**CHILD POVERTY MEASUREMENT FRAMEWORK**

**Level of benefits**

The diagram above sets out the main drivers of poverty. The indicators in the table below will be used to monitor whether and how these drivers are changing over time.

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| **DRIVER** | **INDICATOR** | **SOURCE** |
| Hours worked per household | Percentage of children living in households where no adult is in paid employment | Labour Force Survey (LFS) |
| Average (median) number of hours of paid employment working-age adult, in low income households\* with children where at least one adult is in employment | Family Resources Survey (FRS) |
| Hourly pay | Average hourly earnings of low income households\* with children where at least one adult is in employment | FRS |
| Labour market | Percentage of parents who are underemployed – defined as unemployed, economically inactive but wanting work, or working part-time because they could not find full-time work | Annual Population Survey (APS) |
| Skills under-utilisation – Percentage of employed graduates aged 16-64 who are in low and medium low skilled occupations | LFS |
| Skills and qualifications | Percentage of parents with no or low qualifications | APS |
| SIMD5-SIMD1 gap in percentage of school leavers who have achieved SCQF Level 5 or better | SG attainment statistics |
| Availability of affordable and accessible transport and childcare | Percentage of daycare of children services that offer a service during school holidays | Care Inspectorate Data |
| Percentage of daycare of children services that offer whole-day sessions |
| Percentage of parents paying for any pre-school childcare who report that they find it difficult or very difficult to afford their household’s childcare costs | Scottish Household Survey (SHS) |
| Percentage of low income households\* with children that are very or fairly satisfied with the quality of public transport |
| Housing costs | Percentage of income spent on housing by low income households with children | FRS |
| Other costs of living | Energy affordability - Median ratio of required fuel costs to net household income after housing costs for low income households\* with children | SHCS modelled fuel bills |
| Food affordability - Percentage of income spent on food and non-alcoholic drinks by low income households\* with children | Living Costs and Food Survey |
| Debt | Percentage of households with children that are in unmanageable debt\*\* | Wealth and Assets Survey |
| Enablers | Access to affordable credit – use of high cost credit in the past 12 months | SHS |
| Percentage of low income households\* with children that have no savings |
| Percentage of low income households\* with children that have home internet access |
| Reach of benefits | Income from social security going to low income households\* with children, as a proportion of income from social security going to all households with children | FRS |
| Level of benefits | Real terms value (£/pw) of reserved social security entitlement (JSA+CTC+Child Benefit) for out-of-work couple households with two children | DWP benefit rates |
| Real terms value (£/pw) of reserved social security entitlement (WTC+CTC) for a lone parent working full-time / couple with one working full-time and one not in paid employment, on minimum wage, with two children |
| Real terms value (£) of school clothing grant – average value across Scottish local authorities, with weighting to adjust for the different numbers of school pupils in each local authority | Scottish Government survey of local authorities |
| Take-up | Percentage of children registered for Free School Meals (including all Primary 1 to Primary 3 pupils registered under the universal provision) who took a free school meal on the day of the survey | Healthy Living Survey |

\* low income households are defined as those with the lowest 30% of household incomes

\*\*unmanageable debt is defined as having at least one of the following three problems:

# household debt repayments represent at least 25% of net monthly income AND at least one adult in the household reports falling behind with bills or credit commitments

# at least one adult in the household is currently in two or more consecutive months arrears on bills or credit commitments AND at least one adult in the household reports falling behind with bills or credit commitments

# household debt represents at least 20% of net annual income AND at least one adult considers their debt a heavy burden

**SUPPORTING INFORMATION**

The following information explains, for each driver, how the indicators selected for inclusion in the measurement framework relate to the poverty targets. It also summarises other available data on the drivers, and discusses gaps in the available data on the drivers, and any plans to fill these gaps.

**Hours worked per household**

People who live in workless households have much higher rates of poverty than those who live in households where at least one person is in work. And the risk of poverty reduces as the number of hours worked increases. Hours worked per household is dependent on the number of adults in the household, how many of these adults are in paid employment, and the hours worked by each of these employees.

A focus on increasing hours worked per household as a strategy for reducing child poverty needs to keep two important caveats in mind. First, while low paid workers who work long hours (over 41 hours a week) are more likely to escape poverty than those who do not, encouraging such long hours might not be considered a palatable policy solution. Similarly, it is not obvious that full work intensity should be expected of those with caring responsibilities, and that those who choose to work part-time can reasonably be expected to live in poverty as a result.

Second, increasing household work intensity may end up increasing income in households that were already above the poverty line, and this can have an unexpected consequence on poverty: a rise in the number of households with two full-time earners may lead to an increase in median income, and hence in the relative poverty line. The increasing numbers of two-earner households has shifted the norm for living standards, and made it more difficult for households with a single earner, even working full-time, to reach the poverty line without help from the state. The indicator of hours worked per household included in the measurement framework is therefore focussed on low income households with children, although data on all households with children will help to put the indicator into context. Other useful contextual data includes information on the reasons for economic inactivity – such as ill-health or looking after family and home.

**Hourly pay**

The National Performance Framework indicator on hourly pay monitors the percentage of employees earning less than the Living Wage. It uses data from ASHE, which means it is not possible to look specifically at parents, or low income households. Therefore, we propose to use an alternative indicator of hourly pay, which uses data from the Family Resources Survey – the same survey that is used for measuring progress against the Child Poverty Targets.

Low hourly pay is one of the key drivers of poverty, but the relationship between low pay and poverty is not straightforward. Although most workers in poverty are low-paid, the majority of low-paid workers live in households where other earners mean that they do not have a low income overall. In addition, poverty may persist for those who are not on a low hourly pay, if the overall number of hours worked by them and other members of their household is low. The hourly pay indicator should therefore be read in conjunction with the indicators for hours worked per household.

**Skills and qualifications**

Those with no or low skills are far more likely to be in poverty than those with higher levels of skills. Skills and qualifications affect poverty in two main ways: the likelihood of getting a job, and how much someone is paid. The measurement framework therefore includes the indicator ‘percentage of parents with no or low qualifications’. Data is also available on the proportion of employees who have received job-related training in the last 3 months.

There is strong evidence that children growing up in poverty tend to have lower attainment than those who do not – known as the ‘attainment gap’. The indicator included in the measurement framework uses area-based deprivation (based on the Scottish Index of Multiple Deprivation – SIMD) as a proxy for growing up in poverty, because a suitable indicator based on household poverty is not currently available. Education and skills policies that will benefit today’s children, such as the efforts to close the attainment gap, should lead to an improvement in work prospects for older children who may become parents before 2030, and the next generation of parents and children beyond.

**Labour market**

The number and type of jobs available in the labour market also has an impact on people’s hourly pay and hours worked, through the employment opportunities they have access to. The underemployment and skills utilisation indicators in the measurement framework are intended to monitor this.

Data is also available on the percentage of employees (but not specifically parents, or people in low income households) on zero hours contracts and on temporary contracts, and the percentage of employees who are trade union members.

The Scottish Government is feeding into UK-wide work to develop indicators and data sources around quality of work in Scotland, and is considering available data to robustly measure progression in employment.

**Availability of affordable and accessible transport**

Transport enables people to travel further to find a good deal (for example, to shop in a large supermarket as opposed to a more expensive local convenience store), as well as access to jobs and essential services. People on low incomes do not travel as far or as frequently as those on high incomes, and rely more on walking and buses. Low income households are much less likely to have access to at least one car than high income households. Along with affordability, other aspects of public transport, such as limited frequency and timetable constraints, can make it difficult for people without access to a car to co-ordinate work, childcare and other activities.

The ‘satisfaction with local public transport’ indicator is included as a proxy for affordability and accessibility of transport. The current review of the National Transport Strategy has identified affordability as a key issue that enables access to transport, and work will be taken forward later this year to develop suitable indicators that will measure transport affordability more explicitly.

**Availability of affordable and accessible childcare**

Childcare can be a significant cost for households with children. And a lack of affordable and flexible childcare can limit opportunities for paid employment. Two indicators of the flexibility of childcare provision are included in the measurement framework, and one indicator of affordability. Ideally, we would want to be able to monitor the extent to which demand for childcare is being met, but it has not been possible to identify a suitable indicator for this. It has also not been possible to identify an indicator that allows us to monitor how costs of childcare are changing over time. The Family and Childcare Trust publishes data on how much childcare providers charge, based on surveys of local authorities, but we are not able to assure ourselves of the robustness of this data.

The measurement framework does not include any indicators of take-up of the entitlement to funded early learning and childcare (ELC). All 3 and 4 year olds are eligible for funded ELC, and it is estimated that around 100% are registered with a setting to receive their entitlement. We do not currently have a means to assess actual take up of funded hours. Around a quarter of 2 year olds are estimated to be eligible for funded ELC. This estimate is based on a combination of data sources, and is made somewhat uncertain by the as-yet partial rollout of Universal Credit. As a result, take-up estimates for this group are not included in the measurement framework.

**Housing costs**

Housing costs are often the largest single cost a household will face, particularly for those on low incomes. The percentage of income spent on housing by low-income households is therefore a key indicator. Housing costs influence all four of the child poverty targets, because all are based on the income that households have left after housing costs have been deducted.

**Other costs of living**

Households in poverty spend a much higher proportion of their incomes than other households on everyday essentials such as food and fuel. Rises in the cost of living particularly affect people on low incomes, increasing their risk of material deprivation. The measurement framework therefore includes indicators to monitor the affordability of food and fuel for low income households. In addition, questions on food insecurity have been included for the first time in the Scottish Health Survey in 2017 and 2018, and headline measures from 2017 will be published in September 2018.

**Debt**

Debt repayments reduce the amount of disposable income people have to spend on goods and services, and therefore increase their risk of material deprivation. In addition to the measurement framework indicator on unmanageable debt, which uses data from the Wealth and Assets Survey, the Family Resources Survey collects information on whether people are in arrears on bills or debt repayments. However, this is not as detailed as that collected by the Wealth and Assets Survey.

**Enablers**

There are indicators in the measurement framework to monitor savings and access to affordable credit – both of which protect against material deprivation and problem debt. They act as a buffer against unexpected costs (e.g. replacing a broken washing machine) and fluctuations in income.

There is also an indicator to monitor internet access. People in low-income households are less likely to have access to the internet and to use it regularly. Access to the internet allows opportunities to find lower-cost financial products and services, online banking, price comparison sites and online deals. Internet access and digital literacy also increase people’s chances of accessing jobs and social welfare systems.

All three indicators use data from the Scottish Household Survey. This survey also collects data on whether people hold a current bank account, as this increases credit options and allows payment by direct debit and standing order, giving access to cheaper deals e.g. on fuel and utilities. In 2015, 95% of low income households with children had a bank account.

**Level, reach and take-up of benefits**

Social security payments have a direct impact on poverty by providing or supplementing household income. The system is designed to help particular groups such as those who are out of work or on low incomes, sick and disabled people, families with children and older people, as well as people in certain circumstances, for example, new mothers or bereaved people.

The impact of social security on a particular household will depend on its characteristics and the benefits it is eligible for, whether they claim all of these benefits, the rate benefits are withdrawn at when a person in a household enters employment or increases hours and earnings, and benefit conditionality and sanctions. Delays to new claims, late payment or overpayments resulting from complexities in benefits administration can lead to financial crises for families. There are also important interactions between the social security system, the tax system and childcare support.

Two indicators have been included in the measurement framework to monitor the generosity of reserved in-work and out-of-work benefits (not including housing-related benefits) for ‘model’ household types. These family types represent common scenarios. Other family types are expected to show different values but similar trends over time.

Benefits currently included are Job Seekers Allowance, Working Tax Credit, Child Tax Credit, Income Support (these will be subsumed within Universal Credit in the future) and Child Benefit. Any additional analysis to supplement this indicator which looks at other scenarios, such as disability, may include other reserved benefits, such as Employment Support Allowance.

For housing-related benefits, it may be possible to produce an indicator to track Local Housing Allowances relative to local rents, although this will need to be explored further. And when payments commence for the new benefits devolved to the Scottish Government, indicators for these benefits will be added to the measurement framework.

The DWP produces estimates of benefits take-up for Great Britain as a whole. It does not currently produce specific estimates for Scotland, but is looking into whether this would be possible.

Data from the Family Resources Survey allows us to explore the extent to which benefits are reaching those who are most in need – for example, by examining the proportion of income from social security for households with children that’s going to the lowest 30% income households.

As Universal Credit rolls out, conditionality and sanctions will apply to a much broader group of households than under the legacy system. The legacy system applies conditionality to Jobseekers Allowance and Employment Support Allowance only, and these types of sanctions are less relevant for child poverty, as relatively small proportions of households who claim them have children. Sanctions were not previously applied to Tax Credits or Housing Benefit. As these benefits get replaced by Universal Credit, more households with children will come under conditionality which could result in a higher rate of sanctions. Currently, the DWP data does not breakdown Universal Credit sanctions by household type, which means that it is not possible to report on sanctions specifically for families with children. However, it may be possible to do so in the future, as the level at which Universal Credit data is published continues to evolve.

Benefits in kind are transfers to households that are non-cash but have a monetary value. Some of these benefits in kind (e.g. Free School Meals) count towards the definition of income used by DWP, and so will count towards all of the child poverty targets. All benefits in kind have the potential to reduce material deprivation.

The measurement framework includes an indicator to monitor the generosity of school clothing grants. It is not currently possible to monitor take-up of school clothing grants, as we do not have a robust estimate of the number of children eligible for school clothing grants under the criteria set by each local authority. In addition, the number of pupils registering for school clothing grants is not currently collected.

Similarly, we do not have a robust estimate of the number of children eligible for free school meals. Therefore, the measurement framework indicator monitors take-up levels amongst those registered for free school meals (including all Primary 1 to Primary 3 pupils registered under the universal provision) rather than all those who are eligible. It has not been possible to identify a suitable indicator to monitor the generosity of free school meals.