

3. Child Poverty in Scotland: the national and local drivers

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Published by NHS Health Scotland

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Key messages

- The evidence suggests that child poverty in Scotland is driven by structural or institutional factors. These include:
 - Income from social security and benefits in kind, influenced by:
 - design and generosity
 - benefit sanctions and recovery of advance payments, hardship payments and third-party debts
 - barriers to accessing financial support (including child maintenance).
 - Income from employment, influenced by the availability of jobs, hours and the level of earnings, and barriers to taking up that work, such as childcare responsibilities; plus qualifications and skills, which can influence both contemporary and future child poverty
 - Costs of living, including housing, food and fuel costs, the poverty premium, the costs of the school day, and the extra, unavoidable costs of disability or living in a rural area.
- Low-income and less wealthy households experience more difficulties making ends meet and planning for the future and are more likely to be in debt on household bills, despite having similar levels of skills in money management and controlling spending compared with the rest of the population.
- Addressing these drivers is likely to require combined action by governments, public institutions, employers and those delivering public services at a local and national level.
- The causes of child poverty – including housing costs, earnings, availability of work, availability and costs of childcare – are likely to vary across Scotland.
- Action to reduce child poverty is likely to be more effective if it recognises this variation.

What are the main drivers of child poverty in Scotland?

The evidence base^{1,2} identifies a number of main drivers of child poverty in Scotland. These drivers are rooted in the structures and institutions of Scottish society, rather than individual choices or behaviours. These include:

Income from social security and benefits in kind, which have the potential to provide support for families at risk of or experiencing poverty. Examples include:

- The large decrease in child poverty in the UK (and Scotland) between the late 1990s and mid-2000s was largely explained by the increased spending on Tax Credits and Income Support targeted at low-income families with children.³

- It is estimated that removing the benefits cap and two-child limit, and increasing the child element of Universal Credit, would have the largest impact on reducing child poverty in Scotland by 2019/20.⁴
- In the UK in 2016/17, four in ten children (40%) living in households where someone is disabled but no one is in receipt of disability benefits were in poverty after housing costs. When the household received disability benefits, this figure fell to 24%.⁵

The generosity of benefits paid to low-income families with children, eligibility criteria, awareness and accessibility of benefits and take-up, alongside the design and operation of the system, will influence its impact on low-income families and child poverty.

- In 2015/16, take-up rates were high for child benefit (94%), but slightly lower for tax credits for families with children (79%), though they were high among lone parents (95%) and families with three or more children (90%),⁶ limiting scope for further increases among these groups.
- Poverty rates are high for children in families claiming out of work benefits and well above average for those in families claiming working tax credits. In the UK in 2016/17, almost nine out of ten children (87%) in households claiming Job Seekers' Allowance (JSA), and four out of ten children (42%) in households claiming working tax credits were in relative poverty after housing costs.⁷

Hirsch (2018) notes that freezes and cuts to benefits and tax credits, coupled with the rising costs of bringing up children, are increasing the risk of poverty and hardship to families, especially lone-parent households and those with three or more children. He adds that for families with three or more children, 'the benefit cap is making any concept of a safety net for such families, if they are not working, a fiction.'⁸

In addition, since 2015 in Scotland, the UK government has been gradually moving all low-income households claiming benefits or tax credits onto a new single benefit, Universal Credit (UC). One aspect of UC – increased take-up of benefits because of its design – is anticipated to act to reduce poverty. However, cuts and freezes to the value of benefits, in particular the two-child limit, are expected to more than offset this, resulting in a rise in child poverty overall.⁹

Some of the design and operational features of UC also risk increasing child poverty in the short to medium term. These include:

- A minimum 5 week wait for the first payment, which obliges many to take out a repayable loan (called an 'advance payment') from the DWP. This reduces the value of financial

support received for up to a year, since the DWP starts deducting money at source once people receive their first UC payments.

- Increased conditionality linked to benefit sanctions with parents with children under 5. Parents of 3- and 4-year-olds will be expected to be available for and actively seeking work and parents of 2-year-olds will be required to attend work-focused interviews or risk being sanctioned.
- If people are sanctioned, they can apply for hardship payments, but the higher rate (of 80%) for vulnerable claimants, including those with children, has been abolished under Universal Credit. Hardship payments are also repayable, which will further reduce the actual financial support received.
- The extension of benefit sanctions to low-paid workers.
- The recovery of third-party debts to the public sector (including Tax Credit overpayments), again deducted at source by the DWP from UC payments.

These problems are compounded by delays and mistakes in the system. Figures for the UK (for February 2018) show that more than one in six new claims to UC (17%) did not receive their full payment on time.¹¹

In addition, a number of problems have been highlighted with the administration of the statutory Child Maintenance Service (CMS), which risk contributing to, rather than easing, the risk of child poverty after relationship breakdown. These include the fee attached to making applications for support to the CMS, and additional collection fees levied on the resident parent if the non-resident parents fails to pay.¹²

Income from employment, including jobs, hours and wage levels. Work has the potential to reduce child poverty, but not for all families. While there is a high risk of poverty for children growing up in workless households, a majority of children in Scotland in poverty live in working households, and more than a third live in households where at least one adult works full-time. In-work poverty (where individuals are employed but in lower-quality, lower-paid or reduced-hours contracts, and so do not earn enough to protect themselves and their families from poverty) is an important driver of child poverty.

Increasing the skills and qualifications of both children and young people and current parents is seen as a potential route to reduce both contemporary and future child poverty (since adults with higher levels of qualifications are less likely to be poor). However low-income families can experience barriers to full and equal participation in both education and training opportunities, such as childcare, travel, and access to financial support while they learn.

The cost of living, including how much a family pays for housing, food, fuel, transport and childcare costs, and other household costs is a key driver of poverty. The cost of the school day (including the costs of uniforms and clothing, travel to school, learning at school and home, and participation in formal and informal social activities and trips as well as forming and maintaining friendships) can also increase financial pressures on low-income families.¹³

In addition, lower-income households often pay more for goods and services (the poverty premium), but not through choice. Examples might include higher insurance costs and lack of affordable shops related to the area people live in, or having to use prepayment meters for fuel costs because these have been installed by landlords.¹⁴ There are also additional costs associated with meeting the needs of disability and with living in a rural areas.

In terms of financial capability, disadvantaged households in the UK (especially low-income households and lone parents) are little different from other households in terms of money management and controlling spending, but stand out as having more difficulties in making ends meet and planning ahead.¹⁵ While the least wealthy households in Scotland are just as likely to have any debt as the rest of the population, the reasons for their borrowing are different. In 2012–14, they were almost three times as likely to have arrears on household bills (11% vs 3%).¹⁶ Current poverty means some families have to enter debt to meet essential, unavoidable costs of living, which then reduces their future income.

Addressing these drivers is likely to require combined action by the UK and Scottish Governments, as well as contributions by employers and those providing public services, such as health, education and social security. Local authorities and Health Boards could seek to inform national action on these issues, as well as directly influencing local activities (including as employers, procurers and service providers).

How do the drivers of child poverty vary across Scotland?

Living costs and housing costs, the availability of work and wage levels and the availability and cost of childcare vary across Scotland. This suggests that the relative importance of different drivers of child poverty may vary across Scotland, which local areas may like to consider. Using a mix of local intelligence, knowledge and experience may help contribute to reducing child poverty. Some examples are given below.

Living costs and housing costs

In 2016, living costs were higher in remote and rural Scotland than more urban parts of the UK.¹⁷ This was due to higher travel costs, costs associated with the delivery of goods and services, and higher heating costs.

Private rental costs in 2017 were high in the Edinburgh, East Lothian and Midlothian areas, but high rents were also found in parts of Greater Glasgow, Aberdeen City and Aberdeenshire and East Dunbartonshire (see Figure 1).

Childcare accessibility and affordability

For childcare to make an effective contribution to reducing child poverty, it should be accessible, affordable and of good quality. Barriers to childcare use may also include lack of awareness about services.¹⁸ However, there may still be local issues about capacity: in 2018, 86% of Scottish local authorities reported they had enough childcare to meet the 3- and 4-year-old 600-hour childcare entitlement, falling to 62% to meet the 2-year-old 600-hour entitlement, and 24% for children under 2.¹⁹

In 2016, capacity of childcare services in Scotland was lower in the most deprived Scottish Index of Multiple Deprivation (SIMD) deciles and in rural Scotland (see Figure 2). In deprived areas, this is explained by the lower capacity of childminder places and in rural areas lower provision by other services such as crèches, holiday play schemes, children and family centres and out-of-school care.

Availability of work

Even where job opportunities are plentiful, limits to how far people can commute to work (especially because of caring responsibilities), constraints on the type of work they can do (because of qualifications, experience or health issues), and employers' willingness to make adjustments to the workplace or the job may limit their ability to take up those opportunities.

However, lack of jobs and vacancies in some parts of Scotland may also make it more difficult for employment to contribute to reducing child poverty. This imbalance can be measured in a number of ways:

- The 'jobs density' is the total number of jobs divided by the working-age population of an area, expressed as a ratio between 0 and 1. To be meaningful, job densities should take into account commuting patterns, for example between cities and suburbs.
- A higher jobs density indicates stronger demand, and a lower jobs density shows weaker demand. On this basis, labour market demand was weaker in Tayside, the Forth Valley and Ayrshire and strongest in Aberdeen City and Aberdeenshire (see Figure 3).
- An alternative measure is the number of unfilled vacancies per unemployed people. Again by region, demand was especially weak in Ayrshire, Forth Valley and Tayside (see Figure 4).

Wage levels

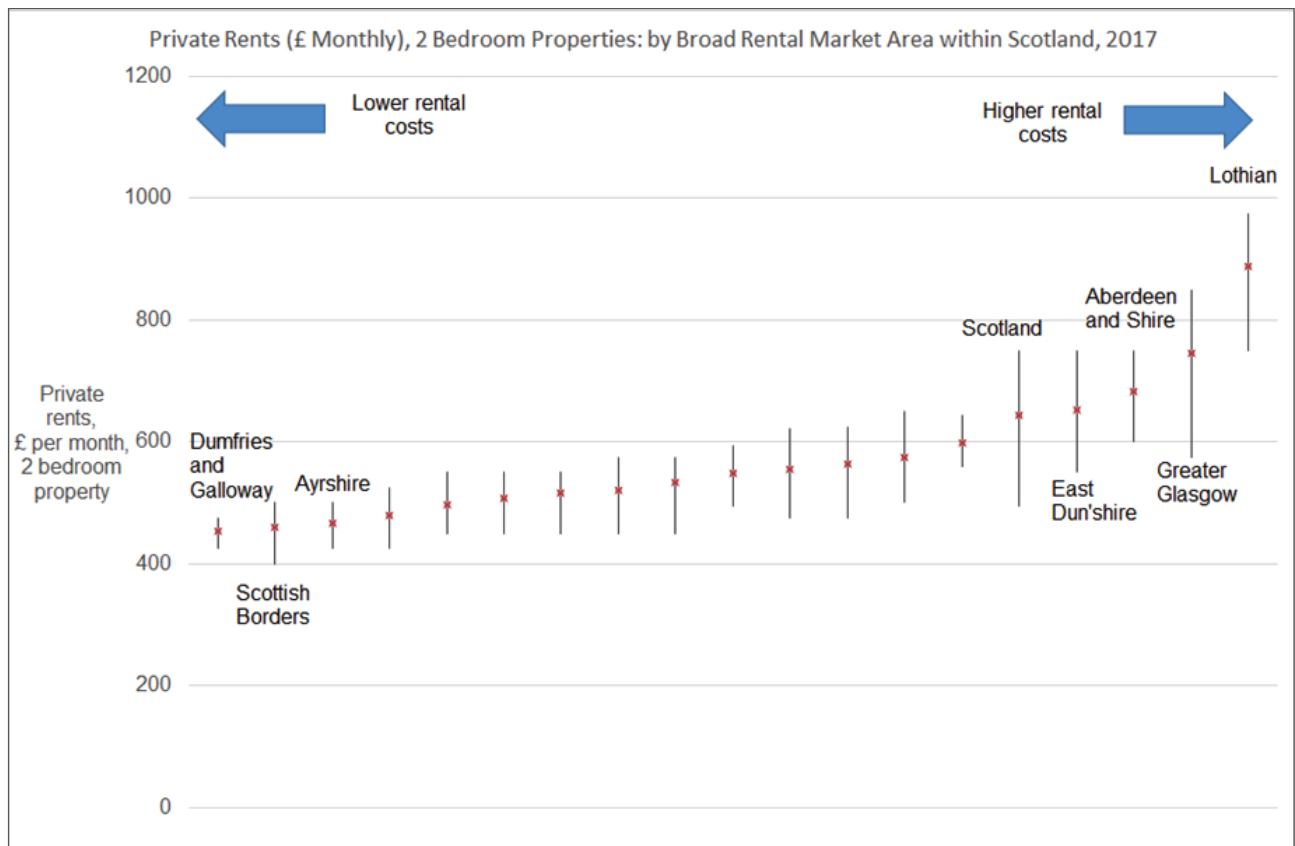
Wages, measured by median weekly gross earnings, vary across Scotland, though the pattern is different depending on whether we look at where employees live or where they work. In 2017, for full-time employees:

- Edinburgh, the Shetland Isles and South Lanarkshire had above-average earnings for both residents and workers.
- In Glasgow and Dundee, earnings were high for people working in the city but below average for residents.
- Some local authorities have low earnings for both residents and workers. Although this is more clearly seen for some rural local authorities such as Dumfries and Galloway, Argyll and Bute, Eilean Siar and the Scottish Borders, it is also observed in older industrial areas such as Fife, Clackmannanshire, West Dunbartonshire and North Lanarkshire (see Figures 5 and 6).

The availability of hours, the ability of parents to take up extra hours where they are available and the gender pay gap (where women receive lower wages for doing similar work to men) may also impact on child poverty rates.

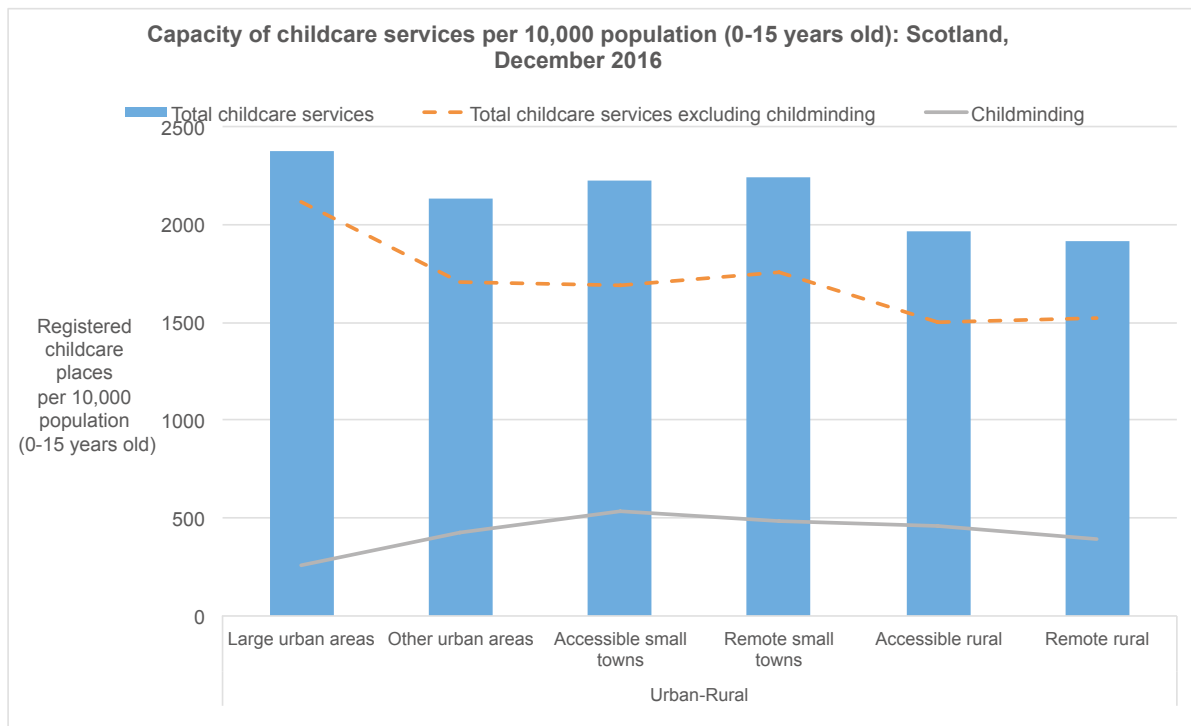
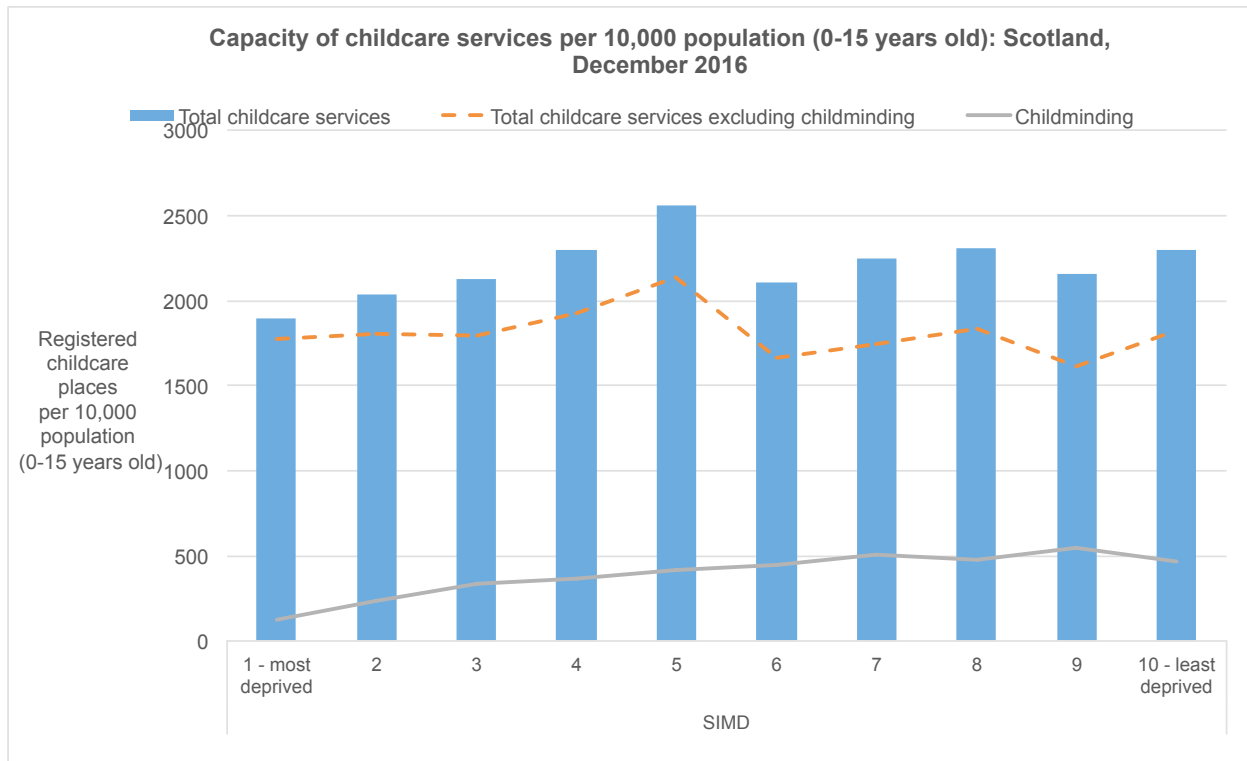
Actions to tackle child poverty are likely to be more effective where local differences are recognised.

Figure 1. The costs of renting vary across Scotland, but also within local housing markets.



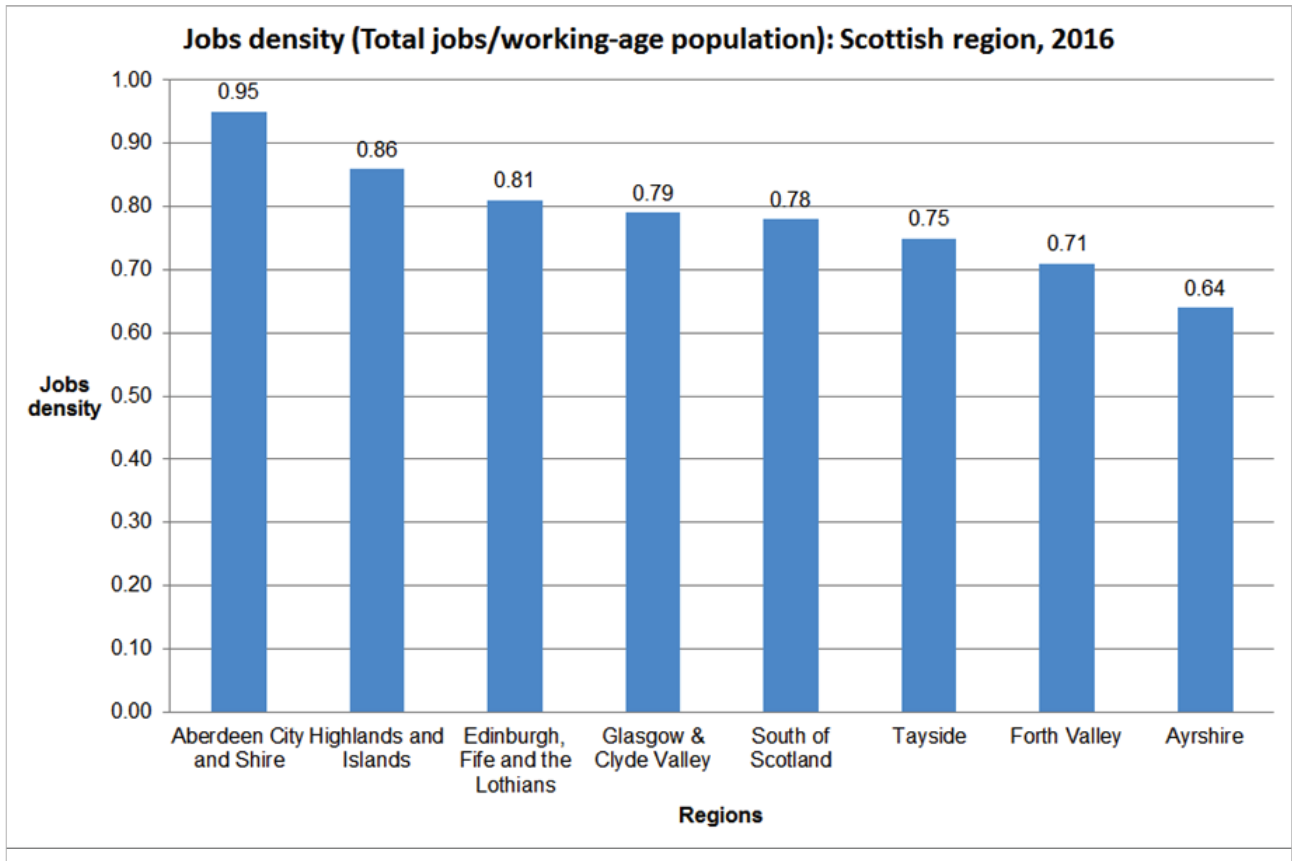
Source: Scottish Government, Private Sector Rent Statistics, Scotland, 2010 to 2017.

Figure 2. Childcare capacity is lower in deprived areas and rural Scotland.



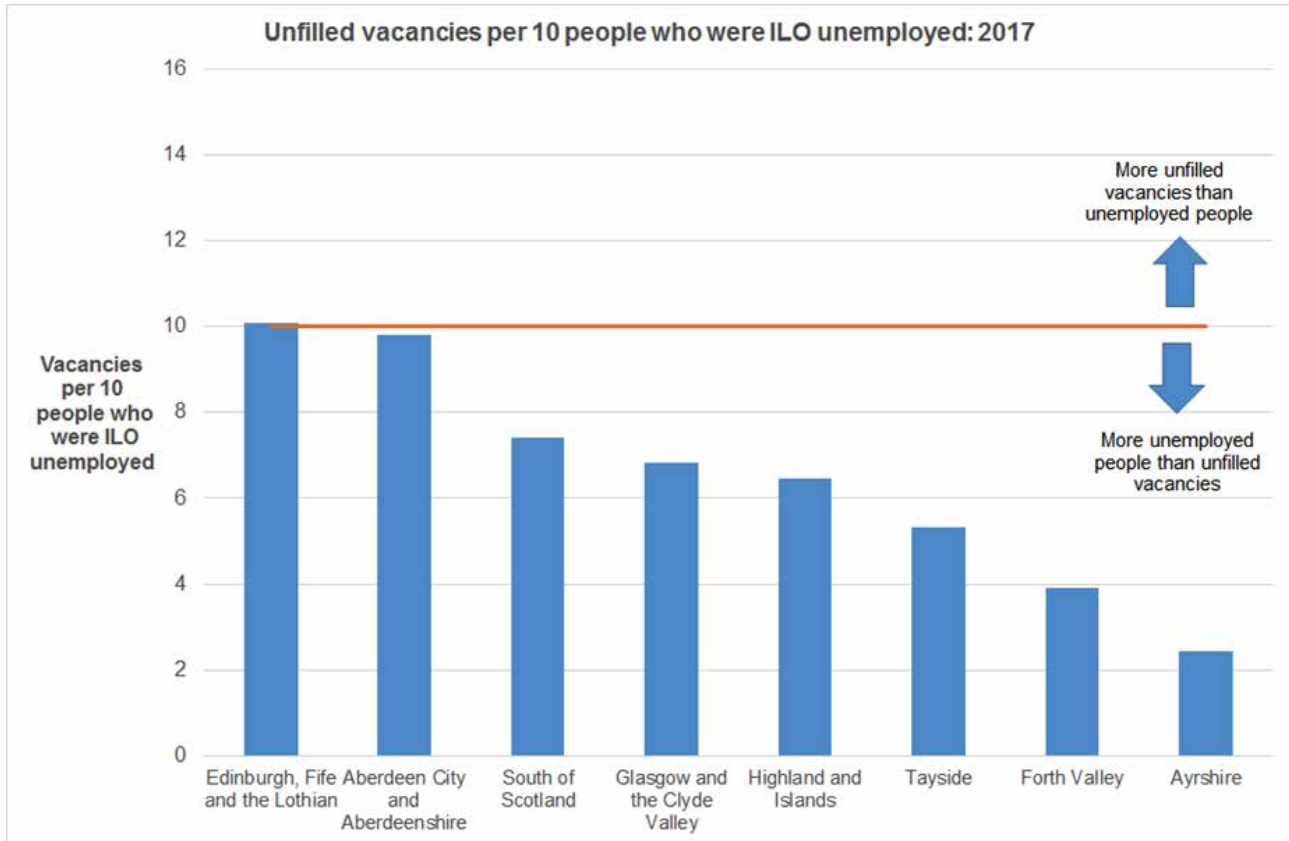
Source: Childcare Inspectorate, Early Learning and Childcare Statistics 2016 – supporting tables, Table 26a.

Figure 3: Labour market demand measured by jobs density is weaker in Tayside, Forth Valley and Ayrshire.



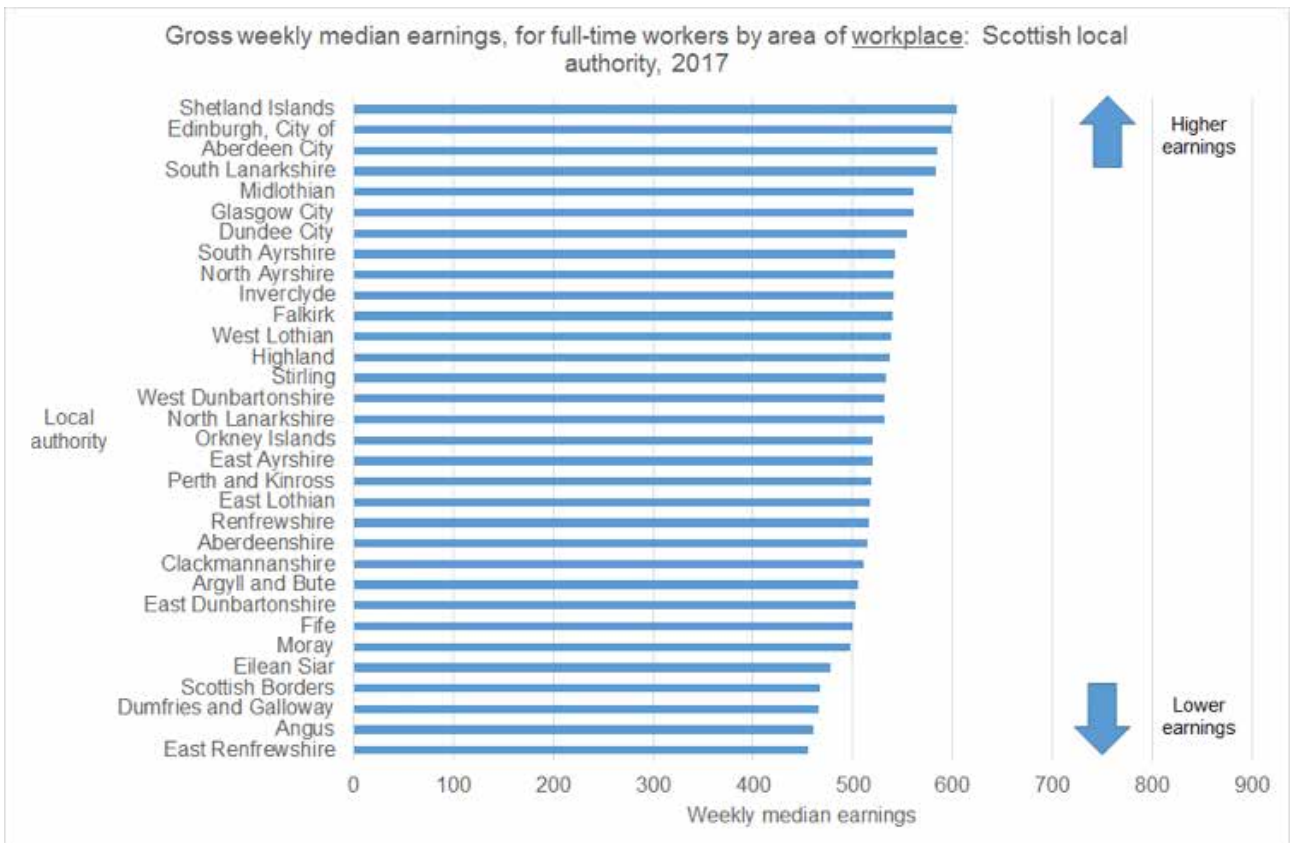
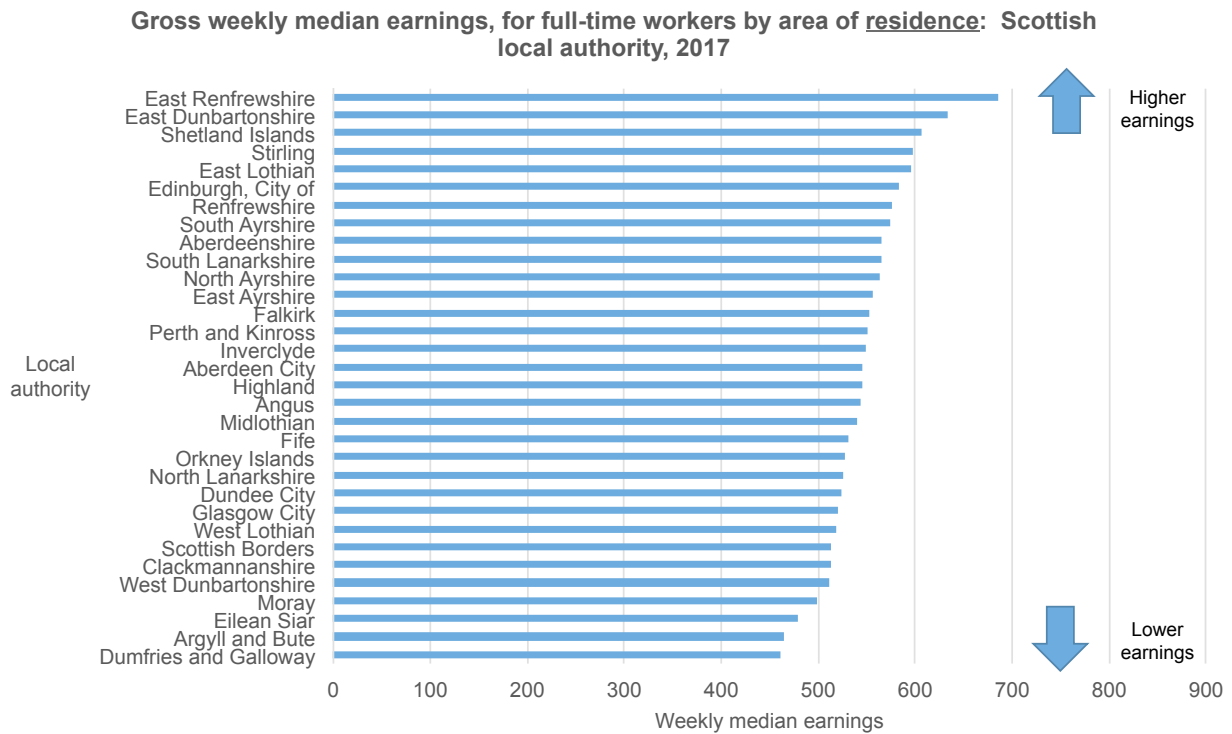
Source: Office for National Statistics, via Nomis. Jobs density indicates the number of jobs per working age adults in each region – higher densities mean more jobs.

Figure 4: Labour market demand measured by vacancies per 10 ILO unemployed is weaker in Tayside, Forth Valley and Ayrshire.



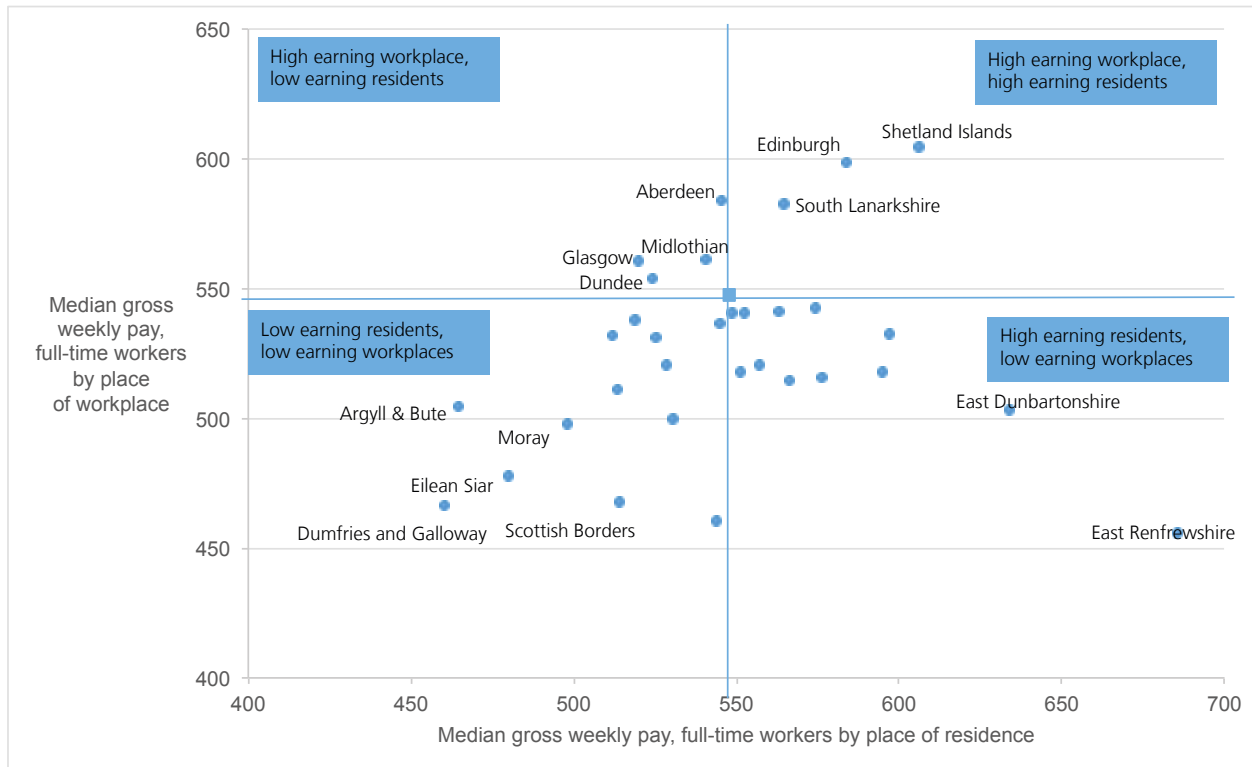
Sources: Annual Population Survey January-December 2017; Employers Skills Survey 2017. ILO (International Labour Organization) unemployment is a survey based measure of people not currently working, available for and actively seeking employment.

Figure 5. The pattern of earnings by area of residence and place of work is different.



Source: Annual Survey of Hours and Earnings.

Figure 6. The pattern of earnings by area of residence and place of work is different (alternative.)



Source: Annual Survey of Hours and Earnings.

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