Poverty and Inequality Commission Member Induction

Background to Poverty and Policy Trends and Reference Materials¹

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The aim of this document is to provide a brief overview of the trends in poverty in Scotland over the last two decades and to connect these trends to policy changes during the same period. Although Members may be familiar both with these trends and with the policy changes detailed, the information contained here can serve as a reference document that aims to connect these two.

**Poverty Measurement in Scotland**

As with the Scottish Government’s primary report on poverty and inequality, *Poverty and Inequality in Scotland*, the figures here are based on the Scotland sample of the Family Resources Survey (FRS). The data of interest for the Commission is found in the Households Below Average Income (HBAI) dataset. Data is presented as three-year rolling (overlapping) averages of each estimate. For example, the latest estimates (2015-18) are an average of the single-year estimates in the financial years 2015/16, 2016/17 and 2017/18, and the previous estimates are an average of the single-year estimates in the financial years 2014/15, 2015/16 and 2016/17. This enables trends in Scotland to be compared with other trend data from the Department for Work and Pensions and are best used when viewing trends over time. If you would like to view specific year poverty figures, please see *Poverty and Inequality in Scotland: 2015-2018*.

The Scottish Government’s most commonly used measure of poverty, and the measure which is provided in all of the figures included in this document, is relative poverty after housing costs. Relative poverty is a measure of whether the income of the poorest households are keeping pace with middle income households in the UK (Scottish Government 2019); in these figures it is the percentage of households with net incomes after housing costs below 60% of median UK household income. After housing costs measures are also the most commonly used by Scottish Government and elsewhere in the third sector (e.g. CPAG) as these measures provide an accurate picture of how much households have to live on. The Scottish Government also reports on complementary measures of poverty such as absolute poverty, poverty before housing costs, combined low income and material deprivation and persistent poverty.

The other notable policy document to consider in the context of the Commission’s work is *Every Child, Every Chance: Tackling Child Poverty Delivery Plan 2018-2022*, which was required under the Child Poverty (Scotland) Act 2017. The Act sets out four targets that must be met by 2030, with interim targets to be met by 2023. All the measures are calculated after housing costs are taken into account. Table 1 details these targets and the first year of data against those targets in 2017-2018.

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2 Material deprivation is an additional way of measuring living standards and refers to the self-reported inability of individuals or households to afford particular goods and activities that are typical in society at a given point in time, irrespective of whether they would choose to have these items, even if they could afford them. Households are asked whether they have particular goods and services; the number of which vary for households with children and pensioner households and are updated as needed. HBAI dataset includes information on children and pensioners who are living in combined material deprivation and poverty. For a full description of the measure of material deprivation in the FRS, please see the DWP’s *Households Below Average Income Quality and Methodology Report*. 
Table 1: Child Poverty Action Plan Targets, 2017-2018 statistics and targets

<table>
<thead>
<tr>
<th>% of children living in relative poverty</th>
<th>2017-2018 statistics</th>
<th>2023 target (less than)</th>
<th>2030 target (less than)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24%</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>% of children living in absolute poverty</td>
<td>22%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>% of children living in combined low income and material deprivation</td>
<td>14%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>% of children living in persistent poverty</td>
<td>17%</td>
<td>8%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Changes to Scotland’s Social Security System since 2016

The devolution of some aspects of the social security system to Scotland will also have impacts on the experience of those living in poverty, although the HBAI data does not yet overlap with the implementation of the first devolved benefit payments. The Scotland Act 2016 was passed by UK Parliament which gave powers to the Scottish Parliament to determine the structure and value of 11 current disability and carer benefits3, as well as the power to make some administrative changes to Universal Credit and to vary its housing cost element. It also enabled the Scottish Parliament to create new benefits in areas of devolved responsibility, and to top-up reserved ones. A new agency of Scottish Government, Social Security Scotland, was created to implement these benefits. The Social Security (Scotland) Act was passed by Scottish Parliament in 2018 which created the legal framework and set forth the underlying principles of the Social Security Agency. The Social Security Charter, which explains what these principles mean in practice, was published in January 2019. The 11 devolved benefits will be completely transferred from DWP and implemented by the Scottish Government by 2024 (Scottish Parliament 2019).

The benefits that are devolved to Scotland will impact the lives of roughly 1.4 million people (2018 estimate) and represent a relatively small proportion of the overall expenditure on benefits in Scotland – roughly 15%, or £2.9 billion in 2017-2018 (Commons Library 2018). However, this estimate does not include any top up amounts for reserved benefit nor for new benefits to be delivered by Social Security Scotland such as the Best Start Grant (introduced in December 2018) or the Scottish Child Payment (to be implemented in 2020). Audit Scotland released a report in May 2019 that investigates progress to date on implementing the devolved powers of social security and provides recommendations.

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3 These 11 benefits are: Attendance Allowance, Carer’s Allowance, Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefit, Severe Disablement Allowance, Cold Weather Payment, Funeral Payment, Sure Start Maternity Grant, Winter Fuel Payment and Discretionary Housing Payments.
Poverty Trends and Policy Changes

The next five pages of this document contain visuals that detail poverty trends from the HBAI dataset along with a selection of policy changes at the UK and Scottish level that relate to that population (e.g. pensioners). The timelines in these figures are not exhaustive and rather serve as highlights to consider along with the trends. A fuller list of policy changes that includes policies for all populations is found in Table 2.
Overall Poverty in Scotland 1995-2018

Relative Poverty After Housing Cost

Policy Changes impacting overall poverty


1999:
- National Minimum Wage Introduced
- Welfare Reform Act: introduction of personal capability assessments, work-focused interviews & changes to IB.

March 1998:
- WFTC introduced; increases in Child Benefit & Income Support.

2000:

2003:
- WFTC & Children’s Tax Credit to Working Tax Credit & CTC (increasing eligibility for both).

2007:
- Welfare Reform Act: Abolition of Incapacity Benefit to Disability Living Allowance; lone parents moved to JSA from IS; HB admin changes.

2010:
- Emergency Budget to achieve savings from spending cuts and social security budget cuts from working age benefits (Austerity).

2011:
- Introduction of pension triple lock.

2012:
- Welfare Reform Act: Introduction of Universal Credit; DLA to Personal Ind Payment; benefit cap.

2013:
- Devolution of council tax reduction and Scottish Welfare Fund.

2016:
- Welfare Reform and Work Act: lowers benefit cap, 4 year benefit freeze, 3-child limit for UC & CTC, conditionality for carers of children under 5 in Scotland; act devolves 11 disability and carer benefits to Scotland.

2017:
- Child Poverty (Scotland) Act sets targets; establishes Poverty & Ineq Commission.

UK Government

Labour 97 to 01
Labour 04 to 05
Labour 05 to 10
Con/Lib Dem 10 to 15
Con 15 to 17
Con 17+

Scottish Government

Labour / Lib Dem 99 to 03
Labour / Lib Dem 03 to 07
SNP (Minority) 07 to 11
SNP (Majority) 11 to 16
SNP (Minority) 16+

97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

23%

18%

20%
Child Poverty in Scotland 1995 – 2018
Relative Poverty After Housing Cost

Policy Changes impacting child poverty

- 1999: Increase in IS allowances; Blair makes pledge to reduce child poverty by 2020.
- 2003: WFTC & Children’s Tax Credit to Working Tax Credit & Child Tax Credit (increasing eligibility for both) (CTC).
- 2019: Announcement that new Scottish Child Payment to be introduced fully before 2022.

UK Government
Labour 97 to 01
Labour 01 to 05
Labour 05 to 10
Con/Lib Dem 10 to 15
Con 15 to 17
Con 17 +

Scottish Government
Labour/Lib Dem 99 to 03
Labour/Lib Dem 03 to 07
SNP (Minority) 07 to 11
SNP (Majority) 11 to 16
SNP (Minority) 16 -
Pensioner Poverty in Scotland 1995 – 2018
Relative Poverty After Housing Cost

Policy Changes impacting pensioner poverty


2002: Brown pledge to end pensioner poverty by 2020 (no official targets attached).


2010: Emergency Budget to achieve savings from spending cuts and social security benefit cuts from working age benefits (Austerity).

2011: Introduction of pension triple lock: BSP will rise by largest of either 2.5%, inflation, or earnings growth.

2012: Welfare Reform Act: introduction of Universal Credit, DLA to Personal Ind Payment, benefit cap.


UK Government
Labour 97 & 01
Labour 01 to 07
Labour 07 to 10
Con/Lib Dem 10 to 15
Con 15 to 17
Con 17+

Scottish Government
Labour / Lib Dem 99 to 03
Labour / Lib Dem 03 to 07
SNP (Minority) 07 to 11
SNP (Majority) 11 to 16
SNP (Minority) 16-
In-Work Poverty in Scotland 1995 – 2018
Relative Poverty After Housing Cost where at least one adult is in work (all people and children)

Policy Changes impacting in-work poverty

- **Oct 1996:** Introduction of JSA, replaced UB & IS for unemployed seeking work.
- **1998:** Working Families Tax Credit (WFTC) introduced, increases in Child Benefit and Income Support; Introduction of National Childcare Strategy and Childcare Tax Credit.
- **1999:** National Minimum Wage introduced.
- **2001:** Introduction of Children’s Tax Credit.
- **2003:** ‘Pathways to work’ programmes for new disability benefit claimants introduced to incentivise return to work; expanded to all existing claimants.
- **2007:** Welfare Reform Act: Abolition of Incapacity Benefit to Disability Living Allowance; lone parents moved to ISA from IS; HB admin changes.
- **2010:** Child Poverty Act: requires gov’t to reduce child poverty on 4 measures by 2020. Emergency Budget to achieve savings from spending cuts and social welfare cuts from working age benefits (Austerity).
- **2011:** Introduction of the Work Programme, the UK Government’s main welfare-to-work programme.
- **2012:** Welfare Reform Act: Introduction of Universal Credit; DLA to Personal Ind. Payment; benefit cap.
- **2019:** Scottish Govt announces Fair Work Action Plan, aims for all employers to pay living wage of £9.00/hr w/some additional sector funding. Introduction of Fair Start Scotland, non-compulsory employment support service for benefit recipients and those out of work. Announcement that new Scottish Child Payment to be introduced fully before 2022.
- **2016:** Welfare Reform and Work Act: Lowers benefit cap, 4 year benefit freeze, 2-child limit for UC & CTC, conditionality for carers of children under 5; introduction of UK national living wage (then £7.50/hr).

**Children**
- UK Government: 47% in 1995, 44% in 2018
- Scottish Government: 38% in 1995, 54% in 2018

**All people**
- UK Government: 97 in 1995, 65% in 2018
- Scottish Government: 92 in 1995, 72% in 2018
Disability poverty in Scotland 1995 - 2018
Relative Poverty AHC by whether the household has a disabled family member (excluding disability benefit income)

Policy Changes impacting disability poverty


Introduction of National Childcare Strategy and Childcare Tax Credit.

Welfare Reform Act: introduction of personal capability assessments, work focused interviews & changes to IB.

2002: WFTC & Children's Tax Credit to Working Tax Credit & CTC (increasing eligibility for both).
Pathways to work programmes for new disability benefit claimants introduced to incentivise return to work, expanded to all existing claimants.

2007: Welfare Reform Act: Abolition of Incapacity Benefit to Disability Living Allowance; lone parents moved to JSA from JS; HB admin changes.

2011: Introduction of the Work Programme, the UK Government’s main welfare-to-work programme.
UK national reassessment of current IB claimants for Employment Support Allowance (ESA) begins.


2019: Introduction of Fair Start Scotland, non-compulsory employment support service for benefit recipients and those out of work.

Scotland Act: devolution of 11 disability and carer benefits to Scotland.

ONS definition of disability changed in 2012

- 44% With a disabled child
- 35% With a disabled adult
- 21% Nobody disabled in family

UK Government
Labour 97 to 01, Labour 01 to 05, Labour 05 to 10, Con/Lib Dem 10 to 15, Con 15 to 17, Con 17 to 18

Scottish Government
Labour/Lib Dem 97 to 01, Labour/Lib Dem 01 to 05, SNP (Majority) 07 to 11, SNP (Majority) 11 to 16, SNP (Minority) 16 to 17
### Table 2: Timeline of policy changes relevant to poverty in Scotland, 1995 – 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Introduction of Incapacity Benefit. Introduced ‘all work test’ whereby person is assessed to do any type of paid work, rather than work appropriate for their skills and experience. Work capability screening now administered by regional medical staff rather than claimant’s personal doctor. Removed ability for those reaching state pension age to continue to receive disability benefits for up to 5 years as done on Invalidity Benefit.</td>
</tr>
<tr>
<td>1997</td>
<td>General Election: Labour wins majority</td>
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<tr>
<td>1997</td>
<td>Referendum on the creation of Scottish Parliament and the Scottish Executive</td>
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<tr>
<td>1997</td>
<td>New Labour implements Conservative plans to abolish One Parent Benefit and lone parents premium in Income Support</td>
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<tr>
<td>Nov 1997</td>
<td>Introduction of Winter Fuel Payment</td>
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<tr>
<td>July 1997 – 2001</td>
<td>Introduction of New Deal for Young People programme, to be followed by the New Deal for Lone Parents. (Employment and training interventions for benefit recipients, school leavers and lone parents).</td>
</tr>
<tr>
<td>1998</td>
<td>Scotland Act 1998: establishes the Scottish Parliament and the Scottish Executive, devolving powers to Scotland in the areas of health and social work, education and training, local government and housing, justice and policing, agriculture, forestry and fisheries, the environment, tourism, sport and heritage, and economic development and internal transport.</td>
</tr>
<tr>
<td>March 1998</td>
<td>Spring Budget introduces Working Families Tax Credit (WFTC), universal increase in Child Benefit payment, increase Income Support allowances for families with children under 11 years old</td>
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<tr>
<td>May 1998</td>
<td>Introduced National Childcare Strategy, including Childcare Tax Credit.</td>
</tr>
<tr>
<td>1999</td>
<td>Welfare Reform Act: introduction of personal capability assessments, work focused interviews &amp; changes to IB</td>
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<tr>
<td>May 1999</td>
<td>Introduce National Minimum Wage introduced</td>
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<tr>
<td>May 1999</td>
<td>Scotland’s First Parliamentary Election (6 May) &amp; meeting of first parliament (12 May)</td>
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<tr>
<td>July 1999</td>
<td>Transfer of some powers from Westminster to Scottish Parliament (no welfare and very limited taxation powers)</td>
</tr>
<tr>
<td>2000</td>
<td>Child Support, Pensions and Social Security Act introduced changes to the state safety net: replaced Income Support with the more generous Minimum Income Guarantee (MIG) and subsequently the Pension Credit (PC) in 2003 for pensioners, as well as replacing State Earnings Related Pension Scheme with a new State Second Pension (S2P). Introduced increase in pension age for women from 60 to 65.</td>
</tr>
<tr>
<td>April 2001</td>
<td>Introduction of the Children’s Tax Credit</td>
</tr>
<tr>
<td>May 2001</td>
<td>Scottish Parliamentary Election, re-election of a Labour/Liberal Democrat coalition Scottish Executive</td>
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<tr>
<td>June 2001</td>
<td>UK General Election, Labour Majority</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
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<tr>
<td>2002</td>
<td>Chancellor Gordon Brown pledges to end pensioner poverty (no targets attached)</td>
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<tr>
<td>July 2002</td>
<td>Scottish Government introduces Free Personal and Nursing Care for those over 65 who are self-funders in care homes or who are based in their homes and are eligible.</td>
</tr>
<tr>
<td>April 2003</td>
<td>Working Families Tax Credit and Children’s Tax Credit reformed to Working Tax Credit (now to cover all those in work over age 25) and Child Tax Credit (making eligible nearly all families)</td>
</tr>
<tr>
<td>Oct 2003</td>
<td>‘Pathways to work’ pilot programmes for new disability benefit recipients begin; compulsory work-focussed interviews to incentivise return to work. Programme expanded to include all new and existing disability benefit claimants.</td>
</tr>
<tr>
<td>May 2005</td>
<td>UK General Election, Labour wins majority</td>
</tr>
<tr>
<td>April 2006</td>
<td>Scottish Government introduces Free Bus Travel Scheme for local and long distance journeys for people aged sixty or over and eligible disabled people.</td>
</tr>
<tr>
<td>2007</td>
<td>Welfare Reform Act: moved non-working lone parents onto JSA from IS once youngest child was 12 (reduced to 7 in 2010); changes to Housing Benefit including sanction and payment directly to tenant; abolition of Incapacity Benefit to Employment Support Allowance (ESA; introduction of stricter Work Capability Assessment that determines group of disability benefit claimants who must participate in pathways-to-work programmes).</td>
</tr>
<tr>
<td>2007</td>
<td>Pensions Act: reforms to eligibility for Basic State Pension &amp; systems of credits for Second State Pension. Increases retirement age to 68.</td>
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<tr>
<td>2008</td>
<td>Pensions Act: establishment of Personal Accounts Scheme and auto-enrolment for employees to qualifying workplace pension scheme</td>
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<tr>
<td>Mar 2008 – Mar 2009</td>
<td>Great Recession</td>
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<tr>
<td>2010</td>
<td>Child Poverty Act: requires government to reduce income inequality for households with children according to 4 income related measures by 2020</td>
</tr>
<tr>
<td>June 2010</td>
<td>Emergency Budget: sets goals to achieve more than three-quarters of budget savings from spending cuts rather than tax increases; to protect health and schools (two very large spending areas) from substantial cuts; and to make savings within the social security budget from benefits for working-age households, not from pensions. (Austerity agenda). The emergency budget also increased income tax personal allowance by £1,000, with the allowance increasing each year during the lifetime of the coalition government. The IFS argue that increasing tax allowances takes low income people out of income tax and is the best way of focusing income tax cuts on those with lower incomes. However, they also claim that this policy did not benefit the poorest third of working adults as their incomes were already below the existing personal allowance threshold.</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
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<tr>
<td>------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>April 2011</td>
<td>Nationwide reassessment of all current Incapacity Benefit Claimants for Employment Support Allowance begins.</td>
</tr>
<tr>
<td>May 2011</td>
<td>Scottish Parliamentary Elections, SNP wins majority</td>
</tr>
<tr>
<td>2011</td>
<td>Introduction of pension triple lock: basic state pension will rise by a minimum of either 2.5%, the rate of inflation or average earnings growth, whichever is largest. Before 2011, the state pension rose in line with the retail prices index (RPI) measure of inflation, which was consistently lower than annual rises in earnings or 2.5%.</td>
</tr>
<tr>
<td>June 2011</td>
<td>Introduction of the Work Programme, the UK Government’s main welfare-to-work programme. This replaced the various New Deals of the Labour years.</td>
</tr>
<tr>
<td>March 2012</td>
<td>Welfare Reform Act: enables introduction of Universal Credit (to replace Income based JSA, HB, Income Support and Tax Credits and means-tested ESA), reforms Disability Living Allowance (first established in 1992) to Personal Independence Payment for those under 65. Introduction of benefit cap &amp; Housing Benefit changes (‘bedroom taxes’)</td>
</tr>
<tr>
<td>April 2013</td>
<td>Devolution of Council Tax Reduction and Scottish Welfare Fund to Scotland</td>
</tr>
<tr>
<td>Sept 2014</td>
<td>Scottish Independence Referendum: ‘No’ majority</td>
</tr>
<tr>
<td>May 2015</td>
<td>UK General Election: Conservative majority</td>
</tr>
<tr>
<td>June 2015</td>
<td>Scottish Government appoints its first independent adviser on poverty.</td>
</tr>
<tr>
<td>2016</td>
<td>UK Government’s Welfare Reform and Work Act: lowers benefit cap for all family types (Carer’s Allowance excluded); freezes certain benefits at 2016 levels for 4 years; introduces a two-child entitlement benefit for Child Tax Credit and UC; conditionality in effect for carers (both lone parents and in couples) of children under 5. The 2016 Act also removed the four targets in the Child Poverty Act 2010 and introduced a duty on Ministers to report annually on two ‘life chances’ indicators.</td>
</tr>
<tr>
<td>March 2016</td>
<td>Scotland Act: Scottish Parliament given powers to determine the structure and value of a range of 11 disability and carer benefits, as well as the power to make some administrative changes to Universal Credit and to vary its housing cost element. It also enables the Scottish Parliament to create new benefits in areas of devolved responsibility, and to top-up reserved ones.</td>
</tr>
<tr>
<td>April 2016</td>
<td>Introduction of UK National Living Wage for those over 25 (£7.50/hr)</td>
</tr>
<tr>
<td>June 2016</td>
<td>Referendum on EU Withdrawal, ‘Leave’ majority</td>
</tr>
<tr>
<td>November 2017</td>
<td>Scottish Parliament passes the Child Poverty (Scotland) Act setting out targets to reduce the number of children living in poverty in Scotland by the year 2030. The Act also establishes a statutory Poverty and Inequality Commission.</td>
</tr>
<tr>
<td>March 2018</td>
<td>Publication of the Scottish Government’s Tackling Child Poverty Delivery Plan setting out actions to be taken to progress towards the 2030 targets.</td>
</tr>
<tr>
<td>2018</td>
<td>Scottish Parliament passes Social Security (Scotland) Act, which introduces the legal framework for the new Scottish benefit system</td>
</tr>
</tbody>
</table>
and the principles that underpin the new delivery agency Social Security Scotland.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2019</td>
<td>Scottish Government announces the Fair Work Action Plan, with aim to have all employers pay the real Living Wage (£9.50/hr as of August 2019) across sectors and funding commitment to pay Living Wage to all adult social care workers and those delivering funded early learning and childcare hours.</td>
</tr>
<tr>
<td>April 2019</td>
<td>Scottish Government extends Free Personal Care to people aged under 65 who are assessed as needing it either in their home or in a care home.</td>
</tr>
<tr>
<td>May 2019</td>
<td>Introduction of Fair Start Scotland, the Scottish Government’s non-compulsory employment support service for those in receipt of benefits or those struggling to find work.</td>
</tr>
<tr>
<td>June 2019</td>
<td>Announcement by the Scottish Government of the new Scottish Child Payment benefit to be introduced fully before the end of 2022.</td>
</tr>
</tbody>
</table>

Notes: Items highlighted in blue are timeline items related to UK Parliament or Scottish Parliament, those related to devolution of powers or macroeconomic events. Policy changes from UK Parliament unless otherwise specified. Timeline information primarily taken from Hills and Stewart 2005; Hills et al 2009; Lupton et al 2015; Banks et al 2015; and with assistance from the Scottish Parliament Information Centre.
References:


