, or for households without children, in receipt of tax credits. Households with children may not have the opportunity to increase hours worked, or to work more flexibly, compared with households without children.

The introduction of other changes to benefits and tax credits in April 2012 have also affected household income. Changes to benefits and tax credits specifically affecting families with children included:

- freezing the basic element of working tax credits,
- increasing the minimum number of hours worked from 16 to 24 to qualify for tax credits for couple families,
- freezing the income threshold for child tax credits at 2011 levels,
- abolishing the second income threshold for child tax credits,
- the introduction of the income disregard for tax credit, affecting those whose income was falling.

For those in employment, increases in earned income were dependent on the employment adults were in: while median annual earnings for all employees in Scotland increased 2.8 per cent between 2012 and 2013 (a fall in real terms), increases in hourly pay varied from 0.5 per cent in less skilled employment, 1 per cent across the public sector, with larger increases for some sectors, and higher skilled employment.

Over the last decade, the proportion of children in Scotland living in relative poverty ([BHC](#)) has decreased by 10 percentage points from 24 per cent in 2002/03 to 15 per cent in 2011/12, before increasing again in the latest year. After decreasing to 2004/05, relative child poverty ([BHC](#)) remained largely unchanged before decreasing significantly between 2009/10 and 2011/12.

Much of the fall in child poverty up to 2011/12 in Scotland was due to a fall in the high poverty rate among lone-parent households. This was likely to be due to an increase in employment rates for lone parents in Scotland over the last decade, as well as policies that have sought to address poverty in this group. Employment rates for two parent households have also increased over the last decade, contributing to a fall in child poverty among working-couple parents, as more couple households move into 'full' working (where both adults are in work and at least one of them is working full time). Poverty for children in workless households in Scotland remains high.

Households not in employment are significantly more likely to be dependent on benefit income as the only source of income. Up to 2010/11, some benefits relating to households with children were uprated at a faster rate than other benefits, however these increases were still not as large as the increase in average earnings in real terms. In 2012/13, a number of benefit changes, although having different effects on different households, resulted in smaller growth in real benefit income than may have been expected from the level at which benefits were uprated. Again this year, low wage growth has meant benefits have increased faster than earned income. However in the latest year, eligibility and conditionality have been tightened under welfare reform, meaning fewer households with children were in receipt of tax credits.

Material Deprivation and Low-Income Combined Poverty Indicator:

Material deprivation is calculated from a suite of questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or social activities. This measure is applied to households with incomes below 70 per cent of UK median income (£308 per week) to create the 'material deprivation and low income combined' indicator. This indicator aims to provide a measure of children's living standards which, unlike relative and absolute poverty, is not solely based on income.

For more detail about this indicator see [Annex 2](#).

1.3 Working age adult poverty

Key points:

- In 2012/13, **15 per cent of working age adults** were in relative poverty ([BHC](#)) in Scotland, **an increase from 13 per cent** in 2011/12.
- **480 thousand** working age adults were living in relative poverty ([BHC](#)) in Scotland in 2012/13, **70 thousand more** than in the previous year.
- Household incomes for working age families fell in 2012/13, but there were differences based on household type, employment status, and hours worked.

Charts 3A and 3B below present relative and absolute poverty trends for working age people in Scotland.

Chart 3A - Relative Poverty – Working Age Adults

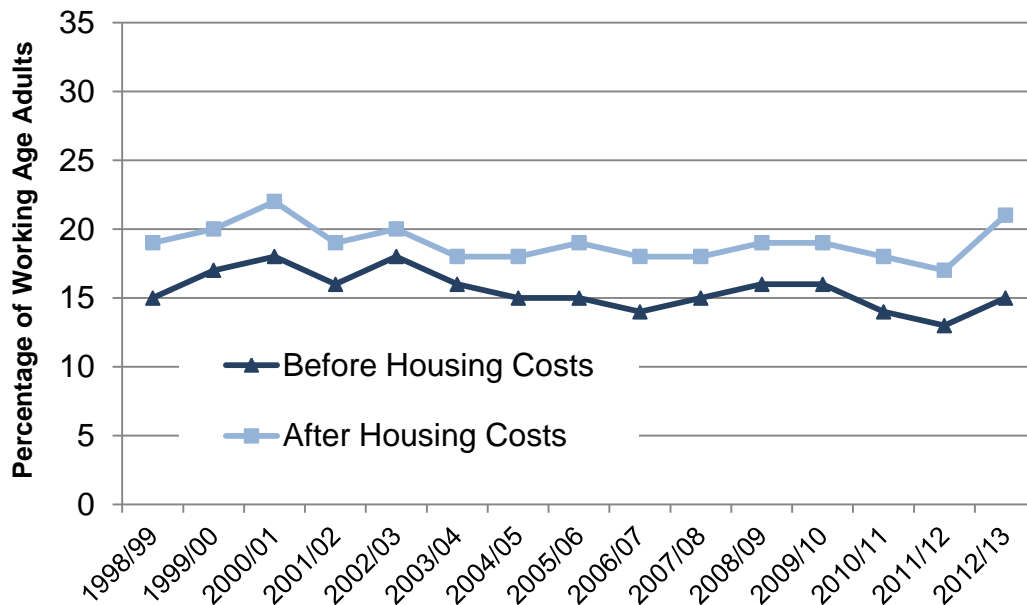
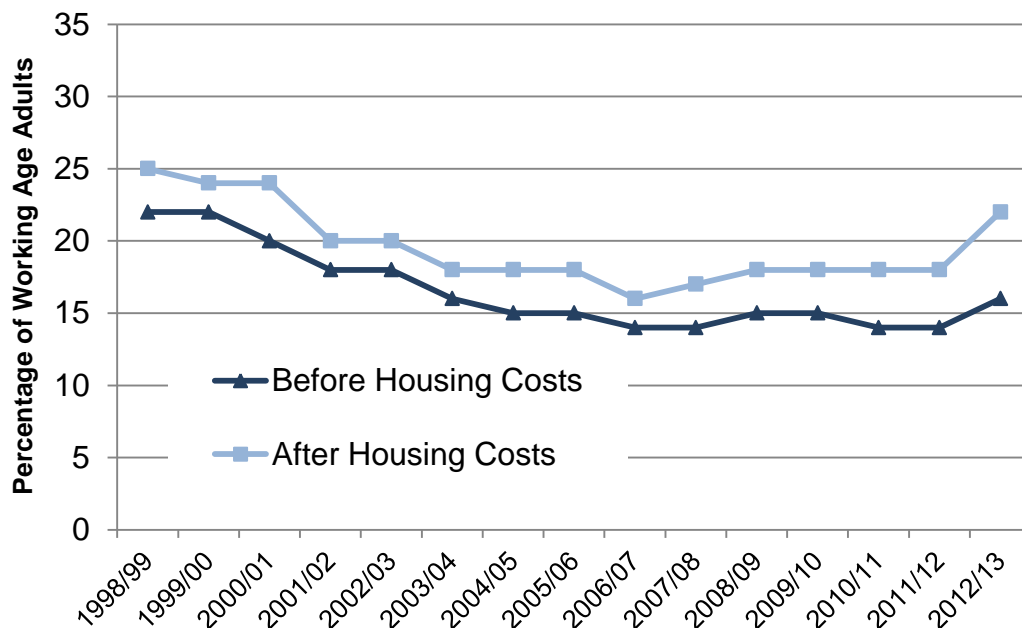


Chart 3B - Absolute Poverty – Working Age Adults



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Tables [A1](#) and [A2](#)).

Charts with confidence intervals for relative and absolute working age adult poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#)

The grossing factors have been updated to incorporate the 2011 census results. The previously published statistics have been revised to reflect the population since the 2001 census. Further information is available in [Annex 3](#)

In 2012/13, 15 per cent of working age adults in Scotland were living in **relative poverty** ([BHC](#)). This increase reverses the falling trend in relative poverty for working age people in Scotland seen in recent years. In 2012/13, there were 480 thousand working age adults in Scotland living in relative poverty ([BHC](#)), 70 thousand more than the previous year.

The change in the number and percentage of working age adults in relative poverty ([BHC](#)) between 2011/12 and 2012/13 is not statistically significant. As this is the first increase in child poverty after 2 years of a decreasing trend, it is not yet clear if this is the start of a significant trend.

After Housing Costs, relative poverty for working age adults increased to 21 per cent in 2012/13, an increase from 17 per cent in 2011/12. In 2012/13, 660 thousand working age adults were living in relative poverty ([AHC](#)), 110 thousand more than in 2011/12. The percentage of working age adults in relative poverty ([AHC](#)) had remained largely unchanged since 2002/03 but is now at the highest level in the last ten years.

The percentage of working age adults in **absolute poverty** ([BHC](#)) in 2012/13 was 16 per cent, an increase from 14 per cent in 2011/12. This represents 510 thousand working age adults living in absolute poverty ([BHC](#)) in 2012/13, an increase of 60 thousand from 2011/12. The percentage of working age adults in absolute poverty ([BHC](#)) has remained largely unchanged since 2004/05, following a significant decrease between 1998/99 and 2003/04. The increase in 2012/13 reverses this trend.

Commentary:

Over the last decade, the proportion of working age adults in Scotland living in relative poverty ([BHC](#)) has decreased by 5 percentage points from 18 per cent to 13 per cent. The percentage of working age adults in relative poverty increased slightly between 1998/99 and 2002/03, remaining largely unchanged until 2009/10. There had been a small decrease since 2009/10, but following the increase in 2012/13, relative poverty levels are similar to those throughout most of the last decade.

Incomes for households with children and at least one adult in employment fell. The number of households with children in employment and in receipt of in-work tax credits fell as a result of tightened eligibility and conditionality under welfare reform. Households with children may have more limited ability to increase work hours, or to work flexible hours, meaning households with children may not have been able to remain in receipt of tax credits. The number of working age adults with children in receipt of out-of-work tax credits is largely unchanged, as is the number of working age adults without children in receipt of tax credits.

In 2012/13, household income for working age households without children fell, although at a slower rate than for households with children. This group may be more likely to increase the number of hours worked and have greater flexibility in the labour market than households with children.

Over the year to March 2013, there was a small increase in the number of adults in employment compared with the previous year. However there have been changes within the labour market: the number of women in full time employment increased in the last year, as did the number of men in part time employment.

The number and proportion of low paid jobs in Scotland decreased between 2004 and 2013. Median earnings for all employees (part time and full time) in Scotland have mirrored the pattern for the UK, with the gap between median earnings in Scotland and the UK narrowing in more recent years. However, increases in hourly pay rates in 2012/13 in Scotland depended on the sector and skill level of employment. Those in lower paid employment (and with the lowest household incomes) saw no real increases in earned income.

Historically, earnings have tended to rise in real terms and hence outstrip price-indexed benefit rates. However, out-of-work benefit rates have grown substantially faster than earnings since 2007 essentially reflecting the fact that earnings have not kept pace with inflation, whereas rates of out-of-work benefits have risen broadly in line with prices (though there have been discretionary cuts to the rates of other benefits and tax credits). However, in 2012/13 tightening of eligibility and conditionality to tax credits, freezing some elements of benefits, such as child benefit and tax credits, changes to local housing allowance, along with low growth in earned income, have resulted in falling incomes for working age households.

Working age vs. State pension age:

Working age adults are defined as all adults up to the state pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women is increasing to 63 and will then increase to 65 between April 2016 to November 2018. The changes do not affect the state pension age for men, which remains at 65. Further increases are planned for both men and women's state pension age (to 66 by 2020 and 67 by 2028). The impact is to retain women in the working age adult group, who prior to April 2010 would have been classified as pensioners.

1.4 Pensioner poverty

Key points:

- In 2012/13, **15 per cent** of pensioners were living in relative poverty ([BHC](#)), **an increase from 14 per cent** in 2011/12. This has remained relatively unchanged since 2008/09.
- **150 thousand pensioners** were living in relative poverty ([BHC](#)) in Scotland in 2012/13, **10 thousand more** than in the previous year.
- The percentage of pensioners in material deprivation was 8 per cent in 2012/13, the same as the previous year. In 2012/13, there were **70 thousand pensioners living in material deprivation**.
- In 2012/13, state pensions were increased in line with other benefits and tax credits. However there were reductions in the maximum award for savings credit.

Charts 4A and 4B present recent trends for the three main pensioner poverty indicators: relative poverty, absolute poverty and the material deprivation indicator. Note that poverty based on income After Housing Costs (AHC) is a more commonly used measure for pensioner households, as many have low housing costs. Further discussion on whether it is better to use before or after housing costs can be found in [Annex 2](#).

Chart 4A – Relative Poverty and Material Deprivation - Pensioners

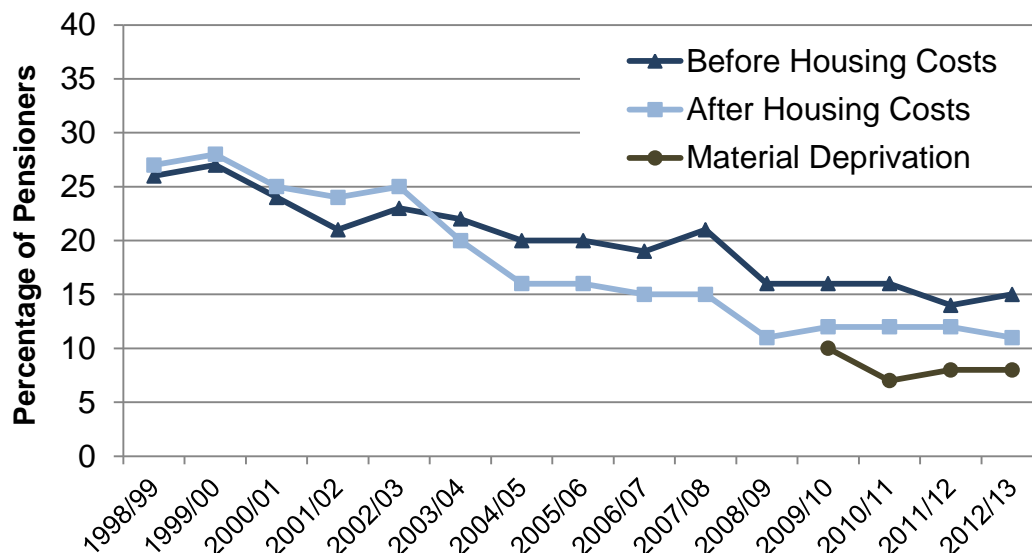
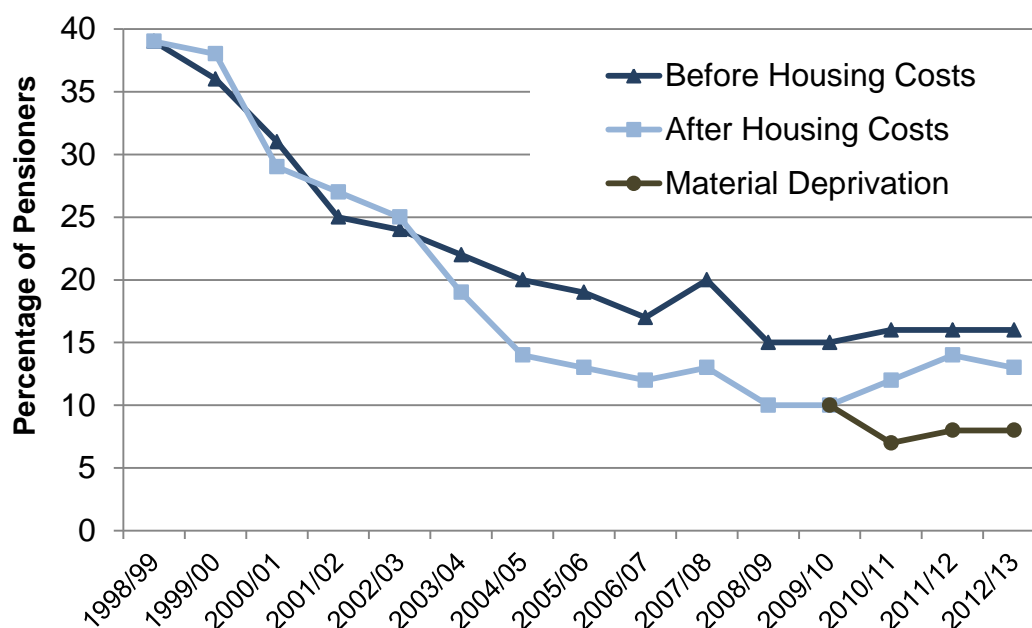


Chart 4B - Absolute Poverty and Material Deprivation - Pensioners



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Tables [A1](#) and [A2](#) and [A4](#)).

Charts with confidence intervals for relative and absolute pensioner poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Notes:

1. Pensioner material deprivation is not solely based on affordability and so should not be compared directly with measures of income-related poverty.
2. Pensioner material deprivation is included for those aged 65 and over only and therefore is not the same population as relative and absolute poverty measures.
3. The grossing factors have been updated to incorporate the 2011 census results. The previously published statistics have been revised to reflect the population since the 2001 census. Further information is available in [Annex 3](#)

In 2012/13, 15 per cent of pensioners in Scotland were living in **relative poverty** ([BHC](#)), a 1 percentage point increase compared with the previous year. In 2012/13, 150 thousand pensioners in Scotland were living in relative poverty ([BHC](#)), 10 thousand more than the previous year.

The change in the number and percentage of pensioners in relative poverty ([BHC](#)) between 2011/12 and 2012/13 is not statistically significant. Pensioner poverty saw the smallest increase since 2011/12 and so caution should be used when interpreting this as a change.

After housing costs have been taken into account, 11 per cent of pensioners were in relative poverty, a decrease from 12 per cent in 2011/12. In 2012/13, 120 thousand pensioners were living in relative poverty ([AHC](#)), unchanged from the previous year. This percentage has remained largely unchanged since 2008/09, following a significant decrease in pensioner poverty between 1998/99 and 2004/05. There was a decrease between 2004/05 and 2008/09, but at a slower rate.

Absolute poverty ([BHC](#)) for pensioners was 16 per cent in 2012/13, unchanged from the previous year. There were 170 thousand pensioners living in absolute poverty ([BHC](#)) in 2012/13. This percentage has remained unchanged over the last five years, following a decrease in 2008/09.

In 2012/13, 8 per cent of pensioners in Scotland were living in combined low income and material deprivation, unchanged from 2011/12. In 2012/13, there were 70 thousand pensioners living in combined low income and material deprivation.

Commentary:

Over the last decade, the proportion of pensioners in Scotland in relative poverty ([BHC](#)) has fallen 8 percentage points from 23 per cent in 2002/03 to 15 per cent in 2012/13. The fall in pensioner poverty over the last decade has been steeper than comparable falls for children and working age adults.

Households containing pensioners at the lower end of the income distribution generally received a larger proportion of their income from benefits and a smaller proportion from other sources. In the latest year, because benefit income grew more than earned income, households with pensioners saw their overall income increase in real terms while other households with more income from earnings saw incomes decrease. The Basic State Pension and Pension Credit Guarantee Credit increased by 5.2 per cent, in line with increases in other benefits and tax credits. However in 2012 the maximum award of Savings Credit was reduced (following freezes in 2011).

From the early 1980s until 2011/12, the Basic State Pension (BSP) was updated in line with prices using the Retail Prices Index (RPI), and since then, in line with the Consumer Price Index (CPI). Although this protected it from inflation, the income that pensioners received from BSP fell behind that of working age people, as the earnings of working age people tended to increase faster than inflation. However, inflation in the UK has exceeded the growth in average earnings in recent years, and so pension increases have been greater than earnings and most other benefits and tax credits.

From 2009, BSP income has increased faster than earnings for working age households, and at a faster rate than for most other benefit and tax credit income. Pensioners' median net income has grown faster than earnings over the last twelve years. Median income after housing costs for pensioners has grown by 18 per cent between 2002/03 and 2012/13 in real terms, whereas average weekly earnings for the whole economy rose by 5 per cent in real terms over the same period.

Pensioner Material Deprivation Indicator:

This is an additional way to measure the living standards of pensioners. This measure is based on a set of goods, services and experiences, judged using academic research to be the best discriminators of deprivation. Pensioners are asked if they have an item (or access to a service) and to give a reason if they do not have it. Their responses are then used to judge whether or not they are materially deprived. It is similar to the child material deprivation and low income combined indicator (which is presented in Chart 2) but has some important differences:

- Differences in the set of *items* asked about, e.g. pensioners are not asked if they can afford school trips.
- Pensioners are presented with a *greater variety of reasons* for not having a particular item, whereas households with children are simply asked whether they can *afford* an item they do not have. Pensioners are able to say if they are prevented from having it due to *ill health, disability or lack of support from other people*. These additions reflect that deprivation can occur because of ill health, disability or social isolation, and not just for financial reasons.
- The pensioner "material deprivation" indicator is **not** combined with household income information to produce a combined indicator, as is done with the child deprivation indicator. This is because for pensioners, the concept of material deprivation is broad and very different from low income, so it is appropriate to present it as a separate measure.

For these reasons, pensioner material deprivation cannot be directly compared to the child material deprivation and low income measure.

More background on pensioner material deprivation is given in [Annex 2](#), and the following technical note on the DWP website gives further information, including the list of questions which are asked to pensioners:

<https://www.gov.uk/government/publications/households-below-average-income-hbai-technical-note-on-pensioner-material-deprivation>

State pension age:

Working age adults are defined as all adults up to the state pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women is increasing to 63 and will then increase to 65 between April 2016 to November 2018. The changes do not affect the state pension age for men, which remains at 65. Further increases are planned for both men and women's state pension age (to 66 by 2020 and 67 by 2028). The impact is to retain women in the working age adult group, who prior to April 2010 would have been classified as pensioners.

As such material deprivation is presented here for pensioners aged 65 and over only.

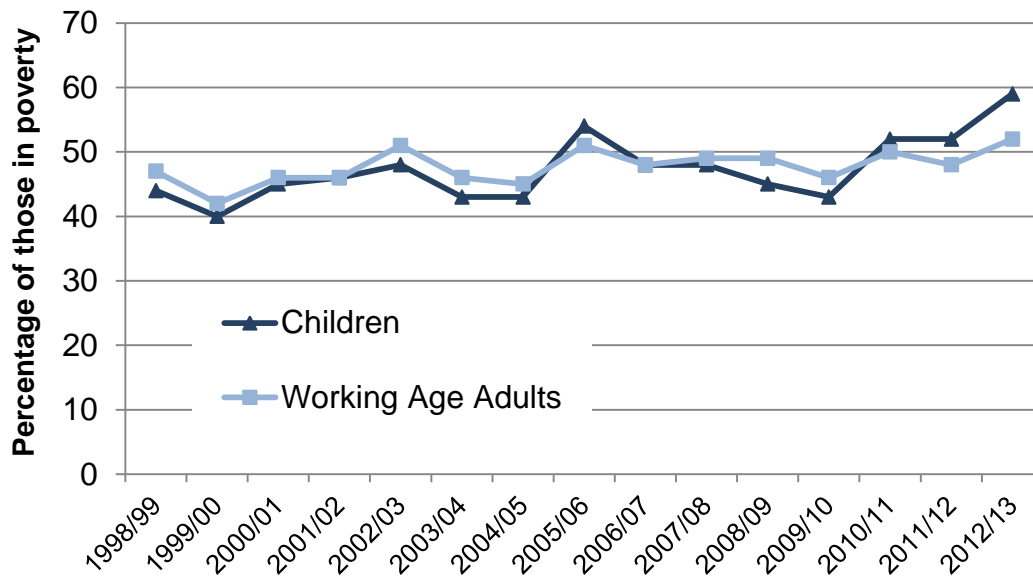
1.5 In-work relative poverty (BHC)

Key points:

- In 2012/13, **52 per cent of working age adults** in poverty were in in-work poverty.
- In 2012/13, there were **250 thousand working age adults** in in-work poverty.
- In 2012/13, **59 per cent of children in poverty** in Scotland in 2012/13 were living in families where at least one adult was in employment.
- In 2012/13, there were **110 thousand children** living in poverty who were in families in employment.
- **45 per cent of all people** in poverty in Scotland were in in-work poverty.
- In 2012/13 the rate of **in-work poverty increased** compared with 2011/12.

Chart 5 compares Scottish in-work poverty trends for children and working age adults.

Chart 5 – Percentage of children and working age adults in poverty, living in a household with at least one adult in employment



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table [A5](#)).

Note: The grossing factors have been updated to incorporate the 2011 census results. The previously published statistics have been revised to reflect the population since the 2001 census. Further information is available in [Annex 3](#)

Commentary:

In-work poverty in Scotland increased in 2012/13, with 250 thousand working age adults living in in-work poverty. Over half (52 per cent) of working age adults in poverty were living in in-work poverty in 2012/13. This is an increase of 50 thousand working age adults in in-work poverty, compared with the previous year, and continues the slow upward trend in working age in-work poverty in Scotland.

The number of children living in poverty who were in households in employment has also increased in the latest year, with 110 thousand children in Scotland living in in-work poverty in 2012/13. Six in ten children in poverty in Scotland in 2012/13 were living in households where at least one adult was in employment. There were 30 thousand more children in in-work poverty in 2012/13 compared with the previous year, continuing the upward trend in children in in-work poverty in Scotland.

In-work poverty:

'In-work poverty' refers to those individuals living in households where at least one member of the household is working (either full or part time) but where the household income is below the relative poverty ([BHC](#)) threshold. This group contains non-working household members such as children and non-working partners.

Chapter 2: Income Inequality and the distribution of income

2.1 Income distribution

Key points:

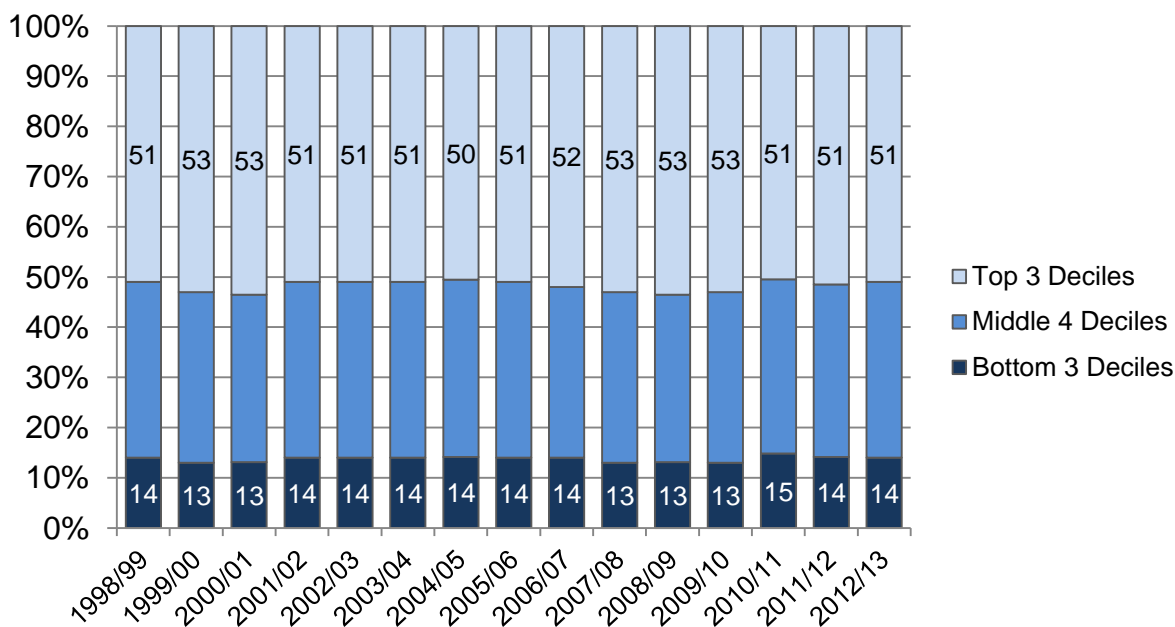
- In 2012/13, the percentage of income received by households in the bottom 3 deciles was 14 per cent, unchanged from previous years.
- There has been very little change in income inequality since 1998/99.

This section provides information that relates to the Scottish Government's Solidarity Purpose Target which is "to increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017". More information can be found at the following link:

<http://www.scotland.gov.uk/About/Performance/scotPerforms/purpose/solidarity>

Chart 6 shows the percentage of total income received by the three lowest income deciles (the thirty per cent of the population with the lowest incomes), from 1998/99 to 2012/13. It also shows the percentage of total income received by the three highest income deciles. This is a measure of how equally income is distributed across the population.

Chart 6 – Percentage of income going to the bottom and top three deciles



Source: HBAI dataset, DWP.

Commentary:

In 2012/13, the percentage of income received by households in the bottom 3 deciles was 14 per cent, unchanged from previous years.

Having dropped from 54 per cent to 51 per cent between 2009/10 and 2010/11, the percentage of income received by households in the top three income deciles has remained unchanged since then.

There has been no significant change in income inequality between 2011/12 and 2012/13 using this measure. Over the longer term it can be seen that there has been very little change in income inequality since 1998/99, with the percentage of income received by the bottom 3 deciles remaining at between 13 and 14 per cent.

Deciles / decile points:

Deciles (or decile points) are the income values which divide the Scotland population, when ranked by income, into ten equal-sized groups. Therefore nine decile points are needed in order to form the ten groups. **Decile** is also often used as a shorthand term for **decile group**; for example 'the bottom decile' is used to describe the bottom ten per cent of the income distribution.

Decile groups:

These are groups of the population defined by the **decile points**. The lowest decile group is the ten per cent of the population with the lowest incomes. The second decile group contains individuals with incomes above the lowest decile point but below the second decile point.

2.2 Income thresholds

Key points:

- In 2012/13, median household income in Scotland was £23,000, a decrease of £400 per year compared with 2011/12.
- The relative poverty ([BHC](#)) threshold in 2012/13 was £13,800, equivalent to £264 a week for a couple with no children. This is unchanged from 2011/12. Changes in relative poverty therefore reflect genuine changes in income and are not due to changes in median income.
- A couple with no children with a combined income of over £35,200 (after tax and benefits) would be in the highest income 20 per cent of the population.

Note: In this publication, all statistics are based on net income. That is, income after taxes and including benefits. Income is calculated at the household level, and reflects the income available to the household after taxes are paid and all benefits and tax credits have been received.

Most of the income figures in this publication are based on equivalised income. One consequence of the [equivalisation](#) process is that there are different poverty thresholds for households of different sizes and compositions. To help readers understand the figures in this publication, Table 1 below presents some commonly used income thresholds, before equivalisation, for households of different sizes. The incomes presented elsewhere in this report use the value for “Couple with no children” as the standard, and all other household types are adjusted to reflect their different household composition.

Table 1 - Income thresholds (£) for different household types (income after tax and [BHC](#))

	Single person with no children		Couple with no children		Single person with children aged 5 and 14		Couple with children aged 5 and 14	
	weekly	annual	weekly	annual	weekly	annual	weekly	annual
UK median income (before housing costs)	295	15,400	440	22,900	528	27,500	673	35,100
Scottish median income (before housing costs)	295	15,400	440	23,000	529	27,600	674	35,100
60% of UK median income (before housing costs) - relative poverty threshold	177	9,200	264	13,800	317	16,500	404	21,000
60% of inflation adjusted 2010/11 UK median income (before housing costs) - absolute poverty threshold	182	9,500	272	14,200	326	17,000	416	21,700
Scottish 1st income decile	148	7,700	221	11,500	265	13,800	338	17,600
Scottish 2nd income decile	191	9,900	285	14,800	342	17,800	436	22,700
Scottish 3rd income decile	224	11,700	334	17,400	401	20,900	511	26,600
Scottish 4th income decile	259	13,500	387	20,200	465	24,200	592	30,900
Scottish 5th income decile	295	15,400	440	23,000	529	27,600	674	35,100
Scottish 6th income decile	332	17,300	496	25,900	595	31,000	759	39,600
Scottish 7th income decile	382	19,900	570	29,700	684	35,700	873	45,500
Scottish 8th income decile	453	23,600	676	35,200	811	42,300	1034	53,900
Scottish 9th income decile	569	29,700	849	44,300	1019	53,100	1299	67,800

Source: HBAI dataset, DWP.

Note: to create ten decile groups only nine decile points are needed to split the population.

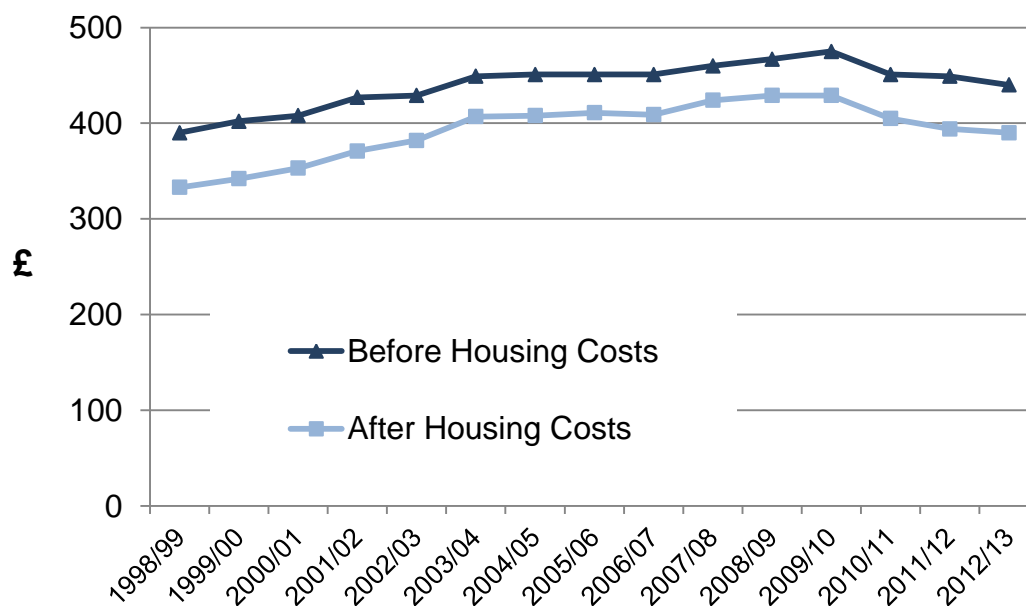
2.3 Trends in income distributions

Key points:

- In 2012/13, median income was £440 per week, a decrease of £9 on the previous year. This is the third consecutive year median income in Scotland has fallen.
- The bottom two deciles saw the largest income decreases compared with the previous year.
- Only the top two deciles saw an increase in income in 2012/13. Households at all other income deciles saw decreases in income in 2012/13.

Chart 7 shows how the median equivalised household income (BHC) in Scotland has changed from 1998/99 to 2011/12.

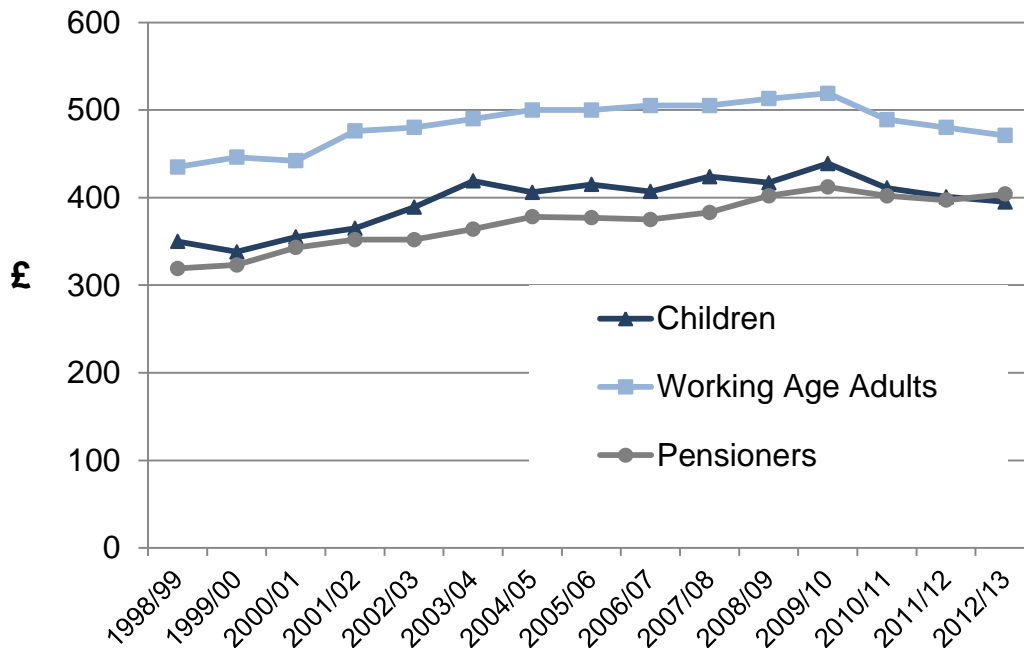
Chart 7 – Median weekly household income in Scotland (in 2012/13 prices)



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table A6).

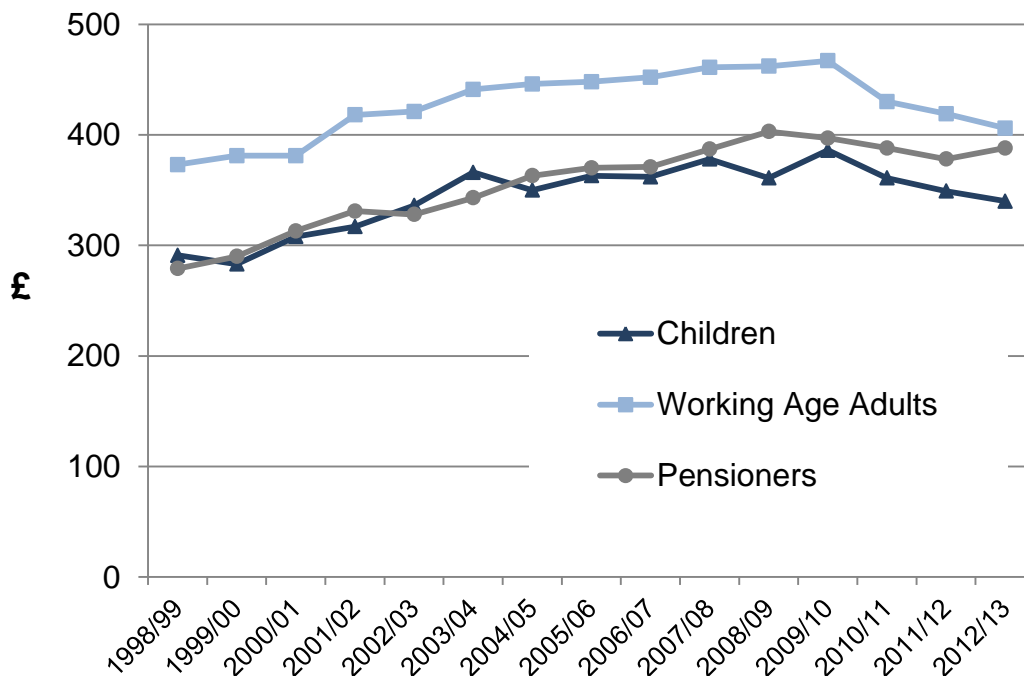
Charts 8A and 8B show median weekly household income, before housing costs and after housing costs, for households with children, working age adults, and pensioners.

Chart 8A – Median weekly household income (BHC) in Scotland (in 2012/13 prices)



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table [A7](#)).

Chart 8B – Median weekly household income (AHC) in Scotland (in 2012/13 prices)



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table [A7](#)).

In 2012/13, median household income was £440 per week, a decrease of £9 compared with 2011/12. This is the third consecutive year median income in Scotland has fallen, and median income in 2012/13 is at the lowest level since 2002/03. All incomes are quoted in 2012/13 prices.

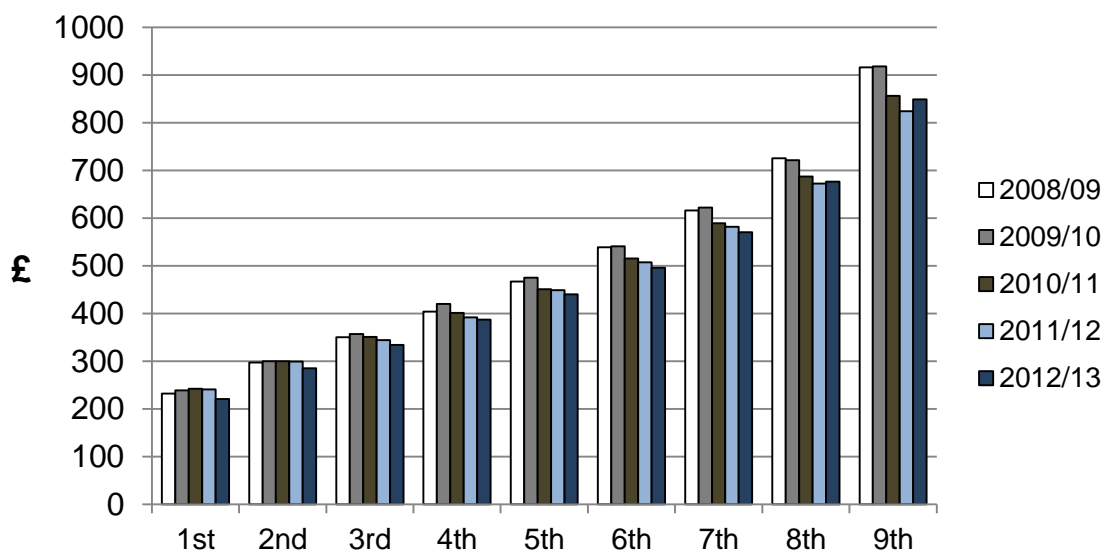
Commentary:

There was a gradual increase in median equivalised weekly household income ([BHC](#)) in Scotland from £390 in 1998/99 to £475 in 2009/10 followed by a fall to £451 in 2010/11. Median income in 2011/12 fell slightly to £449 per week. Median income then fell to £440 in 2012/13, the third consecutive annual fall in median income in Scotland.

The pattern is similar for median equivalised weekly household income ([AHC](#)) in Scotland, which was £333 in 1998/99 increasing to £429 in 2009/10, followed by a fall to £405 in 2010/11 and £394 in 2011/12. Median income [AHC](#) continued to drop in 2012/13 to £390, again the lowest level since 2002/03.

Chart 9 shows how the weekly equivalised incomes have changed from 2008/09 to 2012/13 across the different income decile points. Decile points are the incomes that separate out the 10 deciles, so 10 per cent of the population have household income below the 1st decile point and 90 per cent of the population have income below the 9th decile point.

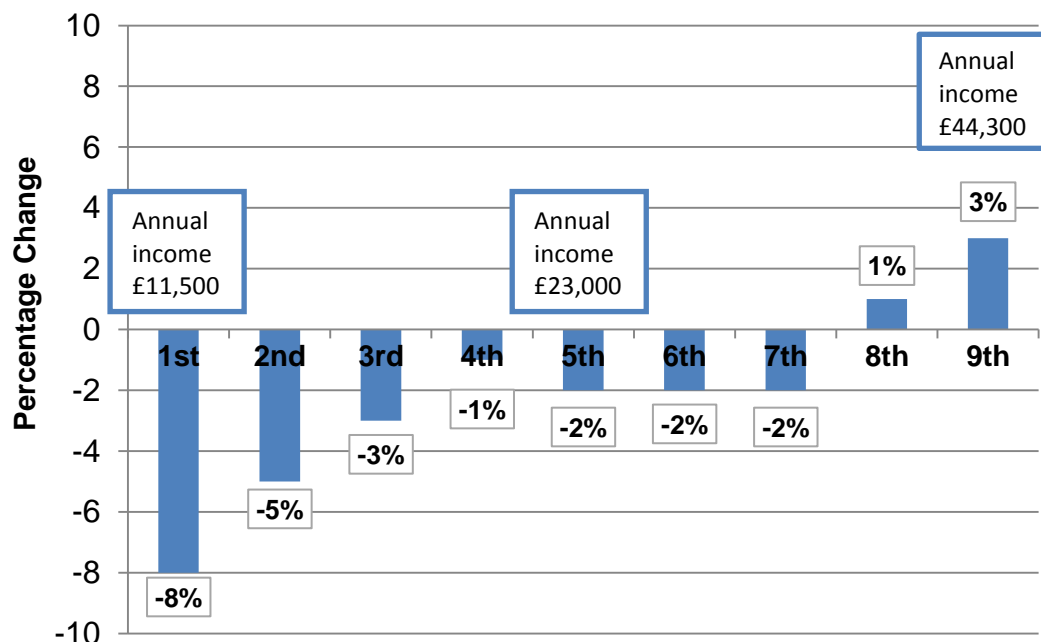
Chart 9 – Weekly household incomes for each decile point from 2008/09 to 2012/13



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table [A8](#)).

Chart 10 shows the percentage change in each income decile point in 2012/13 compared to 2011/12.

Chart 10 – Percentage change in each decile point between 2011/12 and 2012/13 (In real prices)



Source: HBAI dataset, DWP.

Between 2008/09 and 2009/10, equivalised weekly household income in Scotland increased in real terms across all the income decile points except the 8th. In 2010/11, there was a drop in equivalised weekly household income at all but the bottom two income decile points. This is linked to the drop in average earnings. All deciles saw a decrease in 2011/12, in particular the top 4 deciles and deciles 3 and 4.

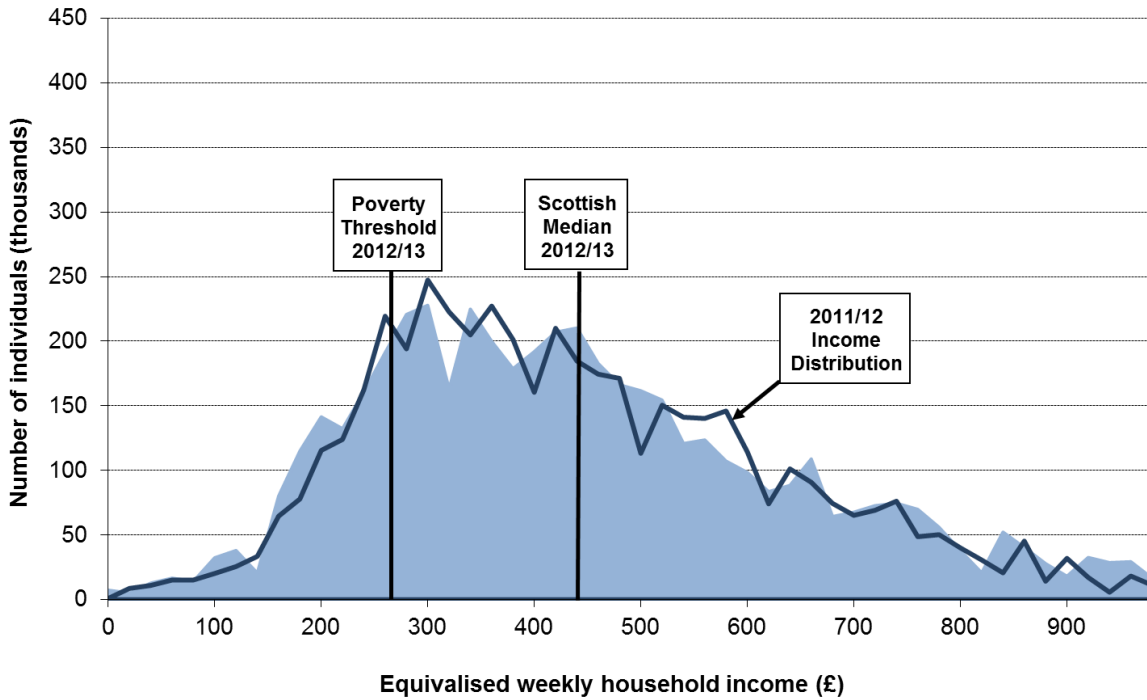
For households at the lowest two income decile points, income has fallen for the last two years. In 2012/13, the largest percentage decreases in household income was for those at the bottom income decile, with the second largest decrease for those at the second income decile.

For households at income deciles 3 to 7, 2012/13 is the third consecutive year of falls in household income. In 2012/13, while income fell for this group, the percentage decrease was less than for those on the lowest incomes.

Households at income deciles 8 and 9 (the top twenty per cent) saw small increases in income in 2012/13, following decreases in the previous two years.

Chart 11 below shows the distribution of weekly income across Scotland in 2012/13. The shaded area shows the shape of the 2012/13 income distribution and the black lines show the Scottish median income (£440) and the relative poverty threshold (BHC) (£264). The dark blue line superimposed shows the 2011/12 income distribution for comparison.

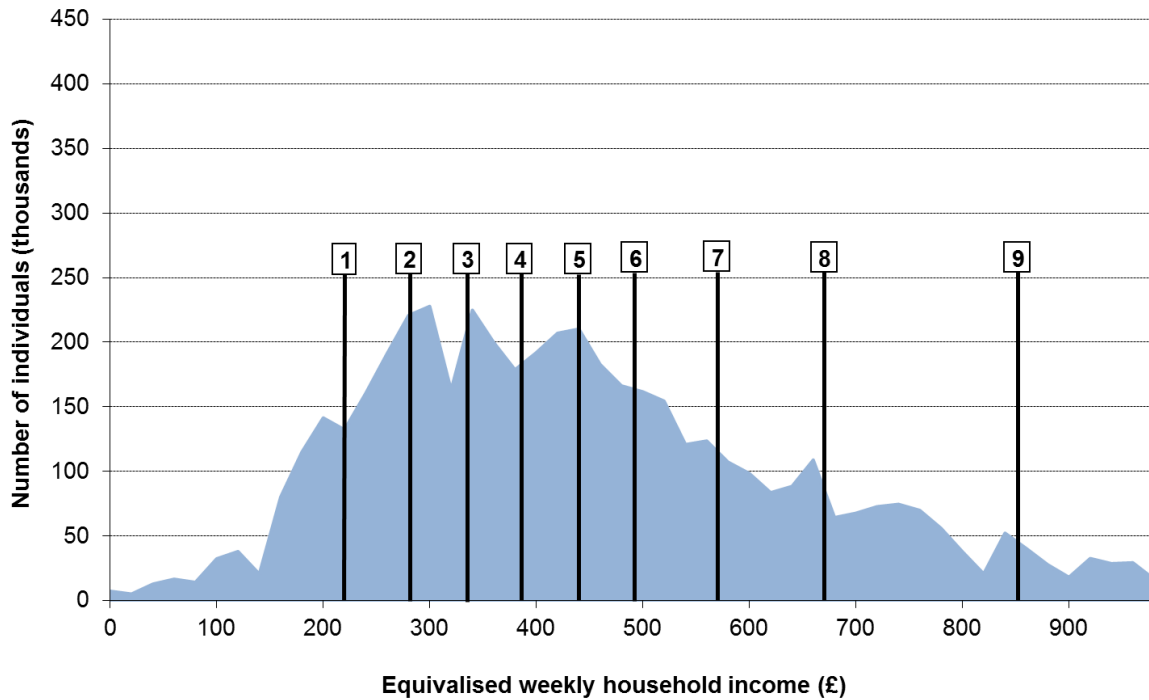
Chart 11 – Distribution of weekly household income with Scottish median and relative poverty threshold (BHC)



Source: HBAI dataset, DWP.

Chart 12 shows the same distribution with income deciles for Scotland marked with black lines.

Chart 12 – Distribution of weekly household income with income decile points



Source: HBAI dataset, DWP.

The relative poverty threshold is based on the UK median equivalised household income. As the UK median income fell in 2011/12, the poverty threshold also fell in 2011/12. In 2012/13, the UK median remained unchanged, as did the poverty threshold. Median income in Scotland was higher than the UK median in 2011/12 but in 2012/13, it had dropped to the same level (£440). In 2012/13 the poverty threshold was therefore £264 per week (for a couple with no children).

Chapter 3: Household characteristics and income distribution

3.1 Household composition

Key points:

- Single adult households are overrepresented in the bottom income deciles, particularly single parents and single working age adult households.
- 54 per cent of people in the bottom three income deciles are in households where no-one is in employment, compared to 13 per cent in the top three deciles.
- 59 per cent of those in the bottom decile are in households with no adults in employment, a decrease of 6 percentage points on the previous year.
- However, families with someone in employment make up 46 per cent of those in the bottom three deciles, similar to 2011/12 (47 per cent).

Commentary:

There were a higher percentage of single adult households (both with and without children) towards the lower end of the income distribution. Single people without dependent children make up over 30 per cent of those in the lowest decile, and around 20 per cent in the other deciles, apart from the top decile where they represent only 10 per cent. Similarly, single parent households are concentrated in the lower income deciles, with more than half in the bottom three income deciles.

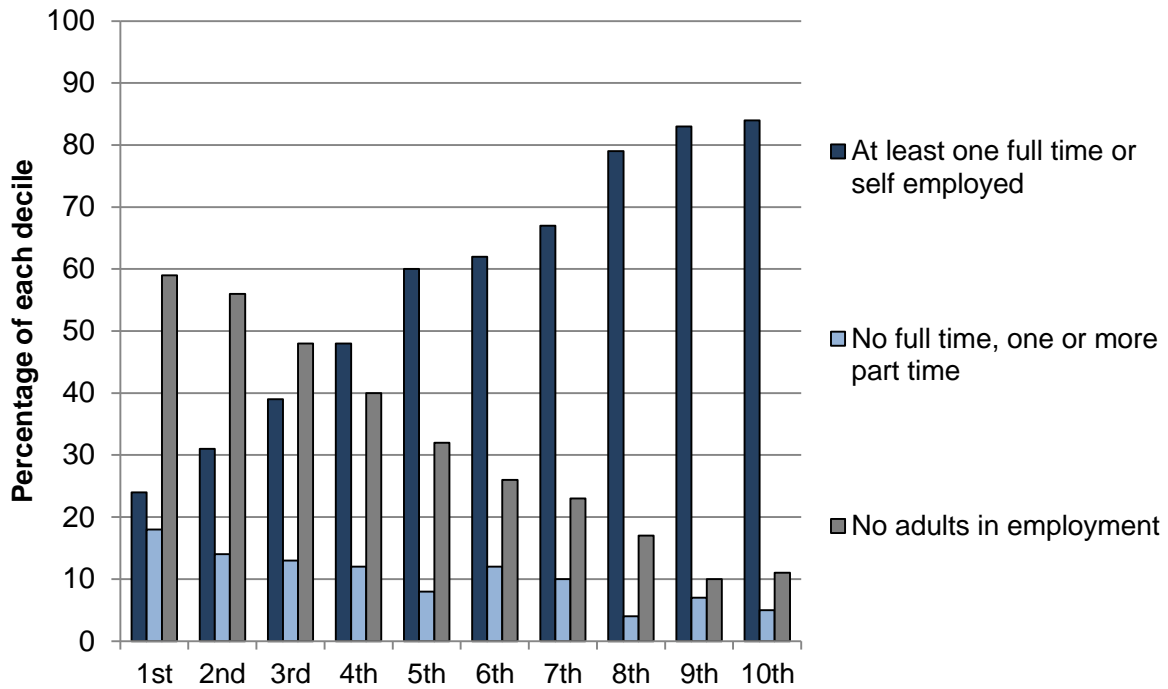
There were also more pensioners towards the lower end of the income distribution – the second, third and fourth income deciles contain the highest proportions.

Couple households without children were more likely to be the top end of the income distribution, while those with children are evenly spread across all deciles. Couple households may be more able to increase household income than single person households. Households without children may be more able to work more hours and have greater flexibility in the labour market.

3.2 Household economic status

Chart 13 below shows the employment characteristics of households in each decile. Each bar represents the percentage of people in that decile living in each of the households types: at least one adult in full time employment, part time employment only, no adults in employment (whether due to unemployment, not actively seeking employment, or retirement).

Chart 13 – Economic status of household, composition of each decile



Source: HBAI dataset, DWP.

Commentary:

Households where no-one is working either through unemployment, retirement or economic inactivity (those who are neither in work, nor looking for work) were more common towards the bottom of the income distribution. Over half (54 per cent) of people in the bottom three income deciles were in households where no-one is in employment, compared to 13 per cent in the top three deciles.

59 per cent of those in the bottom decile were in households with no adults in employment, a decrease of 6 percentage points on the previous year. This is the largest percentage point change of any decile. However, the percentage of households in the bottom 3 deciles combined with no adults in employment is largely unchanged due to decreases in the percentage of households in work in deciles two and three.

People in households where at least one adult is working full time (including those who are self-employed) made up 82 per cent of those in the top three deciles. However, households where at least one adult is working full time still made up 31 per cent of those in the bottom three deciles.

Households where adults are in part time employment only are spread across the income distribution, although they were more likely to be in the bottom four income deciles.

Annexes

Annex 1: Tables	35
Annex 2: Data Sources and Definitions	46
Annex 3: Revisions to Income and Poverty Statistics for this Publication	53
Annex 4: Welfare Reform in 2012/13	54
Annex 5: Where to Find More Information	56

Annex 1: Tables

Table A1: Relative poverty (below 60% of UK median income in the same year) in Scottish households: 1994/95 to 2012/13

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	21	1,040	23	1,140	28	310	30	330	17	510	18	560	26	220	29	250
1995/96	20	980	23	1,160	27	300	32	360	14	440	18	540	28	240	31	270
1996/97	22	1,090	25	1,230	31	340	33	360	16	490	19	580	30	260	33	290
1997/98	20	1,000	22	1,120	30	330	31	330	16	470	18	540	24	210	28	250
1998/99	20	980	23	1,130	28	300	31	330	15	450	19	570	26	230	27	230
1999/00	21	1,050	24	1,200	28	300	32	350	17	510	20	600	27	240	28	250
2000/01	21	1,040	24	1,220	27	280	32	340	18	540	22	650	24	210	25	220
2001/02	19	960	22	1,110	27	280	31	330	16	490	19	570	21	190	24	210
2002/03	20	1,000	22	1,120	24	250	27	280	18	530	20	610	23	210	25	230
2003/04	18	910	20	1,010	23	240	26	270	16	480	18	560	22	200	20	180
2004/05	17	860	19	960	21	210	25	250	15	460	18	560	20	180	16	150
2005/06	17	870	20	980	21	210	24	240	15	470	19	590	20	180	16	150
2006/07	17	840	19	940	22	210	25	250	14	440	18	550	19	180	15	140
2007/08	17	870	19	960	20	190	24	240	15	470	18	570	21	210	15	150
2008/09	17	860	19	960	21	210	26	250	16	490	19	600	16	160	11	110
2009/10	17	870	19	970	20	200	24	240	16	500	19	600	16	170	12	120
2010/11	15	770	17	900	17	170	21	210	14	440	18	570	16	160	12	120
2011/12	14	710	16	860	15	150	19	190	13	410	17	550	14	140	12	120
2012/13	16	820	19	1,000	19	180	22	220	15	480	21	660	15	150	11	120

Source: HBAI dataset, DWP.

Table A2: Absolute poverty (below 60 per cent of inflation adjusted 2010/11 UK median income) in Scottish households: 1994/95 to 2012/13

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	32	1,580	34	1,720	38	420	42	460	24	740	28	840	48	420	48	420
1995/96	32	1,610	36	1,810	42	470	47	520	24	720	28	860	48	420	49	420
1996/97	31	1,550	35	1,740	40	440	46	500	23	700	27	820	47	410	48	420
1997/98	28	1,400	31	1,570	39	420	43	470	22	650	25	750	37	320	40	350
1998/99	28	1,390	30	1,520	36	390	39	420	22	660	25	750	39	340	39	340
1999/00	27	1,330	30	1,480	34	360	38	410	22	650	24	740	36	310	38	330
2000/01	25	1,220	27	1,360	31	330	35	380	20	620	24	730	31	270	29	260
2001/02	22	1,070	24	1,210	30	310	34	360	18	530	20	610	25	220	27	240
2002/03	20	1,010	23	1,120	25	250	27	280	18	540	20	620	24	220	25	230
2003/04	19	930	20	990	24	240	26	260	16	490	18	550	22	200	19	180
2004/05	17	860	18	920	21	210	24	240	15	460	18	540	20	180	14	130
2005/06	17	860	18	900	21	210	23	230	15	470	18	560	19	180	13	120
2006/07	16	800	17	840	21	210	22	220	14	430	16	500	17	170	12	120
2007/08	16	830	17	880	19	190	22	220	14	450	17	530	20	190	13	130
2008/09	16	820	18	900	20	200	24	240	15	470	18	570	15	150	10	100
2009/10	15	790	17	890	18	180	22	220	15	470	18	570	15	150	10	100
2010/11	15	770	17	900	17	170	21	210	14	440	18	570	16	160	12	120
2011/12	15	780	18	950	17	170	22	220	14	450	18	590	16	160	14	140
2012/13	17	880	21	1,100	20	200	25	250	16	510	22	710	16	170	13	140

Source: HBAI dataset, DWP.

Table A3: Children in combined material deprivation and low income (below 70 per cent of UK median income in the same year) in Scottish households: 2004/05 to 2012/13

Old Indicator	%		New Indicator	%	
	000s			000s	
2004/05	17	170	2004/05	-	-
2005/06	13	130	2005/06	-	-
2006/07	16	160	2006/07	-	-
2007/08	16	160	2007/08	-	-
2008/09	16	160	2008/09	-	-
2009/10	15	150	2009/10	-	-
2010/11	13	130	2010/11	12	120
2011/12	-	-	2011/12	9	90
2012/13	-	-	2012/13	11	110

Source: HBAI dataset, DWP.

Table A4: Pensioners over 65 in material deprivation: 2009/10 to 2012/13

	%	
	000s	
2009/10	10	80
2010/11	7	60
2011/12	8	70
2012/13	8	70

Source: HBAI dataset, DWP.

Table A5: In-work poverty (relative poverty [BHC](#)) in Scotland: 1998/99 to 2012/13
 Percentage of individuals in poverty in households with at least one adult in employment

	All People In in-work poverty		Children In in-work poverty		Working Age Adults In in-work poverty	
	000s	%	000s	%	000s	%
1998/99	360	36	130	44	210	47
1999/00	350	33	120	40	210	42
2000/01	390	37	130	45	250	46
2001/02	370	38	130	46	230	46
2002/03	410	41	120	48	270	51
2003/04	340	37	100	43	220	46
2004/05	310	36	90	43	210	45
2005/06	370	43	110	54	240	51
2006/07	320	38	100	48	210	48
2007/08	340	39	90	48	230	49
2008/09	340	40	90	45	240	49
2009/10	330	38	80	43	230	46
2010/11	320	41	90	52	220	50
2011/12	290	40	80	52	200	48
2012/13	370	45	110	59	250	52

Source: HBAI dataset, DWP.

Table A6: Median equivalised weekly household income in Scotland: 1994/95 to 2012/13 (2012/13 prices)

	Before Housing Costs	After Housing Costs
1994/95	364	310
1995/96	361	303
1996/97	374	314
1997/98	388	329
1998/99	390	333
1999/00	402	342
2000/01	408	353
2001/02	427	371
2002/03	429	382
2003/04	449	407
2004/05	451	408
2005/06	451	411
2006/07	451	409
2007/08	460	424
2008/09	467	429
2009/10	475	429
2010/11	451	405
2011/12	449	394
2012/13	440	390

Source: HBAI dataset, DWP.

Table A7: Median equivalised weekly household income in Scotland: 1994/95 to 2012/13 (2012/13 prices)

Children, working age adults and pensioners

	Children		Working Age Adults		Pensioners	
	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs
1994/95	324	269	420	353	276	242
1995/96	310	250	409	340	280	241
1996/97	316	255	429	361	279	246
1997/98	327	263	437	368	308	278
1998/99	350	291	435	373	319	279
1999/00	338	283	446	381	323	290
2000/01	355	308	442	381	343	313
2001/02	365	317	476	418	352	331
2002/03	389	336	480	421	352	328
2003/04	419	366	490	441	364	343
2004/05	406	350	500	446	378	363
2005/06	415	363	500	448	377	370
2006/07	407	362	505	452	375	371
2007/08	424	378	505	461	383	387
2008/09	417	361	513	462	402	403
2009/10	439	386	519	467	412	397
2010/11	411	361	489	430	402	388
2011/12	401	349	480	419	397	378
2012/13	395	340	471	406	404	388

Source: HBAI dataset, DWP.

Table A8: Equivalised weekly household income ([BHC](#)) in Scotland: 1994/95 to 2012/13 (2012/13 prices)

	Scottish 1st income decile	Scottish 2nd income decile	Scottish 3rd income decile	Scottish 4th income decile	Scottish 5th income decile	Scottish 6th income decile	Scottish 7th income decile	Scottish 8th income decile	Scottish 9th income decile
1994/95	181	218	262	314	364	425	482	579	703
1995/96	187	223	261	313	361	412	483	569	709
1996/97	186	224	268	315	374	431	494	587	719
1997/98	191	234	280	329	388	442	515	606	760
1998/99	195	239	286	339	390	446	526	613	776
1999/00	200	241	289	340	402	462	534	640	799
2000/01	207	250	299	349	408	461	534	637	799
2001/02	222	267	318	370	427	489	560	654	864
2002/03	213	268	319	373	429	490	564	656	824
2003/04	225	281	341	397	449	509	580	680	826
2004/05	230	289	339	390	451	513	588	692	838
2005/06	228	287	341	396	451	513	587	698	864
2006/07	237	292	342	399	451	518	595	702	875
2007/08	230	294	347	400	460	526	603	718	906
2008/09	232	297	350	404	467	539	616	725	916
2009/10	239	300	357	420	475	541	622	721	918
2010/11	242	300	351	401	451	515	589	687	856
2011/12	241	299	344	392	449	507	582	672	824
2012/13	221	285	334	387	440	496	570	676	849

Source: HBAI dataset, DWP.

Table A9: Household type by equivalised income decile in Scotland: 2012/13

Income decile	Pensioner couple		Single pensioner		Couple with dependent children		Single with dependent children		Couple without dependent children		Single without dependent children	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	40	8	50	10	140	27	60	11	70	13	160	31
2	60	12	70	12	160	31	80	15	40	8	110	21
3	70	13	80	15	180	35	80	15	40	7	80	15
4	90	18	60	11	160	31	60	12	50	10	90	18
5	80	15	50	9	190	36	40	8	90	16	80	15
6	70	14	30	5	160	31	40	8	90	18	130	24
7	80	15	40	8	170	32	30	5	120	23	90	17
8	60	12	30	6	170	32	10	2	170	31	90	17
9	60	11	20	4	150	29	0	1	190	37	100	19
10	80	15	10	3	160	31	0	1	210	41	50	10
Total	690	13	440	8	1,640	31	410	8	1,070	20	980	19

Source: HBAI dataset, DWP.

Table A10: Economic status of households by equivalised income decile: Scotland 2012/13

Income decile	One or more self employed		Single/couple all in full time work		Couple/one in full time, one part time		Couple, one full time one not working		No full time, one or more part time		No adult in employment, head or spouse aged 60 or over		No adult in employment, head or spouse unemployed		No adult in employment, other inactive	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	60	12	20	3	20	5	20	4	90	18	100	18	90	16	130	24
2	40	8	30	5	20	5	70	13	70	14	130	24	60	11	110	21
3	20	5	40	8	60	12	80	15	70	13	140	27	30	5	80	16
4	30	6	70	13	90	17	60	12	60	12	140	27	10	2	60	11
5	30	5	120	23	100	19	60	12	40	8	120	23	0	1	40	8
6	20	4	170	32	80	15	60	11	60	12	90	16	0	0	50	10
7	30	7	190	36	100	19	30	5	50	10	100	18	0	0	30	5
8	40	7	240	46	100	20	30	6	20	4	80	15	0	0	10	2
9	40	7	260	50	80	16	50	10	40	7	40	8	0	0	10	2
10	80	15	260	50	60	11	40	8	30	5	50	10	0	0	0	1
Total	400	8	1,390	27	720	14	500	10	530	10	980	19	190	4	520	10

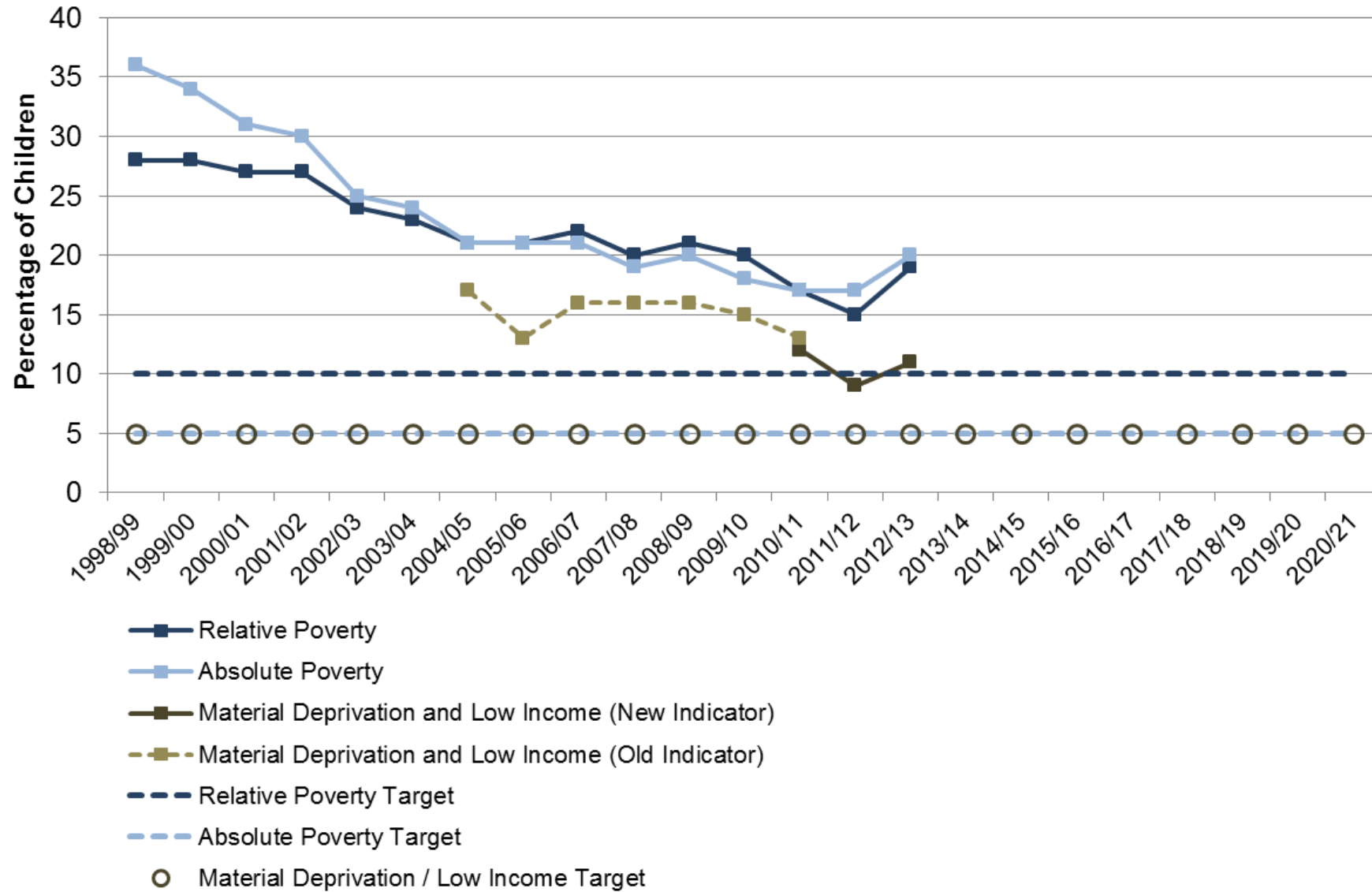
Source: HBAI dataset, DWP.

Table A11: Full time, part time and not in employment by equivalised income decile: Scotland 2012/13

	At least one full time or self employed		No full time, one or more part time		No adult in employed, at least one adult unemployed		No adult in employed, other	
	000s	%	000s	%	000s	%	000s	%
1st	120	24	90	18	100	18	210	40
2nd	160	31	70	14	130	24	170	32
3rd	210	39	70	13	140	27	110	20
4th	250	48	60	12	140	27	70	13
5th	310	60	40	8	120	23	50	9
6th	330	62	60	12	90	16	50	10
7th	350	67	50	10	100	18	30	5
8th	420	79	20	4	80	15	10	3
9th	430	83	40	7	40	8	10	2
10th	440	84	30	5	50	10	10	1
Total	3,020	58	530	10	980	19	710	13

Source: HBAI dataset, DWP.

Chart A14 – Child Poverty Act Targets



Note: the 21 items in the suite of questions used to measure material deprivation are designed to reflect the items and activities people in the UK believe to be necessary. These items are reviewed periodically to ensure the measure remains a relative measure of poverty. In 2010/11 four new items were included in the FRS, and in 2011/12 four old items were removed. This creates a break in the child material deprivation series, with the measure for 2004/05 to 2010/11 on the old basis. The measure for 2011/12 is presented on the new basis. For further detail see [Annex 2](#).

Annex 2: Data Sources and Definitions

Data sources

Family Resources Survey, Households Below Average Income (HBAI) dataset:

All the figures in this publication come from the Department for Work and Pensions' (DWP) Households Below Average Income dataset which is produced from the Family Resources Survey. UK figures are published by DWP in 'Households Below Average Income: 2012/13' on the same day as 'Poverty and Income Inequality in Scotland: 2012/13'. For the UK figures, as well as more detail about the way these figures are collected and calculated, see the DWP website:

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

Further analysis of these figures will be published later in the year on the Scottish Government income and poverty statistics website. This will include figures on the interaction between income, poverty, disability and housing tenure.

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty>

Future plans for updating persistent poverty figures

Data on Persistent Poverty has been obtained from the British Household Panel Survey (BHPS) and figures are published here:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Publications>.

The BHPS has been subsumed into the larger Understanding Society survey from the start of 2009. These figures will be updated when the new data becomes available in of 2015. For more detail see www.understandingsociety.org.uk.

What does the HBAI measure?

Households Below Average Income (HBAI) uses household disposable incomes, adjusted for the household size and composition, as a proxy for material living standards. More precisely, it is a proxy for the level of consumption of goods and services that people could attain given the disposable income of the household in which they live.

The unit of analysis is the individual, so the populations and percentages in the tables are numbers and percentages of individuals – both adults and children.

The living standards of an individual depend not only on his or her own income, but also on the income of others in the household. Consequently, the analyses are based on **total household income**: the equivalised income of a household is taken to represent the income level of every individual in the household. Equivalisation, a technique that allows comparison of incomes between households of different sizes and compositions, is explained section 1.2 below. Thus, all members of any one household will appear at the same point in the income distribution.

Housing Costs

It could be argued that the costs of housing faced by different households at a given time do not always match the true value of the housing that they actually enjoy, and that housing costs should therefore be deducted from any definition of disposable income. However, any measure of income defined in this way would understate the relative standard of living of those individuals who were actually benefiting from a better quality of housing by paying more for better accommodation. Income growth over time would also understate improvements in living standards where higher costs reflected improvements in the quality of housing.

Conversely, any income measure which does not deduct housing costs may overstate the living standards of individuals whose housing costs are high relative to the quality of their accommodation. Growth over time in income before housing costs could also overstate improvements in living standards for low income groups in receipt of Housing Benefit, and whose rents have risen in real terms. This is because Housing Benefit will also rise to offset the higher rents (for a given quality of accommodation) and would be counted as an income rise, although there would be no associated increase in the standard of living. A similar effect could work in the opposite direction for pensioners: if a shift from renting to owning their housing outright leads to a fall in Housing Benefit income, because fewer low income pensioners are paying rents, then changes in income before housing costs may understate any improvement in living standards.

Therefore, this publication presents analyses on two bases: **Before Housing Costs (BHC)** and **After Housing Costs (AHC)**. This is principally to take into account variations in housing costs that themselves do not correspond to comparable variations in the quality of housing.

Definitions

Measures of income

The income measure used in HBAI is weekly net (disposable) equivalised household income. This comprises total income from all sources of all household members including dependants.

Income is adjusted for household size and composition by means of equivalence scales, which reflect the extent to which households of different size and composition require a different level of income to achieve the same standard of living. This adjusted income is referred to as **equivalised income** (see definition below for more information on [equivalisation](#)).

- **Income Before Housing Costs (BHC)** includes the following main components: net earnings; profit or loss from self-employment after income tax and NI; all social security benefits, including housing and council tax benefits; all tax credits, including Social Fund grants; occupational and private pension income; investment income; maintenance payments; top-up loans and parental contributions for students, educational grants and payments; the cash value of certain forms of income in kind such as free school meals, free welfare milk and free school milk and free TV licences for the over 75s (where data is available). Income is net of: income tax payments; National Insurance contributions; contributions to occupational, stakeholder and personal pension schemes; council tax; maintenance and child support payments made; and parental contributions to students living away from home.

- **Income After Housing Costs (AHC)** is derived by deducting a measure of housing costs from the above income measure.
- **Housing Costs** include the following: rent (gross of housing benefit); water rates; mortgage interest payments; structural insurance premiums; ground rent and service charges.

Real prices

Unless otherwise stated, all figures relating to income are in 2012/13 prices. Values from previous years are updated to account for inflation using the Retail Price Index (RPI).

All [BHC](#) incomes in this publication have been adjusted for inflation using a bespoke index supplied by the Office for National Statistics (ONS), consisting of the Retail Prices Index excluding Council Tax, while all [AHC](#) incomes in this publication have been adjusted for inflation using the Retail Prices Index excluding housing.

RPI measures the average price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base or reference period.

Equivalisation is the process by which household income is adjusted to take into account variations in the size and composition of the households in which individuals live. This reflects the common sense notion that, in order to enjoy a comparable standard of living, a household of, for example, three adults will need a higher income than a single person living alone. The process of adjusting income in this way is known as equivalisation and is needed in order to make sensible income comparisons between households.

Equivalence scales conventionally take an adult couple without children as the reference point, with an equivalence value of one. The process then increases relatively the income of single person households (since their incomes are divided by a value of less than one) and reduces relatively the incomes of households with three or more persons, which have an equivalence value of greater than one.

Consider a single person, a couple with no children, and a couple with two children aged fourteen and ten, all having unadjusted weekly household incomes of £200 (Before Housing Costs). The process of equivalisation, as conducted in HBAI, gives an equivalised income of £299 to the single person, £200 to the couple with no children, but only £131 to the couple with children.

The equivalence scales used here are the modified OECD scales. Two separate scales are used, one for income Before Housing Costs ([BHC](#)) and one for income After Housing Costs ([AHC](#)). Modified OECD rescaled to couple without children, [BHC](#) is as follows:

First Adult	0.67
Spouse	0.33
Other Second Adult	0.33
Third Adult	0.33
Subsequent Adults	0.33
Children aged under 14 years	0.20
Children aged 14 years and over	0.33

The construction of household equivalence values from these scales is quite straightforward. For example, the [BHC](#) equivalence value for a household containing a couple with a fourteen year old and a ten year old child together with one other adult would be 1.86 from the sum of the scale values:

$$0.67 + 0.33 + 0.33 + 0.33 + 0.20 = 1.86$$

This is made up of 0.67 for the first adult, 0.33 for their spouse, the other adult and the fourteen year old child and 0.20 for the ten year old child. The total income for the household would then be divided by 1.86 in order to arrive at the measure of equivalised household income used in HBAI analysis.

Further information on equivalisation can be found in the following report on the Scottish Government website:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/equivalence-scales-paper>

Poverty measurement from the Family Resources Survey

Individuals are defined as being in poverty if their equivalised net disposable household income is below 60 per cent of the UK median. The median is the income value which divides a population, when ranked by income, into two equal sized groups. Since the mean is influenced considerably by the highest incomes, median income thresholds are widely accepted as a better benchmark when considering a derived measure for low income. Sixty per cent of the median is the most commonly used low income measure.

For a couple with no children, the UK median income ([BHC](#)) in 2012/13 was £440 per week, which in real terms is unchanged from 2011/12. [After housing costs](#) the UK median decreased from £377 to £374.

Consequently, the 60 per cent low income threshold, which is used to derive the low income household figures, has remained the same ([BHC](#)) in real terms, [AHC](#) the 60 per cent low income threshold has decreased by £3 (1 per cent).

Relative and absolute poverty:

- **Absolute poverty:** individuals living in households whose equivalised income is below 60 per cent of inflation adjusted median income in 2010/11. This is a measure of whether those in the lowest income households are seeing their incomes rise in real terms.
- **Relative poverty:** individuals living in households whose equivalised income is below 60 per cent of median income in the same year. This is a measure of whether those in the lowest income households are keeping pace with the growth of incomes in the economy as a whole.

Material deprivation for Children

A suite of questions designed to capture the material deprivation experienced by households with children has been included in the Family Resources Survey since 2004/05.

Respondents are asked whether they have 21 goods and services, including child, adult and household items. The list of items was identified by independent academic analysis. See McKay, S. and Collard, S. (2004). Together, these questions form the best discriminator between those households that are deprived and those that are not. If they do not have a good or service, they are asked whether this is because they do not want them or because they cannot afford them.

These questions are used as an additional way of measuring living standards for children and their households.

A prevalence weighted approach has been used, in combination with a relative low income threshold. The income threshold is 70 per cent of the median income. Prevalence weighting is a technique of scoring deprivation in which more weight in the deprivation measure is given to households lacking those items that most already have. This means a greater importance, when an item is lacked, is assigned to those items that are more commonly owned in the population.

Changes to measuring material deprivation in 2011/12

The 21 items in the suite of questions used to measure material deprivation are designed to reflect the items and activities people in the UK believe to be necessary. These items are reviewed periodically to ensure the measure remains a relative measure of poverty. In 2010/11 four new questions about additional items were included in the FRS to be used in the future calculation of material deprivation scores, replacing the four existing items that were identified by research as potentially out of date partly because the proportion of the population considering them necessary had fallen. As such, there is a break in the series for child low income/material deprivation and estimates from 2011/12 onwards cannot be compared to those from before 2010/11.

In the 2010/11 FRS, both the new and the old questions were asked. As such, estimates are presented based on both sets of questions for this year.

For further information about material deprivation see [Appendix 2](#) of the DWP 'Households below average income' publication.

Material Deprivation for Pensioners

A suite of questions designed to capture the material deprivation experienced by pensioner households has been included in the Family Resources Survey since May 2008.

Respondents are asked whether they have access to 15 goods and services. The list of items was identified by independent academic analysis. See:

- Legard, R., Gray, M. and Blake, M. (2008), *Cognitive testing: older people and the FRS material deprivation questions*, Department for Work and Pensions Working Paper Number 55. Available at: <http://www.bristol.ac.uk/poverty/downloads/keyofficialdocuments/FRS%20cognitive%20testing%20of%20older%20people%20dep%20questions.pdf> and;
- McKay, S. (2008), *Measuring material deprivation among older people: Methodological study to revise the Family Resources Survey questions*, Department for Work and Pensions Working Paper Number 54. Available at: <http://www.bristol.ac.uk/poverty/downloads/keyofficialdocuments/FRS%20Older%20people%20deprivation%20questions%20report.pdf>

Together, these questions form the best discriminator between those pensioner households that are deprived and those that are not.

Where they do not have a good or service, pensioner households are asked whether this is because: they do not have the money for this; it is not a priority on their current income; their health / disability prevents them; it is too much trouble or tiring; they have no one to do this with or help them; it is not something they want; it is not relevant to them; other. Where a pensioner lacks one of the material deprivation items for one of the following reasons - they do not have the money for this; it is not a priority for them on their current income; their health / disability prevents them; it is too much trouble or tiring; they have no one to do this with or help them; other - they are counted as being deprived for that item.

The exception to this is for the unexpected expense question, where the follow up question was asked to explore how those who responded 'yes' would cover this cost. Options were: use own income but cut back on essentials; use own income but not need to cut back on essentials; use savings; use a form of credit; get money from friends or family; other. Pensioners are counted as materially deprived for this item if and only if they responded 'no' to the initial question.

The same prevalence weighted approach has been used to that for children, in determining a deprivation score. Prevalence weighting is a technique of scoring deprivation in which more weight in the deprivation measure is given to households lacking those items that most already have. This means a greater importance, when an item is lacked, is assigned to those items that are more commonly owned in the pensioner population.

For children, material deprivation is presented as an indicator in combination with a low income threshold. However for pensioners, the concept of material deprivation is broad and very different from low income; therefore, it is appropriate to present it as a separate measure.

A technical note given a full explanation of the pensioner material deprivation measure is available at <https://www.gov.uk/government/publications/households-below-average-income-hbai-technical-note-on-pensioner-material-deprivation>.

Population Coverage

The FRS is a survey of private households. This means that people in residential institutions, such as nursing homes, barracks, prisons or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here. The area of Scotland north of the Caledonian Canal was included in the FRS for the first time in the 2001/02 survey year, and from the 2002/03 survey year, the FRS was extended to include a 100 per cent boost of the Scottish sample. This has increased the sample size available for analysis at the Scottish level. Between 2002/03, the sample size has been around 5 thousand. However, following cost savings introduced to the FRS in 2010, the sample size in Scotland for 2011/12 is 4 thousand. Further detail is available in [Appendix 2](#) of the DWP 'Households below average income' publication.

Reliability of estimates

The figures are estimates based on sample surveys and are therefore subject to sampling variation. Caution should be exercised in the interpretation of small year-on-year fluctuations. Identification of trends should be based on data for several years. Estimates for the confidence intervals around the key figures presented here will be available on the Income and poverty statistics website after publication via the following link:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Methodology#a6>

The Family Resources Survey publication::

<https://www.gov.uk/government/collections/family-resources-survey--2>

contains information on topics such as:

- Sample design, non-response biases, weighting
- Item non-response, imputation and editing
- Accuracy of income data

Detailed HBAI definitions and methodology

More detailed information on definitions and methodology can be found in Appendix 1 and 2 of DWP's publication:

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

Annex 3: Revisions to Income and Poverty Statistics for this Publication

Following publication of the 2011 census results, new population totals for Scotland and the UK are available along with revised estimates of the population for years following the previous census in 2001. As such, the previously published statistics for 2002/03 to 2011/12 have been revised to better reflect the make-up of the population over this period, in line with the newly available evidence from the census.

The effect of this revision is small and does not affect the overall trends in poverty and income inequality seen over this period. The table below shows the headline estimates for poverty in Scotland on both the old and the new (revised) basis. Most estimates are unchanged and where there is a discrepancy, this is never greater than 1 percentage point.

Table A12 - Comparison of revised estimates of relative poverty ([BHC](#)) with previously published estimates – 2002/03 to 2011/12

	All Individuals		Children		Working Age Adults		Pensioners	
	New	Old	New	Old	New	Old	New	Old
2002/03	20	20	24	25	18	18	23	23
2003/04	18	19	23	24	16	16	22	22
2004/05	17	17	21	21	15	15	20	20
2005/06	17	18	21	21	15	15	20	20
2006/07	17	17	22	21	14	14	19	20
2007/08	17	17	20	20	15	15	21	21
2008/09	17	17	21	21	16	16	16	16
2009/10	17	17	20	20	16	16	16	17
2010/11	15	15	17	17	14	14	16	16
2011/12	14	14	15	15	13	13	14	15

Source: HBAI dataset, DWP.

A number of minor methodological changes have also been incorporated into the population grossing following recommendations from the Office for National Statistics (ONS). These relate to the adjustments made to the sample due to factors such as housing tenure and number of households by region to ensure that the sample is representative of the population as a whole. Full details of all methodological changes can be found on the DWP website at the following link:

<https://www.gov.uk/government/publications/family-resources-survey-grossing-methodology-review-and-2011-census-updates>

Annex 4: Welfare Reform in 2012/13

Up-rating

In April 2012 many benefits, including the State Pension, and tax credits were up-rated by CPI. Child Benefit, along with several components of tax credits, were frozen in cash terms.

Council tax

Council Tax Benefit (CTB) was abolished from April 2013. Responsibility for assisting those who need help in meeting their Council Tax liabilities in Scotland now sits with the Scottish Government and Scottish Local Authorities via the Council Tax Reduction scheme (CTR). The CTR scheme replicates entitlement to CTB and allows previous entitlement criteria to be maintained. On a like-with-like basis, vulnerable people have the same net liability for Council Tax as if CTB were still in place, provided that their circumstances remain the same.

Employment and Support Allowance (ESA)

From May 2012 contributory ESA was limited to 365 days if the claimant is in the Work Related Activity Group or assessment phase. The 365 day time-limit does not include any time spent in the Support Group or the time spent in the assessment phase if they moved from the assessment phase into the Support Group at the start of their claim. ESA in youth was abolished; which means that young people can no longer qualify for contribution-based ESA without paying National Insurance contributions. The 104-week work or training linking rule was abolished; this means that someone who takes up work or training within 1 month of leaving ESA, and then returns to ESA within 104 weeks, will no longer automatically receive their original amount of ESA. The changes also mean that individuals who were previously unable to reclaim contribution based ESA, as a result of working and paying National Insurance Contributions, may now be eligible to re-claim for contribution based ESA.

Housing Benefit (HB)

From April 2012 Local Housing Allowance (LHA) rates were frozen. This was in preparation for LHAs being fixed in April 2013 by adjusting them to rise with CPI or with the bottom 30 per cent of private sector rents, whichever is the lowest. Prior to this change, LHA rates were subject to monthly reviews by Rent Officers based on movements in private sector rent levels.

Income Support (IS)

From May 2012 to qualify for IS as a lone parent, the youngest child must be under five years old, instead of under 7 years as previously. Parents of children aged five or over will need to move from income support to JSA if they are able to work.

Child Benefit

From January 2013 individuals earning above £60,000 per year will lose entitlement to child benefit, as will their partner if they are entitled to child benefit. Individuals earning between £50,000 and £60,000 per year will lose a proportion of the child benefit they receive, as will their partner if they are entitled to child benefit. For couples who are both earning over £50,000 per year, only the highest earner will lose part of their entitlement to child benefit.

Tax Credits

From April 2012, the additional amount paid to claimants aged 50 and over who are returning to the job market after a period on certain benefits - the "50-plus element" of Working Tax Credits (WTC) – was abolished, including for those who are already receiving it.

Couples with children now have to work 24 hours a week between them (previously 16 hours a week) in order to qualify for WTC. One member of the couple will have to work at least 16 hours a week. This change reduces the disparity between couples and lone parents, by ensuring that at least one member of a couple is required to work the same minimum number of hours per week as a lone parent must.

Couples with children will be able to continue working 16 hours a week between them and still qualify for WTC if:

- the partner who is working at least 16 hours per week is eligible for the disabled worker element of WTC, or is aged 60 or over; or
- one partner works at least 16 hours a week and the other partner is "incapacitated", an in-patient in hospital, or in prison.

The income threshold at which CTC begins to be withdrawn (the "first income threshold") remained at the same level as the previous year. The family element of CTC was withdrawn at the same rate as other child tax credits (the "first income threshold"); whereas in previous years the family element of CTC only began to be withdrawn at a higher income threshold (the "second income threshold").

Personal Allowance

In 2012/13 the income tax personal allowance increased by £630 for those aged under 65, with an increase of £560 for those aged 65-74 and an increase of £570 for those aged 75 or older. The threshold for the 20 per cent basic rate of income tax fell by £630.

National Insurance Contributions

The primary threshold for national insurance contributions increased by £7 (roughly 5 per cent) between 2011/12 and 2012/13; with an £8 (roughly 6 per cent) increase for the secondary threshold.

Annex 5: Where to Find More Information

Supplementary analysis:

This publication contains the headline poverty and income inequality statistics.

Supplementary analysis based on the FRS and HBAI datasets is published by the Scottish Government during the year at <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/CoreAnalysis>.

This provides further disaggregation of the headline statistics at sub-population level: poverty in urban and rural areas, poverty in deprived areas, poverty by disability, gender, and ethnicity, poverty by household tenure, household income distributions, trends in median income, income source, savings and assets, and income inequality.

Supplementary analysis themes are based on the needs of users. If you have any suggestions for future supplementary analysis please email:

stephen.smith@scotland.gsi.gov.uk

or phone 0131 244 7045.

Scottish Government websites:

Income and Poverty statistics website

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/incomepoverty>

Scotland Performs website (for further information about the SG Solidarity Target and National Indicators)

<http://www.scotland.gov.uk/About/scotPerforms>

Uses of the data: In response to the UK Statistics Authority's (UKSA) report

<http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/index.html>

the Scottish Government were required to identify and document the ways in which these statistics are used. More information on this can be found via the following link:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/income-data-sources>

Scottish Government Welfare and Tackling Poverty website includes information about what the Scottish Government is doing to reduce poverty and income inequality.

<http://www.scotland.gov.uk/Topics/People/welfarereform>

Confidence limits surrounding Scotland poverty estimates:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Methodology#a6>

High Level Summary of Statistics (Social and Welfare)

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare>

For further information on all Scottish Government statistics

<http://www.scotland.gov.uk/topics/statistics/>

UK Government websites:

Family Resources Survey, Department for Work and Pensions

<https://www.gov.uk/government/collections/family-resources-survey--2>

Households Below Average Income, Department for Work and Pensions (methodology and UK estimates)

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

UK Government action on child poverty

<https://www.gov.uk/government/groups/the-child-poverty-unit>

Local Authority level analysis and other geographies in Scotland

The figures presented here are from a sample survey which limits the analysis possible at smaller geographical areas. A few analyses are published for areas below Scotland level, (e.g. poverty in rural and urban areas and in deprived areas), however it is **not** possible to produce reliable estimates at Local Authority level from this source. Estimates of poverty in rural and urban areas and in deprived areas will be updated on the income and poverty statistics website soon after publication of this report.

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/CoreAnalysis>

The Scottish Government are aware of the demand for Local Authority (LA) level poverty figures and are carrying out work to improve the quality of income information recorded by the Scottish Household Survey with the aim of producing LA level estimates. Initial estimates were published from this work in August 2010 and are classified as “data being developed” because they are undergoing quality assurance work and are published for the purpose of helping in this QA work and should **not** be treated as official statistics. For further detail and to comment on these data, see the [Relative poverty across Scottish local authorities](#) publication or contact the income and poverty statistics team on 0131 244 7045 or stephen.smith@scotland.gsi.gov.uk.

Academics from Heriot-Watt University have recently completed a project to develop a methodology for modelling income and poverty at local area levels in Scotland. Results are published on the Improvement Service website:

<http://www.improvementservice.org.uk/income-modelling-project/> .

On the income and poverty website there is also a [data sources and suitability](#) page which discusses some of the main data sources available to researchers interested in income and poverty in Scotland and their strengths and weaknesses. This discusses some of the indicators which are currently available at local authority level to find out about income and poverty in Scotland.

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The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

Correspondence and enquiries

For enquiries about this publication please contact:

Stephen Smith,
Income and Poverty Statistics,
Telephone: 0131 244 7045,
e-mail: stephen.smith@scotland.gsi.gov.uk

For general enquiries about Scottish Government statistics please contact:

Office of the Chief Statistician, Telephone: 0131 244 0442,
e-mail: statistics.enquiries@scotland.gsi.gov.uk

How to access background or source data

Data cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller. Data are made available by DWP on the UK data archive:

<http://www.data-archive.ac.uk/>

Complaints and suggestions

If you are not satisfied with our service or have any comments or suggestions, please write to the Chief Statistician, 3WR, St Andrews House, Edinburgh, EH1 3DG, Telephone: (0131) 244 0302, e-mail statistics.enquiries@scotland.gsi.gov.uk.

If you would like to be consulted about statistical collections or receive notification of publications, please register your interest at www.scotland.gov.uk/scotstat
Details of forthcoming publications can be found at www.scotland.gov.uk/statistics

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