



Best Start, Bright Futures

Tackling Child Poverty
Progress Report 2022-23

Annex D: Focus Report
on the cost of living



Scottish Government
Riaghaltas na h-Alba

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Executive summary

The “cost of living crisis” refers to the ongoing economic pressures facing households who are seeing the cost of everyday essentials, like food and energy, increase at a faster pace than household incomes. This has the greatest impact on low income households who spend a greater proportion of their income on household essentials and who have the fewest financial resources at their disposal to assist with increased costs.

This report summarises academic and grey literature on the cost of living crisis to better understand the challenges low income households are facing and how they may be best supported.

Evidence was gathered from a wide range of sources – with a particular interest in what works to support low income households during recent crises (i.e. 2008 financial crisis, the COVID-19 pandemic). The search included coping strategies alongside experiences of support, with a particular focus on the impact of crises on families living in poverty.

What is helping to support families during the cost of living crisis?

Fast, easy and direct support to families has been the most valuable during the recent cost of living crisis. Both stakeholders and families acknowledge that the wide policy package of support has been indispensable, both in terms of supporting low income families through the cost of living crisis and in reducing (or minimising increases to) child poverty rates.

Additionally, evidence from stakeholders and families shows that direct financial support is highly impactful and particularly welcomed by families. Positive impacts were seen from the Discretionary Housing Payments and the crisis support provided through the Scottish Welfare Fund. While there has not been sufficient time to assess the impact of increases to the Scottish Child Payment on poverty rates, it is anticipated that it will make a significant difference to reducing poverty in Scotland. Additionally, the rent freeze, and subsequent rent cap, have been welcomed by tenants’ organisations during this period of economic uncertainty.

What barriers prevent families from receiving support in the crisis?

There are significant barriers which prevent families from being fully supported during the cost of living crisis. These include:

- **The cumulative and compounding impact** of the past 15 years. From the 2008 financial crisis, to a decade of austerity measures, to the COVID-19 pandemic, families on low incomes have been living under a constant financial strain. This means they entered the cost of living crisis in a highly vulnerable position, with very limited or no options left to further reduce their household costs.
- **Stigma.** The evidence base highlights stigma as being a key barrier for families to access support. This can be due to feelings of inadequacy, guilt, shame, and perceived judgement.

- **Means-tested targeting.** While the evidence suggests targeting can help those most in need, sometimes these measures do not go far enough or are targeted too narrowly. Support packages which rely on families being on means-tested benefits can exclude many low income households.
- **Variation in need and demand.** ‘One size fits all’ payments do not account for the nuances of household size and other dynamics. The evidence highlights that particular family groups are at risk due to payments which do not account for additional circumstances (e.g. lone parents, families with three or more children, mothers under 25 or families with a disabled person).

Most stakeholders agree on key actions Scottish Government and partners could take:

- **Continue to pioneer a cultural change.** To increase resilience in the face of rising prices, there is a need to remove stigma surrounding social security payments. This involves providing accessible and supportive gateways to support.
- **Encouraging take-up of gateway benefits.** There are some benefits that allow receipt of other benefits. Universal Credit, for example, provides a gateway to many other means-tested benefits, including cost of living payments, but also other entitlements, such as free school meals. Increasing take-up of these gateway benefits is key to reducing the burden of household costs.
- **Consideration of benefit design for eligible families.** While targeted measures are welcomed, these need to respond to the needs of families. There is variability in need amongst households, for example when considering the health of family members, the size of the household or the ethnic background. The eligibility criteria needs to carefully consider how to best meet the needs of the target population.

Where do families need more support?

Some areas where Scottish Government could provide further support are:

- **Accessibility of information.** The cost of living website has been a welcome source of information. However, stakeholders point out that further consideration is needed to support those at risk of digital exclusion or with limited digital skills. This includes those in rural areas where digital connectivity may be slow and unreliable and accessing alternative face-to-face support prohibitive (due to cost and/or distance).
- **Planning ahead.** While inflation is reducing, prices are not going down and remain historically high, particularly for food. Stakeholders call for targeted measures to support low income households for the remainder of 2023 so that families are able to anticipate and plan ahead.
- **Tailor labour market policies to support specific family circumstances.** Many priority families face structural challenges. This means that their opportunities to increase income through paid work, even when the economy is better, can be limited. This, in turn, places a financial strain on the household. For example, for minority ethnic families this would mean navigating the impacts of structural racism in the labour market.

What impact does the cost of living crisis have on wellbeing, social/familial stability and financial stability for a family in a low income household?

The cost of living crisis is significantly impacting upon the mental health of both parents and children.

Additionally, the cost of living crisis has resulted in a lack of social connection, and increased isolation, for many households. This is on the back of a period of intensive isolation arising from periods when stay at home regulations were in place during the COVID-19 pandemic. The negative impacts of a lack of social interaction on loneliness and mental wellbeing are well documented . Priority groups particularly at risk of financial stress, leading to lower levels of mental wellbeing, include those living in larger families, minority ethnic families, and mothers with a young child.

What lessons can we learn which help us to tackle child poverty in the long term?

While the cost of living crisis is anticipated to be a short-lived event, it emphasizes a need for structural change. For child poverty, this crisis reminds policy makers and wider stakeholders that a long-term approach is necessary.

While support is required in the short-term to meet financial demands of the crisis, longer-term changes are necessary to ensure families do not continue to fall into, or deeper into, poverty. This includes work around:

- affordable and flexible early years and school age childcare
- digital accessibility
- secure, flexible and family friendly employment
- a minimum income guarantee
- an accessible and supportive social security system
- appropriate mental health support for adults and children
- joined-up and person-centred services.

Introduction

The ‘cost of living crisis’ is the widespread term used since early 2022 to refer to the ongoing economic pressure for families who are seeing the cost of everyday essentials, like food and energy, increase at a much faster pace than household incomes.

The cost of living crisis is having the greatest impact on low income households who spend a greater proportion of their income on essentials and who have the fewest financial resources at their disposal to help cope with increased costs.¹

The sudden and rapid rise in costs of energy and food has meant that people on low incomes have simply been unable to afford an adequate standard of living. Lower income households are more likely to have no, or low, savings, more likely to be in debt or arrears and, if in employment, more likely to be in insecure work entailing variable pay.² Further, while inflation has fallen from its highest level in October 2022, it remains high³ and the inflation rate for food and non-alcohol beverages continues to rise – reaching 19.1% in April 2023 (an increase from 16.4% in October 2022).⁴

This report examines how the crisis has exposed financial vulnerabilities, reviews the specific impacts for different family types and considers how households are reacting to their current straitened circumstances. By focusing on a period of heightened financial strain, this report, by way of critical review of the evidence, provides important insights into which challenges are the greatest for households and how families may best be supported.

Structure of this report

Firstly, this report looks at [lessons learned from recent economic crises](#), that is the 2008 financial crisis and the impacts of the COVID-19 pandemic. Lessons learned were drawn to support our understanding of impactful policy making during the current cost of living crisis.

This reports follows with [detailed impacts of the ongoing cost of living crisis](#). In particular it explores impacts on wellbeing, financial pressures, food insecurity, energy and housing.

While the ongoing crisis is focused around the cost of living, this report also explores [impacts of price increases on the two other drivers of poverty](#), that is income from employment and income from social security.

Then, the report provides a brief summary of how the cost of living crisis is impacting on each of the [six priority family types](#) most at risk of poverty.

Finally, the report explores generic issues to consider when [designing policies to support families in need](#). Specifically, it focuses on debates concerning targeted or universal interventions, the stigma surrounding access to interventions, and the need for longer-term systemic change.

Research aims and approach

Research aims

The aim of this research is to synthesise the wide range of evidence available on the impact of the ongoing cost of living crisis for families in low incomes and identify key learnings to support future policy decisions on tackling child poverty.

The research seeks to answer the following questions:

- What is helping to support families during the cost of living crisis?
- What barriers prevent families from being best supported during the cost of living crisis?
- Where do families need more support?
- Are there specific households who require further/greater support?
- What impact does the cost of living have on wellbeing, social/familial stability and financial stability for a family in a low income household?
- What lessons can we learn which may help us to tackle child poverty in the long term?

Methodology

This report presents a review of empirical evidence on how the current cost of living crisis is impacting those families in low income households. The search of evidence covered a wide range of sources, including: Idox and KandE databases. In addition to research undertaken by the Scottish Government, stakeholder websites were also identified and searched for relevant empirical evidence to include in the review. Finally, Research Advisory Group (RAG) members, consisting of Scottish Government and external stakeholders, provided potential evidence which was reviewed to identify any additional or missing evidence sources.

The library search was carried out to gather evidence on a variety of areas that covered the research questions. This included:

- Coping strategies and new challenges faced by families for raising income for their family (through employment or by social security)
- Experiences of support provided by government, local authorities, third sector organisations and the wider community

In addition, to gather learnings regarding best practice and effective approaches to support low income households/families during a crisis, the search included key event terms of 'financial crisis', 'austerity', 'COVID-19', alongside 'cost of living crisis'. For searches on financial crisis and austerity, this was dated back to 2008 while all other key events were dated from 2020 onwards.

Peer-reviewed and non-peer-reviewed evidence was included in the search. The primary focus of the review was on evidence from Scotland and the United Kingdom but international evidence was also included where relevant.

In order to focus on the impact of the cost of living for families living in low income households, the primary focus for inclusion in the review was on evidence from

empirical research exploring the impact of the crisis on families and for those living in poverty.

Further details on the methodology can be found in [Annex A](#).

Limitations

This was a rapid evidence review conducted in a short timeframe. This was not a systematic review and appraisal of the research evidence.

This work reports on an on-going crisis where new evidence and insights are emerging regularly.

Due to the relatively new nature of the evidence base, the primary sources of evidence are drawn from stakeholders undertaking their own primary research or secondary data analysis. This evidence is pertinent for understanding the experiences of particular stakeholder groups. However, this means that the number of peer reviewed articles drawn upon in this report is limited.

Care has been taken to assess the robustness of each piece of evidence included, and to provide a full understanding of the impact of the cost of living crisis for families living in poverty, but it cannot be interpreted as a full and comprehensive review of all relevant and available data.

Impact of, and lessons from, recent economic crises

Key Messages

The austerity welfare reforms have shrunk the safety net available to those requiring support from the state. Austerity measures worsened standards of living, particularly for those in low income households.

Throughout the various economic crises, in-work poverty has risen and employment has increasingly proven not to be a reliable route out of poverty.

Temporary support packages introduced during the pandemic, such as the Job Retention Scheme (Furlough) and the £20 Universal Credit uplift, prevented widespread hardship. Policy packages that respond to specific crises and circumstances do work.

The ongoing cost of living crisis arose through a range of different significant events, including: the COVID-19 pandemic, the war in Ukraine and Brexit.

This section of the report looks at the policies put in place to overcome recent economic crises and summarises evidence of impact on societal standards. Specifically, the report covers the 2008 financial crisis and the global COVID-19 pandemic.

The aim of this chapter is twofold. First, to uncover learnings around what works and what does not for families living in low income households that are of relevance to the current crisis. Second, this section also provides an understanding of the starting position of families in low income households at the outset of the cost of living crisis.

Context

The current cost of living crisis is the latest development in a period of economic instability and underperformance for the UK stretching back well over a decade to the 2008 financial crisis.

In response to the 2008 market crash, and the subsequent recession, the Coalition and Conservative governments, from 2010 onwards, pursued a policy programme of austerity measures. Austerity measures meant spending cuts to social security and public services.

The year 2020 saw the onset of the COVID-19 pandemic. This marked a definitive shift away from austerity as whole sectors of the economy shut down and government spending dramatically increased to support business and families and minimise adverse impacts of the pandemic. National lockdown measures (periods when stay at home regulations were in place) had barely ended when inflation began to increase sharply in late 2021, with the Consumer Price Index rising to 11.1% (annual rate) by October 2022. At the time of writing this report, inflation is at 8.7%,⁵ though the OBR forecasts it will fall to 2.9% by the end of 2023.⁶

A summary of policy actions during recent crises with a review of evidence on impact follows.

Austerity policies following the 2008 financial crisis

From 2010, the UK coalition Government adopted a deficit reduction policy. This aimed to offset increases in government spending which had been implemented in response to the 2008 financial crisis by the previous Labour administration.⁷

The main agenda was to reduce spend at all levels. This is what was referred to as 'austerity measures'. These included a number of welfare reforms, the overall effect of which was to limit the amount of support available to families through benefits and tax credits. Indeed, analysis using the House of Commons Library Welfare Expenditure and Savings Tool highlights how in 2016-2017 the Government was due to save approximately £26 billion from cuts to welfare spending.⁸

Key changes since 2010 include:

- **A benefit cap restricting the maximum amount of support a family could receive.** In 2013, this measure introduced a cap at £500 per week for a family and £350 per week for a single person with no children.⁹
- **A freeze in the rate of most working-age benefits.** For a four year period (2015/16-2019/20) the majority of working-age benefits were kept at their 2015-16 cash value. This followed a previous three year period (2013/14-2015/16) where increases were limited to 1% per annum. This means benefits did not keep up with the rate of inflation. Benefits and tax credits were 6% lower in 2020-2021 than if the CPI rate had been applied during the four years of the freeze.¹⁰
- **A two-child limit for child tax credit and Universal Credit (UC).** From April 2017, means-tested family benefits were restricted to two children. This meant child tax credits were not payable for third or subsequent children born after 6 April 2017.¹¹
- **The abolition of the 'family element' of Working Tax Credit (WTC) and equivalent in UC.** This measure, introduced in April 2012, meant couples with children were required to work at least 24 hours per week to qualify for WTC. Prior to this, the minimum hours per week for qualification was 16 hours.^{12,13}
- In addition, **cuts to local authority budgets** meant that some frontline services either closed, or were under-resourced and less able to meet demand.

In Scotland, compared to England, cuts to public services were less severe. The Scottish Government maintained the aim of reducing inequalities, basing policy and wider decisions on four pillars: prevention, partnership, people, and performance.¹⁴ For example, the impact of 'the removal of the Spare Room Subsidy', commonly known as the 'bedroom tax',¹⁵ has been offset by the Scottish Government's Discretionary Housing Payments.¹⁶ The Scottish Government also aimed to buffer local authorities from the full extent of the cuts to funding.¹⁷ However, local authority spending still reduced in Scotland in real terms by 11% between 2010-2011 and 2014-2015. In comparison, spending in England during this same time period fell by 27%.¹⁸

What was the impact of austerity on low income families?

A wide range of evidence has shown the negative impact of austerity measures on living standards. A number of trends, coinciding with the period of austerity, indicate a worsening of people's financial circumstances. Since around 2010, child poverty rates have been generally stable.¹⁹ However, there has been an increase in the depth of poverty experienced²⁰ and the incidence of poverty in working households remains a growing issue.²¹ Data from the Trussell Trust records an increased demand since 2011 for food banks across the whole UK, including parcels distributed to children.²² In Scotland, applications to the Scottish Welfare Fund 'crisis grants' have risen steadily since 2013, with the most commonly reported reason being running out of money or benefits.²³

Furthermore, in 2019, the UN's special rapporteur on extreme poverty and human rights published a report which criticised the government's policies for entrenching poverty in the UK.²⁴ The report concluded that the UK government's welfare reforms "have made it much harder for people to make ends meet and stymied progress in reducing poverty." The report also concluded that employment, alone, was not sufficient in lifting people out of poverty, citing the persistence of poverty despite a high rate of employment. The report states that, across the UK, a reduction in in-work benefits and rising housing costs have contributed to the higher rate of in-work poverty.

Analysis by the Equality and Human Rights Commission²⁵ shows that the cumulative effect of welfare and tax reforms from 2010 to 2018 have had the greatest impact on the poorest households. It estimates that people in the lowest two income deciles will have lost around 10% of their net income, with comparatively small losses for those with higher incomes.

Lessons learned

There were some key learnings across the evidence concerning the impact of austerity, particularly on low income households:

- Austerity policies did not protect from, and even contributed to, the rise in public sector unemployment and poor pay from the economic recession. This has been linked to poorer health and mental wellbeing outcomes.²⁶
- Reductions in incomes due to austerity measures, coinciding with rising food prices, led to income insufficiency and there is a clear relationship between austerity welfare reform and food insecurity.²⁷
- Austerity measures impacted most those already vulnerable (e.g. those living on the lowest incomes, in precarious employment, or with health conditions), and widened inequality. Evidence highlighted the need for a strong and robust welfare system to protect families living in these circumstances.^{26,28,29}
- Austerity measures eroded attempts to reduce child poverty.³⁰

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic in early 2020, the UK observed three periods of lockdown (periods when stay at home regulations were in place) and other varying restrictions which limited social and economic activity. With the exception of key workers, that is those providing essential services for the functioning of society,³¹ people were asked to work from home and many non-essential services were shut down. The health crisis and the lockdown policies in response moved the economy into a recession.

In response, the UK and Scottish Governments developed packages of social and economic support. In March 2020, the UK Government announced the Coronavirus Job Retention Scheme, also known as the Furlough Scheme, in order to limit expected rises in unemployment. It encouraged businesses to retain employees through government subsidising wages of staff unable to work as many hours as pre-pandemic or at all. Furlough officially closed at the end of September 2021.³² Another policy was the £20-a-week uplift to Universal Credit, which was also withdrawn in the Autumn of 2021.

What are the known impacts of the pandemic so far on low income families?

The pandemic had a profound impact on society as a whole. However, there are certain groups within society who have borne the brunt of the impact.

Mixing with other people was heavily restricted and most people were stopped from working for at least some of this period. School closures meant that childcare responsibilities increased for parents who were also expected to provide 'home-learning' support. Evidence indicates that the mental health impacts of the pandemic were particularly acute for families with dependent children. Disrupted routines, changed roles and responsibilities, and reduced support from friends and family contributed to stress and exhaustion.³³

Families on lower incomes spend a greater proportion of that income on essentials such as food and fuel. Long periods at home meant the costs of heating the home, running appliances and providing food for household members increased.³⁴ These additional costs were felt most acutely for people already operating on tight household budgets.

The isolation and stress of being locked down may also have been exacerbated by the living conditions of those on lower incomes, who are likelier to live in crowded accommodation, poor housing conditions, or have no access to outdoor space.³⁴

COVID restrictions also meant that a significant proportion of the economy was also, effectively, locked down, with many people being furloughed, experiencing losses in their working hours, or losing their jobs altogether. Analysis shows that lower-paid workers, as well as those in non-standard work arrangements, were disproportionately affected by these developments, and likelier to lose out on earnings.^{35,36} Although the job retention scheme prevented large scale job losses, government support only covered 80% of pay (initially). So, the reduction in income will have been felt most keenly by those on lower wages. People on temporary contracts or doing agency work were much more likely to lose their job altogether, while people who had lost a job just before the pandemic struggled to find re-employment. Certain sectors of the economy

were more vulnerable, particularly those involving jobs that could not be undertaken remotely. This generally affected lower-paid industries such as retail and hospitality.³⁷

Lessons learned

Evidence is constantly evolving, however, from the evidence reviewed, there are some learnings worth highlighting.

Government support was necessary and helpful. Job losses and reduced earnings increased the poverty risk for people living in working households prior to the pandemic. Despite reducing incomes, the Government's Furlough Scheme was viewed positively^{38,39} and protected millions of jobs – with an estimated 87% of furloughed workers able to return to work when the scheme ended.⁴⁰

Social security was fundamental for minimising poverty. Some evidence indicates that increased social security spending may have, in the short-term at least, lifted some non-working households out of poverty, whilst the temporary uplift (since removed) to UC protected others from falling into poverty.³⁴ Further, COVID-related payments also played an important role in helping households to manage with the challenges of the pandemic.³⁸

Local emergency response efforts have been recognised as particularly effective during the pandemic, with cross sector partnerships forming to fund and provide emergency interventions. Some organisational staff involved in front-line delivery reported that, in response to the unprecedented crisis, there was more flexibility in the approaches of statutory bodies and service organisations. There was, however, a feeling that these ways of working were receding as restrictions lifted.⁴¹ Scottish Government research evaluating COVID support in low income households found schools, nurseries and food banks were often gateways to provision of support and advice in relation to financial concerns.³⁸

Impact on wellbeing has been acute. Further, it is well-established the negative impact COVID-19 has had on mental health and well-being – both directly and indirectly⁴² – with those in lower income households often reporting lower levels of mental wellbeing during the pandemic.⁴³

Conclusion

The experiences of the 2008 financial crisis and austerity response and the COVID-19 pandemic provide useful insights to understanding today's crisis.

Crucially, economic disruption tends to hurt those on the lowest incomes most. This goes beyond losses in income, and can carry over into mental wellbeing, health, and other outcomes with long-term consequences. Fast and significant policy responses can help respond to the economic shock and partially shield those most vulnerable.

But these crises do not only offer useful lessons, their influence continues to be felt today and is relevant context to the development and impact of the cost of living crisis.

It is important to consider the compounding nature of crises when we focus on the impacts of the past 15 years and how this plays out during the current crisis.

Impacts of the cost of living crisis on low income households

Key messages

For those living in low income households, and experiencing socio-economic disadvantage, the cost of living crisis has compounded their existing disadvantage. It has placed them at greater risk of poverty or pushed them deeper into poverty.

Low income households have very limited, if any, additional options to manage the ongoing cost of living crisis.

Early evidence suggests a significant impact on the mental wellbeing and health of adults and children living in low income households. While social relations and connections can provide support and assistance, this is not available to all.

Parents are struggling with acute financial pressures.

- **Food insecurity** rates are unacceptably high as inflation leads to rising food costs. There is evidence to suggest that increases to the Scottish Child Payment could have contributed to less severe food insecurity in Scotland compared to the UK.
- While **fuel insecurity** was a concern prior to this financial crisis, the current context has added more complexity, instability and deepening of poverty for those in lower income households. Despite a wide range of Government support around energy costs, projected fuel insecurity remains high.
- **Housing costs** are deemed to be one of the inflexible costs a household faces, with very little room for savings. The share of households experiencing a large rise in their mortgage costs will increase significantly as the cost of living crisis, and accompanying higher interest rates, persist.

Low income families went into the current cost of living crisis more vulnerable and in precarious positions to manage costs of living such as, food, heating and housing.⁴⁴ These households often moved into the current crisis with an accumulation of financial distress⁴⁵ and debt built up through the preceding years.¹ For those already living in lower income households, and experiencing socio-economic disadvantage, the cost of living crisis is disproportionately affecting them while putting them at risk of poverty or being pushed deeper into poverty.⁴⁶

This chapter of the report explores how the cost of living crisis impacts upon families living on a low income. It considers the new challenges raised by the cost of living crisis, as well as the exacerbation of existing challenges as a result of rising inflation and higher costs. Specifically it looks at impacts on wellbeing, financial pressures, food insecurity, energy and housing.

Mental wellbeing

This section reports on the impact of the cost of living crisis on the mental wellbeing of families in low income households. It considers the growing sense of helplessness, the difficult decisions made by parents to protect their dependents (at the detriment of their own mental wellbeing) and the effects living in poverty can have for both parents and children.

A mental health crisis

There is evidence to suggest that the ongoing cost of living crisis is impacting on adults' and children's wellbeing.

A Scottish Government poll in May 2023 found that 49% of adults felt the cost of living crisis had negatively impacted upon their mental health. Further, for those adults who felt they were managing their household finances 'less well', the proportion whose mental health has been impacted negatively was just over three-quarters (76%) – compared to 54% for those 'getting by okay' and 24% for those 'managing well'.⁴⁷

It is not only adults struggling with their health and wellbeing. An online survey conducted by Save the Children and YouGov found a quarter of parents (24%) are concerned about their child's mental health as a result of the cost of living crisis, with this increasing to just over a third (36%) of parents who live in households with an income of £30,000 or less.⁴⁸ A recent survey of 500 paediatricians working in the UK found three in five (60%) believed the cost of living crisis was having a negative impact on the health and wellbeing of children and young people. Indeed, a survey of 1,012 young people (aged 16-25 years) on behalf of UK Youth, by Censuswide, found more than half of young people (54%) felt their mental health had been negatively affected by the cost of living crisis. This included over a third (36%) saying they felt lonelier due to reducing their social activities in order to reduce their spending.⁴⁹ While a survey of 1,045 young people (aged 11-25 years), by Young Scot, found seven in ten young people (70.4%) were concerned about their parents or carers in relation to the cost of living crisis. Further, half of the survey respondents (50.2%) self-reported a concern about their mental health and wellbeing due to the cost of living crisis.⁵⁰

Additionally, a review conducted by the Nuffield Foundation highlights the detrimental impact of poverty if it is persistent and experienced in the first three years of a child's life. In particular, it can impact upon parent-child relations, child development and wellbeing, and limit later life opportunities.⁵¹ This is important to bear in mind in the context of the past three years where low income families have moved from one crisis - the COVID-19 pandemic, to another - the cost of living crisis, and may have been living under financial strain during these crucial years of a child's life.

Indeed, the Poverty and Inequality Commission, in a September 2022 briefing, acknowledged that the cost of living crisis was becoming a mental health crisis.¹ The cumulative impact of crisis after crisis,^{52,45} the inability to buy enough food for their family and pay the necessary bills, alongside growing debt, meant increasing numbers of people were experiencing mental health concerns.¹ These views have been supported by academics who report the links between financial struggles and mental ill-health.^{53,54} Further, previous research has highlighted how financial stress is often found

to be higher in larger families, minority ethnic families, and among those mothers with a young child.⁵⁵

A Scottish Government poll asked around 1,000 adults in Scotland, 'Thinking about the year ahead, which of the following are you most concerned about?'. Levels of concern were high for 'any personal financial / economy concern' (83% for all adults) and for 'any cost of groceries, energy fuel' (60% for all adults). These levels were high regardless of whether there were children in the household (82% and 59%, respectively) or not (84% and 61%, respectively). While concern was found to be slightly lower in May 2023 than it was in September 2022, levels still remain high.⁴⁷

A sense of helplessness

Various stakeholders have engaged with families in poverty to better understand their experiences throughout this ongoing cost of living crisis. The overarching finding across their reports is a sense of helplessness.

A Nuffield funded project, led by a group of academics from across England and Child Poverty Action Group, found that families who are living in poverty, when asked how they feel about the cost of living crisis, felt disbelief, anger, resignation and a sense of fatalism. The cost of living crisis has tested them to the very end of their budgeting resourcefulness and 'there is nothing left to cut back'.⁵⁶ A JRF report highlights the uncertainty of the cost of living crisis for families, giving rise to a sense of helplessness.⁴⁵ Previous research on the additional stressors of living in poverty highlights the impact of budgeting for parents. In particular, the need to effectively manage and plan in order to account for all expenditure. This level of detailed planning, often done to get by and mitigate the effects of poverty for their children, is an additional and time consuming stressor.^{57,58,59}

Difficult decisions for parents

Families reported having shielded children from poverty in the past, but in the current crisis they can no longer do so.^{60,59} This brings not only concern and worry for their present, but also the future with uncertainty surrounding how the cost of living crisis will impact on their family's lives in the longer term.

Research to explore women's experiences of the cost of living crisis, further highlights this worry and anxiety about the future. For women with children, their focus was often on the emotional wellbeing of their children, ahead of their own.⁵⁹

Social relations and isolation

Another feature of the pandemic, which has a knock on effect to the current context, is a lack of social connectedness. The importance of social connections, especially in times of stress, is well-known.⁶¹

During the pandemic, periods when stay at home regulations and social distancing measures were in place, led to limited opportunities for connections and had repercussions for feelings of loneliness, social isolation and mental wellbeing.^{59,62,63,64}

During the cost of living crisis, there are other restrictions which are impacting on low income households,⁶⁵ such as transport affordability;⁶⁶ inability to afford leisure and social activities for parents and their children;⁵⁹ and the prioritisation of other more essential costs, such as food, housing and energy.⁶⁷ Further, while many of these challenges pre-exist the cost of living crisis, these are exacerbated by the current cost of living crisis and the tightening of household finances. For those living in low income households, who are struggling to meet essential costs, there can often be a need for support networks during times of stress and worry in order to provide emotional, and sometimes financial, support.^{59,63} For those families who have strong support networks these were often emphasised as a fundamental source of support in terms of providing basic essentials, financial support and emotional support. Research by the Poverty Alliance highlights that some women acknowledged that they would simply not cope without this level of support.⁵⁹

Many families are not lucky enough to have a strong support network around them. There are particular priority family groups seen to be at higher risk of social isolation. These include parents with a baby under one, lone parents, and families with three or more children.

- For parents with a baby under one, peer support during this transitional period of life is often seen as crucial in developing reassurance, avoidance of doubt and building self-efficacy. Without opportunities, or with limited opportunities, to meet with other parents with babies, this can be detrimental to the mental wellbeing of the new parent.⁶³
- For lone parents, opportunities for social connections, for both them and their child, can be limited due to financial concerns, with reported rates of increased social isolation and poorer mental wellbeing for both parent and child.⁶⁸ In a poll conducted by JRF, around three in four lone parents reported the cost of living crisis has had a negative impact on their social life.⁶⁵ Further, in a research study completed by One Parent Families Scotland, a lone parent reported struggling to pay household bills and that there was just no money to spend on recreational, leisure and social activities each month. They reported feels of guilt for not being able to provide for their child.⁶⁸

Family relationships are also put under strain during times of financial hardship, as may be experienced during the cost of living crisis for low income households.⁶⁹ For example, parents may be less able to respond to the needs of their children, or feel they are less able to do so, and this may impact upon parent-child bonding and attachment.⁶⁹

Financial pressures

Financial worries are a constant for many parents in Scotland. The Office for National Statistics (ONS) report that parents with dependent children had higher odds of experiencing **financial vulnerability**ⁱ when compared with non-parents or parents not living with dependent children (data from September 2022 to January 2023).⁷⁰ Further, their dataset reveals just over half of parents (54%) living with a dependent child report being **unable to save** in the next 12 month period, compared to four in ten (42%) non-parents or parents not living with a dependent child.⁷⁰

What coping mechanisms are still available to families?

Many stakeholders have engaged with lived-experience experts to understand what sort of coping mechanisms people are already employing:⁵⁶ opting to buy unhealthier, but cheaper, dietary options;⁶³ stopping direct debits to their energy company – putting themselves at risk of being cut off;⁷¹ asking wider family networks for financial support; going without in order to provide for their children;⁶³ borrowing money (as evidenced above). For some, enduring the cold and hunger was seen as the only remaining option.⁵⁶ **Multiple reports highlight that households have very limited additional options to manage the ongoing crisis.**

A deepening of poverty can restrict the number, or types, of choices families have at their disposal. A recent report on the everyday experiences of those on low incomes highlights how such ‘choices’ are often not choices. These are imposed on households by their situation. The decision between heating and eating, for example, can often come down to the practical matter of choosing electricity, as without electricity one cannot cook, anyway. Therefore, such “choices” should be reframed as households are ultimately disempowered.⁵⁶ The impacts of this predicament are numerous, and reported in this review, but what is most apparent is the compounding effect the crisis has for physical and mental health.^{65,72}

This growing precarity and vulnerability can be seen across multiple aspects of society. For example, Scottish Government analysis of the Scottish Welfare Fund highlights the increased demand for crisis grants (a source of financial support to assist with an unexpected emergency⁷³). From February 2023 to March 2023. There has been a 7% increase in the number of crisis grant applications, while crisis grant expenditure over this same period has increased by 6%.⁷⁴ Repeated applications are increasing and demand is expected to continue to rise due to the cost of living crisis.⁷⁵

What are the impacts of constant financial pressures?

Some estimates have already been reported on the potential impact of an ongoing crisis on health outcomes. Modelling from Public Health Scotland, based on the relationship between income and mortality, estimates that even after the mitigating effects from the

ⁱ In this dataset, an individual was said to have experienced some form of financial vulnerability if three or more of the following applied to them: unable to afford an unexpected, but necessary, expense of £850; borrowing more money or using more credit than usual, in the last month, compared to a year ago; being unable to save in the next 12 months; finding it very or somewhat difficult to afford energy bills.

Energy Price Guarantee and Cost of Living Support payments, incomes would still fall by 6.5% (least deprived) and 5.3% (most deprived), in real terms.⁶⁹ This modelling approach then estimates the health impacts from long-term exposure to these income changes by SIMD. If incomes rise above inflation in the future then some of these impacts may be mitigated further.

The impact on mortality rates was estimated to be an increase of 2% (least deprived) and 8% (most deprived), as well as falls in life expectancy between 0.2% (least deprived) and 1.4% (most deprived).⁶⁹ This also highlights how people's health in the most deprived areas is more sensitive to changes in relative income, seeing substantially larger negative health impacts, despite slightly lower relative income drops than those living in the least deprived areas.

Amongst low-paid workers, three-quarters reported that a pay rise would improve their wellbeing, mental health and financial situation – with increased levels of pay often the most prioritised action that both government and employers could do to assist them through the cost of living crisis.⁷⁶

Food insecurity

Access to affordable food is essential to maintaining a reasonable standard of living. High prevalence of food insecurity indicates that costs are too high, incomes are insufficient or both.

What do we know about levels of food insecurity?

In the period 2019-2022, 8% of Scottish people lived in households with low or very low food security. For children, low or very low food security rises to 13% and to 27% amongst children who live in low income households.¹⁹

These latest statistics may not fully reflect the effects of the cost of living crisis due to the timing of data collection. In order to understand potential direction of travel, we can also examine food bank usage. Recent figures from the Trussell Trust highlight the levels of food bank use between April 2022 and March 2023, with 259,744 emergency food parcels distributed through their network in Scotland during this period, including 87,968 parcels to children. This represents a 30% increase from the same period the previous year (2021-22) and a 50% increase from the same period pre-pandemic (i.e. 2017-18).⁷⁷

The Trussell Trust note, though, that **increasing the value of the Scottish Child Payment, and extending eligibility**, may have contributed to less severe increases in food bank use in Scotland, for some household groups, compared to elsewhere in the UK. They report that, between November 2022 and March 2023, the increase in the number of food parcels provided to children was 17%, compared with 42% for England.⁷⁷

Escalating food prices are contributing to growing levels of food insecurity as inflation remains high.⁷⁸ The annual inflation rate for food and non-alcoholic drinks was reported to be 19.1% in April 2023.⁴ This represents a significant increase in the cost of regular shopping baskets for families. Recent research by Nourish Scotland⁷⁹ drew on lived experience to construct shopping baskets that would adequately meet the needs and preferences of different family types; they calculate that the cost of these baskets, as of December 2022, would account for between 25% and 37% of disposable income. While the Office for Budget Responsibility (OBR) expect inflation to continue to fall in 2023,⁶ there is expected to be a lag in food price inflation in the short term.⁷⁸

What are the impacts of food insecurity?

The effects of food insecurity are compounding for families. The Poverty Alliance reports some women skipping meals or eating less. In some cases, where there was a reported pre-existing health condition, women were unable to afford shopping to support this condition.⁵⁹ Over four in ten (44%) lone parents report difficulties in affording food, with this remaining at a similar rate for lone parent families in paid work (41%).⁶⁸ Indeed, paid employment is often not enough to ensure an adequate standard of living for families. Polling completed by the Living Wage Foundation, in January 2022, found that 32% of respondents earning less than the real Living Wage had skipped meals regularly due to financial costs (compared to 27% in December 2020).⁷⁶

For families and children the effects of food insecurity, and not having enough to eat, is profound and has potentially long term impacts. Public Health Scotland (PHS) report the potential damaging effects of inadequate nutrition on the long term health outcomes for children.⁶⁹ The Nuffield Foundation highlight also the mental challenge involved in going without food for parents.⁵⁶ Similarly, The Food Foundation notes how food insecurity can impact upon every aspect of a child's life from their education, social interactions and social-cognitive development to their physical and mental wellbeing. They report that for those parents/carers who had experienced food insecurity in the past month, almost eight in ten were worried about the impact of insufficient food on their child's physical health (78%) and mental health (76%).⁸⁰

What can be done?

A study by the University of Sheffield highlights the following priorities to assist in tackling food insecurity:⁸¹

- **Cash-first solutions.** The report argues that this provides households with increased agency and dignity, in comparison to receiving food aid. Further, research in the Scottish context surrounding free school meals advocates for a cash first approach in order to show an extension of trust.⁸²
- **Whole system approach.** While food insecurity requires assistance in the short-term, there is also a need for longer-term approaches to prevent hardship and support reliable access to food.

Drawing on this learning and following a consultation that received strong public support, the Scottish Government published [*Cash-First: Towards Ending the Need for Food Banks in Scotland*](#) on 5 June 2023. This details the nine targeted actions the Scottish Government will take over the next three years, alongside other public bodies, local services and anti-poverty organisations, to improve the response to crisis and start to reduce the need for emergency food parcels. The learning from these actions will help to identify scalable interventions that move us closer towards our longer-term ambition of a Scotland without the need for food banks. This is a cornerstone of our commitment to tackling poverty, progressing the right to food and achieving our [Good Food Nation](#) ambition.

Energy

One of the key drivers of the cost of living crisis has been significant increases to the price of gas and electricity.

What support has been provided?

The UK government response was to introduce the Energy Bills Support Scheme (EBSS) and the Energy Price Guarantee (EPG). The EBSS was a universal policy which provided all households with a non-repayable discount to help with their energy bills over the winter of 2022/2023.⁸³ The EPG was introduced in October 2022 and limits the price households pay per unit of gas and electricity. While the price cap is lower than current prices, energy prices remain substantially higher than pre- 2021. For example, prices from July to September 2023 are estimated to be over 60% higher than during the winter 2021-2022.⁸⁴

What are the impacts for low income households?

Despite the package of support introduced to help households manage rising energy costs, it appears lower income households still struggled with energy insecurity over the winter 2022-2023. Analysis from ONS highlights that energy insecurity was more of a concern for lower income households than higher income households during the winter of 2022.⁸⁵ A quarter (24%) of adults were reporting occasionally, hardly ever or never being able to keep comfortably warm during that past winter.⁸⁶

In Scotland, modelling from the Scottish Government estimated that in April to June 2023, 37% of all households (and 34% of all households with children) would be in fuel poverty.⁸⁷

However, energy insecurity has been a concern prior to the cost of living crisis and the COVID-19 pandemic. Research conducted during the winter 2019/20, exploring the lived experiences of fuel poverty, found that households in the lowest income bands were the most likely to be struggling to keep their home warm – often limiting heating use and adopting coping strategies to stay warm.⁸⁸ This illustrates how the cost of living crisis has added more complexity, instability and the potential for deepening levels of poverty to the lives of those in lower income households.

Varying experiences for families

The way households pay for their energy plays an important role, too, in the affordability of energy. Lower income households are more likely to be on pre-payment meters.^{89,38} While these methods are often preferred due to the immediacy and transparency of energy usage within the household,⁹⁰ they are also more expensive. This results in a ‘**poverty premium**’ where lower income households face additional costs compared to those in higher income households.⁸⁹ A research report from the Poverty Alliance highlights that half of the women in their study were on pre-payment meters. Thus, these participants were affected by the poverty premium and at risk of having no access to energy if they could not afford to top up the meter.⁵⁹ Further, ONS analysis reports a

link between adults who use pre-payment meters to pay for their energy with financial insecurity. A quarter of adults (26%) using pre-payment meters reported using credit more than usual (e.g. credit cards, loans) due to increases in the cost of living (compared to 14% for those who pay their energy through a non pre-payment method).⁷⁰ However, in the UK Government Spring Budget there was a commitment to bring energy charges down for households with pre-payment meters (bringing charges in line with prices for direct debit customers).⁹¹

The same challenges, already reported for priority family types, continue to be evident.⁹² Particularly for those with a disabled person in the household who may be reliant on gas/electricity to support an individual's condition.

Rural living can also have a significant impact on additional living costs, with homes in rural areas more likely to rely on oil as an energy source. This is non-regulated and therefore can be more costly.⁹³ Research from the Poverty Alliance on women's experiences of the cost of living crisis illustrates the concerns of those living in rural areas, with rising energy costs seen as a daily concern.⁵⁹

Housing

Some households had to make compromises during the cost of living crisis on how much they spent on food or energy. However, reducing housing costs is, in many cases, not an option for families. **Being able to afford a home is a current and significant issue for many.**ⁱ

Indeed, according to recent YouGov polling for the Scottish Government, in May 2023, ⁱⁱ 11% of respondents across all tenures were concerned about paying their mortgage or rent in the next 2-3 months. This number rose to 21% for those in private renting. Private renters were also more likely to say that they were struggling (a lot / somewhat) to pay for household bills, including energy bills and rent (38% of private renters compared to 24% of all tenures as a whole) and that they were managing less well financially (29% of private renters compared to 22% of all tenures as a whole). There has been no significant improvement in these figures since November 2022.⁴⁷

For owner-occupiers, increases in interest rates to control inflation have led to a significant increase in mortgage costs: for example, the cumulative 4.4 percentage point increase in the Bank of England rate between November 2021 and May 2023 is estimated to have increased the monthly payment on an existing tracker mortgage rate in Scotland by around £250 on average.ⁱⁱⁱ Although around 87% of outstanding mortgages in the UK are on fixed rates,⁹⁴ which meant that these households were not immediately affected by higher mortgage rates, the vast majority of fixes in the UK are of five years or less. **Thus, the share of households experiencing a large rise in their mortgage costs will increase significantly as the cost of living crisis, and accompanying higher interest rates, persist.**

The impact of the cost of living crisis is of particular concern for renters, since on average they have lower household incomes and higher levels of poverty and so are more vulnerable to economic shocks, than owner occupiers.⁹⁵ Over the period from 2018-2020, 63% of social rented households and 40% of private rented households did not have enough savings to cover even a month of income at the poverty line, compared to 24% of households buying with a mortgage and 9% of households owning outright. Thus rented sector households entered the cost of living crisis in a more vulnerable position than owner occupiers.⁹⁶

In recognising the complex situation facing those in rental accommodation, the Scottish Government announced emergency legislation (the Cost of Living (Tenants Protection) (Scotland) Act 2022), in September 2022. This included a temporary freeze on tenancy rent increases (this moved to a rental cap of 3% in April 2023) and a moratorium on the enforcement of rental evictions orders.^{iv} ⁹⁷ The initial rental freeze received a mixed response. While it has been welcomed in terms of providing support

ⁱⁱ All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1005 adults in Scotland. Fieldwork was undertaken between 9th - 11th May 2023. The survey was carried out online. The figures have been weighted and are representative of all adults in Scotland (aged 18+).

ⁱⁱⁱ Scottish Government estimate.

^{iv} The latest economic context to the proposed extension to the emergency legislation as at 1 June 2023 is set out in section 4 of the Cost of Living (Tenant Protection) (Scotland) Act 2022 - 2nd proposed extension: statement of reasons [Cost of Living \(Tenant Protection\) \(Scotland\) Act 2022 - 2nd proposed extension: statement of reasons](https://www.gov.scot/cost-of-living-tenant-protection-act-2022-2nd-proposed-extension-statement-of-reasons) - gov.scot (www.gov.scot)

for tenants, it has been viewed by private landlord representative groups as having a detrimental impact for private landlords.^{98,99} However, as reported by Audit Scotland, the provision of affordable housing is fundamental to the prevention of child poverty as housing is one of the most burdensome costs for families.¹⁰⁰

While the legislation has provided protection for existing tenants, some renters entering new tenancies have been faced with substantial increases in market rents, particular in urban areas, with Citylets reporting an increase in new-let rents of 12.4% in Q1 2023.¹⁰¹

Interactions with the other drivers of child poverty

Key messages

- Some households have sought more paid work to mitigate the increasing costs of living. For example, some have increased their hours, while others have obtained an additional job.
- But increasing income through paid work is not a route available to all.
- Overall, wages have failed to keep up with inflation, meaning an overall fall in living standards. Low-paid work is not evenly distributed, but concentrated in particular sectors, such as retail and hospitality and manual labour – which were also hit hardest by pandemic lockdown restrictions.
- As a result of the benefits freeze from 2016 to 2020, the real value (nominal values adjusted by inflation) of UK government administered benefits has declined in recent years. This includes Universal Credit.
- While the benefit freeze was lifted in 2020 to boost support for families during the pandemic, the subsequent cost of living crisis has continued to erode the true value of benefits.
- A range of measures have been adopted in Scotland. Most notably, the increase to the Scottish Child Payment and increased funding for Discretionary Housing Payments. Early evidence suggests that the uplifts and additional support provided by Scottish Government is minimising the negative impacts of the cost of living crisis for families on low incomes.

The Scottish Government approach to tackling child poverty focuses its policies around three main drivers: income from employment, costs of living, and income from social security and benefits in-kind.

This evidence review focuses mainly on the cost of living driver. However, it is well documented that all three drivers are interconnected. For example, the cost of household essentials are only an issue if household incomes are not sufficient to afford them.

It is therefore, necessary to look at the two main ways that families can increase their income, be this through paid work or through increases to social security or benefits in-kind.

Income from Employment

To mitigate the increasing costs of living, some households have sought more paid work to boost their income. Some have increased their hours, others have obtained an additional job.⁶⁵

Increasing income through paid work is not a route available to all. There are a number of constraints on people's ability to increase earnings through paid work, whether they are already in some form of employment, or out of work but looking for a job.

The following sections consider the main constraints that families face when seeking to increase earnings from employment. That is: the amount they are paid, the number of hours they are able to work and the factors affecting one's ability to undertake paid work.

Pay

Overall, wages have failed to keep up with inflation, meaning an overall fall in living standards. The most recent rise to the rate of the National Living Wage (9.7%) remains marginally below the CPI inflation level (10.1%, March 2023) and represents a real terms decrease compared to April 2021. However, since its introduction in 2015 the National Living Wage has increased much faster than prices or average weekly wages up until 2021.¹⁰² The Real Living Wage^v, meanwhile, increased by 10.1% to £10.90 in September 2022.¹⁰³ In 2022, 91 per cent of employees in Scotland were paid at least the real living wage, having increased from 80.6 per cent in 2018.¹⁰⁴ Scotland's 3,203 Living Wage employers account for over a quarter of the total 12,500 accredited employers around the UK.¹⁰⁵

Low-paid work is not evenly distributed, but concentrated in particular sectors, such as retail, hospitality and manual labour.¹⁰⁶ Evidence suggests that the possibilities for progression in these lower-paid occupations are limited in comparison to better paid work.¹⁰⁷ And so there may be fewer opportunities for employees to 'work their way up' to a higher wage. Indeed, research by JRF reports that, during the cost of living crisis, higher earners were much more likely to ask for a promotion or higher pay as ways to increase income. Instead, lower earners were more likely to seek additional hours or apply for new or additional employment.⁶⁵

Nevertheless, as seen in previous chapters, many on the lowest wages had little financial resilience (e.g. debts, fewer savings) going into the crisis.¹ Furthermore, people in lower-paid sectors are more likely to have experienced pandemic-related job losses and have had to quickly find alternatives to cover rising costs.

^v The Real Living Wage (rLW) is set independently – calculated by the Resolution Foundation and overseen by the Living Wage Foundation. The rLW rate is higher than the National Minimum Wage (NMW) and National Living Wage (NLW) as it is aimed at reflecting better the cost of living and meeting everyday needs. The rLW rate is paid on a voluntary basis and employers paying the rLW can become living wage employers through the Real Living Wage accreditation scheme.

Insecure employment

Being in insecure work can lead to **fluctuating** household incomes which can make managing finances difficult. It can also make it harder to get a loan or mortgage which can lead to higher spending. This can result in in-work poverty, and lead to households falling deeper into poverty during the current financial crisis.

Insecure contracts are also generally associated with **lower-paid** work. Research by The Work Foundation has found that those on insecure employment^{vi} contracts are a group most at risk during the cost of living crisis.¹⁰⁸ Indeed, the Resolution Foundation highlight the growing prevalence of insecure work.¹⁰⁹ Being employed on an insecure contract is correlated with low-paid work, with 56% of insecure workers across the UK earning less than the Real living wage, and 20% of workers in Scotland experiencing work insecurity.²

Insecure contracts can sometimes reduce options for increasing work hours. Furthermore, the estimated proportion of people in employment on a zero hours contract in Scotland increased over the year from 2.9% (79,000) in Jan-Mar 2022 to 3.9% (105,000) in Jan-Mar 2023. This compares with an increase from 3.1% to 3.4% across the UK over the same period. Scotland has the second highest proportion of people employed on a zero-hours contract across the countries and regions of the UK, behind Yorkshire and the Humber (4.5 per cent).¹¹⁰

Unpredictable work hours can also **incur additional costs of living**, such as having to arrange transport and/or childcare at short notice and outside of traditional 'office hours'.

² Being in insecure and unpredictable work as costs soar can also have detrimental effects on mental health, with people unable to effectively manage budgets and plan for the future. People are more likely to take on debt to cover short-falls caused by work volatility.¹¹¹

Factors affecting ability to work

There are a range of factors which affect an individual's ability to find employment or increase their hours. Some of the main factors include: childcare, transport and availability of and access to internet.¹¹²

Childcare

For households with low incomes, the expense of childcare often undermines opting to work, as take-home pay would barely cover the costs.¹¹³ This is emphasized in lone parent households, or in a large families. Aside from costs, the availability and flexibility of childcare has been signalled as an issue during the cost of living crisis. A lack of flexible provision that accommodates different working patterns is also highlighted as a barrier with parents often concerned about their ability to maintain employment.^{65,113} Further, the cost of living crisis has prompted some new parents to return to work earlier

^{vi} Insecure work does not have a single definition. The Work Foundation, in their research on insecure employments, defines it as forms of work that are precarious, unprotected or low-paid. However, the Resolution Foundation defines as risk of job loss, volatility in hours and pay and not being able to find enough hours.

than they had planned,¹¹⁴ though this is only a viable option if that work can cover childcare costs while still adding to household income. Government funded childcare hours are not available until the age of 3 (or 2 for those on means-tested benefits)¹¹⁵ which limits the options for parents hoping to increase income from employment to mitigate the effects of cost of living the crisis.

Transport

While increases to the costs of transport have slowed more recently, they have been one of the biggest drivers in accounting for the increase in the cost of living. This has mainly been driven by fuel price increases. In June 2022, transport inflation peaked at 15.2%. Transport inflation currently sits at 1.6%. However, data from May 2023 reports that two in five adults (38%) identified increased fuel costs as a factor in increased costs of living.¹¹⁶

Internet

While the majority of households have internet access, the rate of access decreases with income.¹¹⁷ Moreover, the ways in which people access and use digital technology may be limited by income. Research for Connecting Scotland (a Scottish Government digital inclusion programme) found that even where users had some form of internet access, they were limited by, for example, using out-dated or damaged devices because they could not afford suitable equipment.¹¹⁸ In rural areas of Scotland, digital connection can be slower and more unreliable⁹³ – with families often more dependent on the internet due to a lack of face-to-face services.¹¹⁹ This makes some activities, such as editing CVs and submitting online application forms, considerably more difficult. Additionally, people on low incomes are more likely to cut back spending on digital access; surveys by both Ofcom and the Digital Poverty Alliance have found around a third of people struggling to afford, or cutting back on, their digital access.^{120,121}

Income from Social Security (or benefits in-kind)

This section outlines the main challenges families face when aiming to boost their income through social security or benefits in-kind.

Real-terms benefit impacts

As a result of the benefits freeze from 2016 to 2020, the real value (nominal values adjusted by inflation) of UK government administered benefits (including Universal Credit) has declined in recent years.

While the benefit freeze was lifted in 2020 to boost support for families during the pandemic, the subsequent cost of living crisis has continued to erode the true value of benefits amid very high rates of inflation.

Over the last year UK reserved benefits have been uprated various times, though not always in line with inflation. For example, in April 2022, UK reserved benefits were uprated by 3.1%. In comparison, the annual rate of CPI at that point was 9%.¹²² In recognition of this shortfall, in April 2022, the Scottish Government, using latest available data at the time, applied a higher uprating of 6% to eight devolved benefits.¹²³ More recently, the latest uprating in April 2023 of 10.1% by the UK¹²⁴ and Scottish Governments¹²⁵ mean benefit rates actually increased more than inflation (which was 8.7% that month), partly mitigating those previous losses of real terms value.

There are practical reasons for the Scottish and UK Governments to use the previous September CPI rate to uprate benefits each April, such as the time required to update benefits systems and the timing of budgets. However, stakeholders have argued that while this process broadly preserves the real terms value of benefits when inflation is stable and close to the Bank of England's 2% target, during periods of high inflation benefit clients can face volatile changes to their benefit income.¹²⁶

Cost of living payments, as well as other social security benefits, can provide an additional boost to household incomes. The Scottish Government has taken a range of measures, most notably, the increase to the Scottish Child Payment¹²⁷ and increased funding for Discretionary Housing Payments.¹²⁸

Additionally, people living in Scotland facing financial emergencies can also apply for a grant from the Scottish Welfare Fund.^{vii} While these are welcomed at a time of financial strain, stakeholders argue for systematic entitlements rather than ad-hoc funding in order to improve family incomes.¹²⁷ A recent review of the Fund highlighted the value of its discretionary nature to account for local need and the nature of the cash-limited scheme. The findings report that there was no definitive answer as to why some local authorities have lower application success rates than others, but did note that monitoring data evidenced variability in success based on location and the time of year applicants apply to the Fund. The conclusions support a programme of audit to provide further understanding of local variation.⁷⁵

^{vii} There are similar schemes across the UK. For example, the Household Support Fund in England, Discretionary Assistance Fund in Wales, and the Discretionary Support Scheme in Northern Ireland.

Eligibility

The cost of living crisis has highlighted how those who are narrowly ineligible for benefits could actually end up worse-off financially than those in receipt.¹²⁹ This is because eligibility for cost of living payments is determined by being on a qualifying benefit. This means that people in receipt of the lowest awards of universal credit still qualify to receive cost of living payments, while those just above the threshold miss out. This is more widely considered in the Scottish Government analytical report on the cost of living crisis.¹ Though, since publication of that report, the situation for many families may have worsened.

Additionally, eligibility rules for some UK government benefits mean that certain households are entitled to less, proportionally, than others. The two-child limit on the child element of Universal Credit and child tax credit, for example, particularly affects families with three or more children born before April 2017 (and especially those headed by lone-parents).¹³⁰ Further, people under 25 years of age are subject to a lower rate of Universal Credit than those over 25 years of age.¹³¹ This differential rate can impact on how young families experience the cost of living crisis and make it more difficult to stay out of poverty. While these are pre-existing issues,¹³² they are further exacerbated by the cost of living crisis and these challenges limit the financial support on offer to families.

Impacts on priority family types

Although the fundamental issue is the same for all low income households – incomes are not sufficient to meet inflated costs – the causes and impacts of the cost of living crisis affect each household differently. This is because a multitude of factors account for why a household may be experiencing poverty. For some households, there may be particular barriers to finding and entering work, while others may have additional, unavoidable, costs due to their household circumstances.

This section focuses on how the characteristics of each of the six priority household groups impact upon how they experience the cost of living crisis.

It is important to note that, although each priority household type is considered discretely, in reality these characteristics often intersect. For example, all six of the identified characteristics could be present in a single household. These intersections will affect people's experience of financial precarity and could compound levels of hardship. There are also contextual factors applicable to all household types that can exacerbate or alleviate financial stress, such as the strength of one's support network and the quality and availability of services.

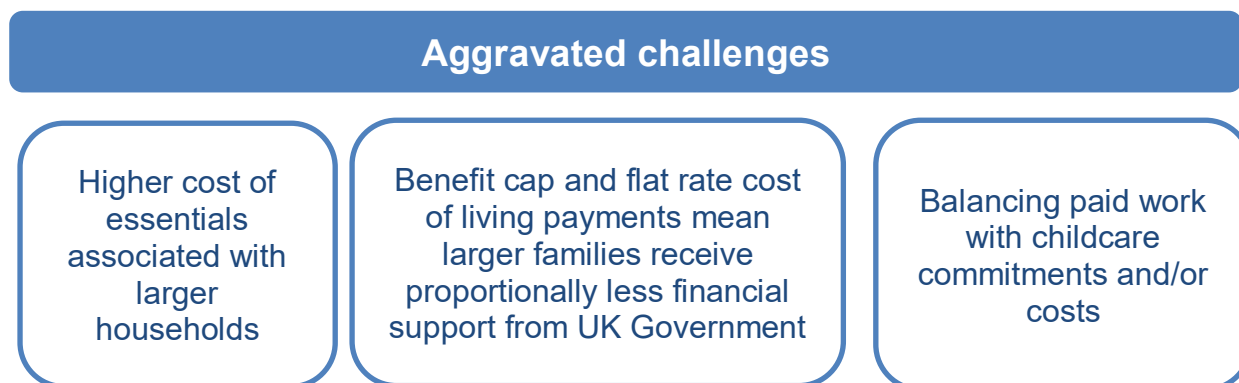
While there are other household types and characteristics which are likely to make families vulnerable during the cost of living crisis (e.g. gender, rurality), this evidence review did not seek to explicitly cover equality characteristics (e.g. gender, religion, sexual orientation) nor did it seek to cover other attributes linked to lower income households (e.g. housing tenure, geographical location). This is more widely explored in a recent Scottish Government report on the cost of living crisis in Scotland.¹

Larger families (with three or more children)

This section highlights specific challenges that families with three or more children face during the ongoing cost of living crisis. Policies that alleviate these challenges are likely to minimise the risk of these families falling into poverty or deeper into poverty.



Figure 1: Summary of aggravated challenges that families with three or more children face



Unfavourable income from social security

Evidence suggests that the recent rise in child poverty in the UK (from 2012/2013) has been entirely driven by changes in the poverty rate for larger households, with barely any change for households in which there are fewer than three children.^{126,133} Changes to the UK benefits system are likely to explain the growth in poverty for larger families, with the benefit cap and the two child limit naturally having a greater impact on the incomes of larger families.¹³⁴ While the Scottish Government mitigates the benefit cap through Discretionary Housing Payments,¹³⁵ larger families are still negatively impacted by the two child limit.

Same rate of support despite higher costs

The UK government's Cost of Living Support provides one off, lump-sum payments to households where an individual is on a qualifying benefit. However, this means that larger households receive the same amount as households with fewer children, despite having higher expenses.¹³⁶

Limited options for increasing income from employment

The majority of children from larger families in poverty live in a household where someone works.⁹² However, it is more difficult in a larger family to offset the costs of childcare with income from work. If parents increase their working hours, it becomes necessary to arrange more childcare provision which, with three, or more children, represents a significant expense. Sometimes, the childcare expense outstrips the financial gains from additional hours or further employment.¹³⁷

Cost of living impact

Parents from larger families face greater barriers to working more hours, and have lost income through legacy austerity measures. They are more likely to be in debt or arrears as they struggle to keep up with the cost of living.¹³⁸

Research by JRF profiled the coping strategies employed by each of the priority family groups in response to the cost of living crisis. Larger families are the least likely to have sought employment, or additional work if already working, but nearly a quarter (22%) reported selling household items to boost household income.⁶⁵

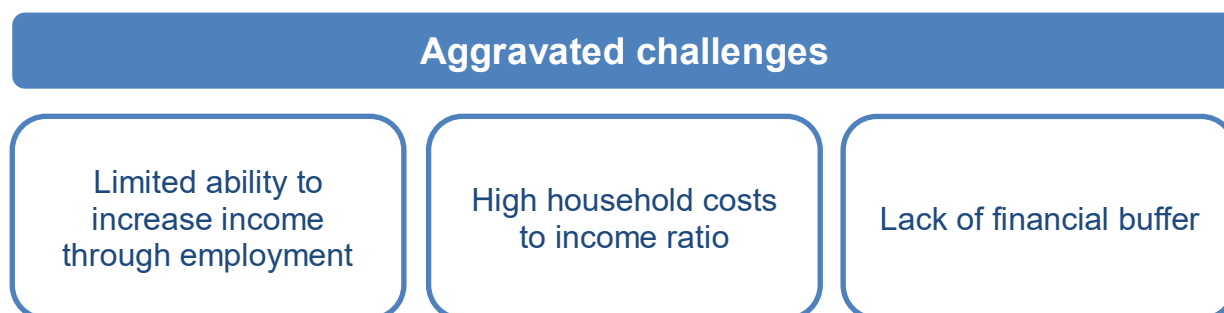
Further, there is evidence that larger families are already struggling to maintain living standards during the ongoing crisis. A survey conducted by the Food Foundation in September 2022 reports that, across the UK, families with three or more children are much more likely to experience food insecurity (42%) than smaller families (25%).¹³⁹ Indeed, the latest data for Scotland from the Family Resources Survey (FRS), covering 2021-2022, shows that both levels of food insecurity and food bank use are higher in households with three or more children than for smaller families.^{140, 141} However, it is worth noting that UK Trussell Trust figures show that, prior to the cost of living crisis, larger families were already overrepresented among people receiving food bank parcels in their network.¹⁴²

Lone parents

This section highlights specific challenges that lone parent families face during the ongoing cost of living crisis. Policies that alleviate these challenges are likely to minimise the risk of these families falling into poverty or deeper into poverty.



Figure 2: Aggravated challenges for lone parent families



Limited options for increasing income from employment

The majority of lone parents are in paid employment although, of the six priority family groups, lone parents are the least likely to be employed.⁹² The latest figures from the Office for National Statistics show that, in the UK, 69% of lone parents are in employment; with nearly half of these (48%) employed on a part-time basis.¹⁴³

Lone parents are less likely to be able to increase their household income during the cost of living crisis due to childcare responsibilities which can limit the amount and type of work undertaken. As the sole carer for a child, or children, lone parents can find it challenging to balance these responsibilities with paid work, especially where they do not have ready access to familial support.¹⁴⁴

Further, because the vast majority of lone parents are women, their earning potential is also affected by the gender pay gap which represents the undervaluation of work more typically done by women, such as domestic services, administration, early learning and childcare.¹⁴⁵

High household costs to income ratio

Household income is further limited by the fact that there is just one (potential) earner – whose income has to cover all household expenditure. Data from the Living Costs and Food Survey 2020-2021 highlights that lone parents spend over 50% of their household income on essentials, such as food, housing and clothing (compared to just over 40% for dual parent households).¹⁴⁶ Additionally, JRF analysis conducted in January 2022 estimated lone parents would spend a quarter of their income on energy bills from April 2022.¹⁴⁷

Further, some evidence suggests that lone parents may be missing out on child maintenance payments from a non-custodial parent which would boost household income.¹⁴⁸ Relatedly, there may be additional costs for parents who are separated such as paying for the travel necessary to maintain child contact.⁷²

Lack of financial buffer

A range of evidence indicates that lone-parent households are most vulnerable to the effects of the cost of living crisis and have suffered the worst impacts.^{65,68,72} For example, in research completed by JRF, seven in ten lone parent households (70%) reported having no, or low (<£250) savings and were more likely to report being in debt or arrears, meaning that they have very little protection against rising prices.⁶⁵ Further, they are the most likely household type to report being unable to pay an unexpected bill of £200 (30%).⁶⁵ Lone parents also more frequently reported cutting back on basics and essentials to try to save money.⁶⁵

Cost of living impact

Lone parent households were more likely than other priority groups to have applied for Universal Credit or for a crisis grant to help with the cost of living. Analysis from Action for Children's Crisis Fund shows that lone parents were disproportionately over-represented in applications.¹⁴⁹ This suggests that lone parents, in particular, are running out of ways to economise and are turning to emergency support. For example, between 2021 and 2022, compared to all other household types, single parent households in the UK were significantly more likely to experience low or very low food security and were far more likely to have used a food bank in the same period.¹⁴² However, FRS data for Scotland suggests that low levels of food insecurity were more prevalent pre-pandemic, with 29% reporting low or very low food security in 2019/20, compared with 22% in 2021/22.¹⁴¹

Evidence also suggests that the cost of living crisis is particularly impacting upon the mental health of lone-parents. Research completed by One Parent Families Scotland in March-April 2022 reported that 86% of lone parents struggled with their mental health most or some of the time in the last year.⁶⁸ Further, in research conducted by JRF, lone parents reported negative impacts on their social and personal lives as a result of the cost of living.⁶⁵ Lone parents who cut back on social and leisure activities to save money are left particularly isolated, which has detrimental effects on mental health.⁷²

Minority ethnic households

This section highlights specific challenges that minority ethnic families face during the ongoing cost of living crisis. Policies that alleviate these challenges are likely to minimise the risk of these families falling into poverty or deeper into poverty.



It is important to note that 'minority ethnic' includes a diverse range of ethnic groups with a diverse range of experiences and outcomes. For example, employment rates vary considerably between different groups.

Figure 3: Aggravated challenges for minority ethnic households



Deepening poverty relative to other groups

Although the relative poverty rate for minority ethnic households has remained relatively stable for the past 15 years, inequalities below the poverty line have been widening.¹⁵⁰ This means minority ethnic people experience comparatively deeper levels of poverty than the white Scottish/British population. In 2022, the Runnymede Trust found that minority ethnic households are less likely to have savings and income at their disposal¹⁵⁰ and are, therefore, more vulnerable to rises in the cost of living.

There is a high degree of correspondence between ethnicity and other factors associated with financial hardship and poverty. Minority ethnic households with children in Scotland are overrepresented in the private renting sector and spend a higher proportion of their income on housing costs than other families.⁹² The Scottish Government's 'Cost of Living (Tenant Protection) Act'⁹⁷ offers some protection to private renters by capping rent increases, as well as placing a moratorium on enforced evictions.

Higher rate of in-work poverty

Of the priority groups, minority ethnic households with children have the highest rates of employment.¹⁵¹ In-work poverty is a particular issue for this group, who have to navigate structural racism in the labour market. Rates of hours and pay are comparatively worse for minority ethnic households who are overrepresented in jobs associated with lower socio-economic circumstances.¹⁵² This is particularly the case for Pakistani and Bangladeshi workers.¹⁵³

In order to mitigate against the effects of rising costs, minority ethnic households were significantly more likely than other priority groups to try and increase income through work – primarily seeking more hours or additional employment.⁶⁵

Structural Barriers

While there is a lack of evidence on levels of benefit take-up,⁹² there is research which indicates that language barriers and the stigma of claiming benefits can affect people from ethnic minority backgrounds accessing social security.¹⁵⁴ For example, in many Arab and South Asian cultures, financial difficulties are perceived as a source of shame which may deter people from seeking state assistance.¹⁵⁵ Similarly, while it is difficult to evidence empirically, it is probable that structural racism is an inhibitor of career progression for ethnic minorities.^{134,156}

Cost of living impact

Minority ethnic families were one of the most likely family groups to have accessed foodbanks (13%, compared to 10% of low income families).⁶⁵ Indeed, food insecurity is higher amongst Black and Minority Ethnic communities (11% compared to 6% for White communities). When the data is analysed to look at the food insecurity levels of children by ethnicity, there is still a prominent gap between minority ethnic and white communities (14% and 10%, respectively).¹⁵⁰ Further, minority ethnic households were likely to be impacted by the cost of living in terms of the rising costs of speciality or culturally appropriate food.^{71,72,134}

It is difficult to gauge recent changes in food security levels for minority ethnic families within Scotland. The latest FRS data provides an aggregate of 4 years of data, due to small samples, so direct comparisons between before and after the onset of the cost of living crisis (late 2021) cannot be made.^{140,141}

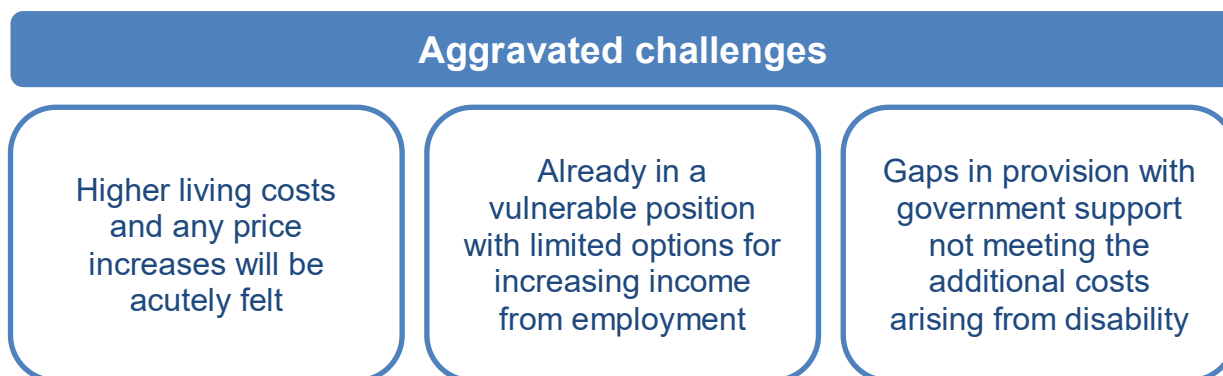
Additionally, research by the Royal Society for Public Health found people who identify as an ethnic minority are more likely to have reduced or cancelled leisure/recreational activities in an effort to reduce household spending (48%, compared to 28% for the general population).¹⁵⁷

Households with a disabled adult or child

This section highlights specific challenges that families with a disabled adult or child face during the ongoing cost of living crisis. Policies that alleviate these challenges are likely to minimise the risk of these families falling into poverty or deeper into poverty.



Figure 4: Aggravated challenges for families with disabled adult or child



Higher ongoing living costs

Families with a disabled adult or child are likely to face higher living costs than those households where no one is disabled.¹⁵⁸ Analysis by Scope reports that, in 2019-2020, on average, households with a disabled person required an additional £975 per month in order to have the same standard of living as non-disabled households.¹⁵⁹

In particular, the costs of energy and food, which have significantly contributed to recent inflation rises, may be greater for these households. For example, they may require additional heating, or need to run specialist equipment which uses more energy. Therefore, these households do not have an option to reduce these costs.¹⁶⁰ Indeed, primary research with Marie Curie staff in 2022 found that 84% of patients had struggled to afford energy bills due to the cost of living crisis.¹⁶¹

Some people, depending on the type of disability, can experience difficulty preparing food and so may rely on convenience food which is more expensive.¹⁵⁸ Others can face additional expenses associated with condition-specific specialist diets.¹⁶² Levels of food security are therefore low compared to households with no disabled individual(s). Data do not yet portray the likely impact of the cost of living crisis on food security for disabled households.^{140,141}

Additionally, of those surveyed by JRF, households with a disabled adult or child were the most likely group to report a negative effect on their mental health as a result of the cost of living crisis (74%) and, correspondingly, were most likely to have sought mental health support from the NHS (24%).⁶⁵

Limited options to increase income from paid work

In the UK, 79% of children who live in a household with a disabled person have at least one parent in work.⁹² However, the rate of employment for disabled people is significantly lower than for the general population¹⁶³ so, it is likely that the relatively high rate of employment in disabled households is accounted for by a non-disabled adult in

work. The non-disabled adult is likely to have a wide range of unpaid caring responsibilities in the household, which can make changes to their working arrangements (such as, increasing hours or additional employment) difficult.¹⁶⁴

The Resolution Foundation note how, when disabled people are in work, they tend to work fewer hours and are less well paid on average.¹⁶⁵ This will impact on a household's ability to manage financially during the current cost of living crisis. Further, in households where a child is disabled, it can be significantly more difficult to find childcare that adequately addresses that child's needs. For parents of disabled children, finding work that fits around childcare (whether from the parent, themselves, or from a formal provider) can be especially challenging.^{134,166}

Gaps in social security provision

The UK Government support package for disabled people (a one-off payment of £150)¹⁶⁷ does not account for additional needs arising from different types of disability and therefore may not be sufficient to meet everyone's costs. For example, research by Scope found that 80% of disabled people receiving the £150 Disability Cost of Living Payment believed this would not be enough to cover the increased costs of essentials.¹⁶⁸ Furthermore, the amount did not cover the deficit between the inflation rate and the value of benefits.¹⁶⁹ Although benefits have now been uprated in line with September's CPI rate of inflation, this does not account for specific expenses such as food and energy, which disabled households are likely to spend more on and which have increased at a higher rate than the overall rate of inflation.^{170,171}

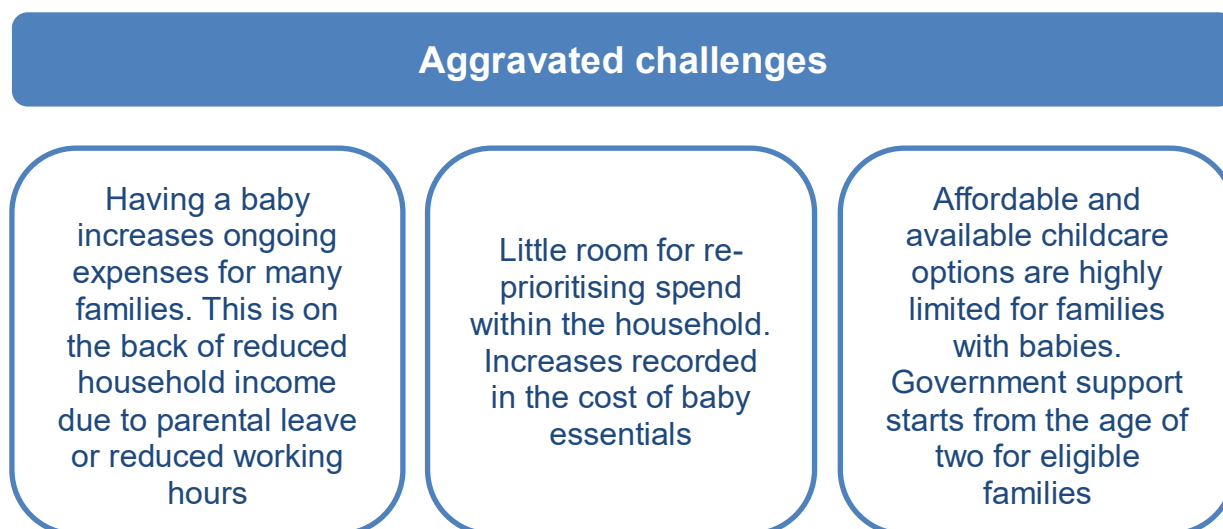
To ease the financial burden on households with a disabled person, the Scottish Government has introduced specific benefits for carers. These include carer's allowance supplement which amounts to over £500 additional income per year for carers and a young carer grant worth over £300 a year for people aged 16-18 with caring responsibilities.¹⁷² In addition, Child Winter Heating Assistance (an annual payment of £235.70 for Winter 2023-2024) is paid automatically to households with a child on the highest rate care component of Child Disability Payment.¹⁷³ Further, Social Security Scotland has taken a different approach to applying the eligibility criteria for Adult Disability Payment compared to Personal Independence Payments (PIP) administered by the DWP. Eligibility for PIP has been seen as increasingly conditional, leading to more claims being rejected for people who had previously qualified.¹⁶²

Households with a child under one year old

This section highlights specific challenges that families with a baby face during the ongoing cost of living crisis. Policies that alleviate these challenges are likely to minimise the risk of these families falling into poverty or deeper into poverty.



Figure 5: Aggravated challenges for families with a child under one year old



Adjusting family finances

Having a new-born baby can be a catalyst for falling or moving deeper into poverty.¹⁷⁴ Babies not only represent additional costs but can often mean a loss of income as parents take leave from employment often at a reduced rate of pay.¹¹⁴

In the context of a cost of living crisis, parents will experience these new financial pressures to a greater extent as the cost of essentials increases. The 'First Steps Nutrition Trust' reports that, over a nine month period (August 2021 – May 2022), the cost of some infant formula increased by 14%.¹⁷⁵ As a product used daily, increases to the price of infant formula can represent a significant proportion of a household's food budget. There are also reports that the price of nappies has increased at greater pace than the rate of inflation.¹⁷⁶

For some mothers, the choice over breastfeeding has been effectively removed as they cannot afford formula and must breastfeed out of necessity.⁷² This means that for many there will be an added pressure to breastfeed or spend already limited household resources on increasingly costly formula.

Childcare

Returning to work when a child is still a baby means having to organise suitable childcare arrangements which, if using a formal childcare provider, represents another significant cost. In Scotland, there is a strong Early Learning and Childcare offer. However, the allocation of government funded childcare hours is not available until a child is aged three years old, or two years old if a parent is on qualifying benefits.¹⁷⁷ A parent on Universal Credit can claim to have part of their childcare paid for (85%).¹⁷⁸ However, it then can become a challenge for parents to make sure the amount they

work does not affect their benefit eligibility whilst still earning enough to cover costs, including their proportion of childcare.¹⁷⁴

Impacts for parental wellbeing

Facing financial difficulties when raising a baby or young child has been associated with stigma and feelings of inadequacy brought about by parents being unable to provide for children in the way they would like.¹⁷⁹ The consequences of this are that parents economise on their own needs as they prioritise their children's wellbeing¹⁷⁴ and/or end up getting into debt. A recent ONS survey reports that 30% of parents with dependent children under four years old reported using credit more than usual due to the increased costs of living – a greater proportion than any of the other characteristics reported on.⁷⁰

Mothers under 25 years old

This section highlights specific challenges that mothers aged 25 or under face during the ongoing cost of living crisis. Policies that alleviate these challenges are likely to minimise the risk of these families falling into poverty or deeper into poverty.



Figure 6: Aggravated challenges for families with mothers aged 25 or under



Limited options for increasing income from employment

Women and young people are at higher risk of in-work poverty as they have a lower than average hourly rate of pay.⁹² For example, the National Living Wage is not enforced until the employee is at least 23 years old.¹⁸⁰ In addition, the impact of the pandemic on employment has been particularly negative for this group. Evidence shows that young people were most affected by job losses, furlough and reduced hours and, since then, while pay for those under 18 years of age has recovered, pay levels for those aged 18 to 24 have increased more slowly.¹⁸¹ Further, this group are less likely to have savings.¹⁸¹ This, paired with low-paid employment, makes it harder for mothers under 25 years old to meet the costs of living.¹³⁴

Limited options for increasing income from social security

The rate of some social security benefits is lower for under 25s than for older age groups (for example, standard Universal Credit allowance and rates for Local Housing Allowance).¹⁸² Even when they qualify for benefits, young people can face barriers to accessing income from social security as they have less experience navigating complex social security systems.¹⁸¹ Additionally, the youngest mothers (those aged under 20 years of age) are more reliant on social security than older mothers. This makes them most at risk of any cuts or changes to eligibility criteria.⁹²

Confronting the cost of living crisis on less solid ground

Generally, mothers aged under 25 are more likely to have incomes that fluctuate. This is called 'income volatility' and it makes it hard to plan for recurrent sources of spending such as childcare, utilities, or housing.¹⁸¹ While there are no additional costs directly associated with a parent's age, there is some evidence from Scotland that younger mothers are less likely to access various advice or support services¹⁸³ which could mean they are missing out on ways to maximise income. Because of their age, a

younger mother's peer group are less likely to have children themselves and therefore informal sources of advice and support may also be limited.¹⁸¹

Recent qualitative interviews with young mothers showed how they were already feeling the impact of price increases acutely prior to the cost of living crisis. The main areas of concern were gas and electricity, but also baby essentials such as food, infant formula and baby items. None of those interviewed had money left over at the end of each month, and a few participants explained that they had made adjustments in what they buy and use in order to cut back and help them cope financially.¹⁸¹ As the cost of living crisis continues, their situation is likely to worsen.

Considerations for policy makers

Key Messages

The cost of living crisis has disproportionately impacted upon families living in low income households, who were struggling following the COVID-19 pandemic and a decade of austerity measures.

The cost of living support package provided by UK and Scottish Government is widely seen as progressive and has been welcomed by many stakeholders. A continuation of such support is still seen as urgent and required to minimise the impact of the crisis on low income households.

Emerging evidence, mostly provided by stakeholders, urges policy makers to consider:

1. Greater focus on targeted approaches with an active consideration of the varying needs and challenges facing households. Including those who are narrowly missing out on a range of support and who are increasingly struggling.
2. Boosting take-up of means-tested benefits (i.e. Universal Credit) particularly when used as a gateway to other sources of support. Further, consider approaches which aim to ensure that the basic rate of Universal Credit is enough to afford household essentials.
3. Providing adequate support and assistance in applying for benefits.
4. Wider systemic change is required to alleviate poverty and reduce the challenges faced by lower income households in the long term.

This section explores generic issues to consider when designing policies to support families in need. Specifically, it focuses on debates concerning targeted or universal interventions, the stigma surrounding access to interventions, and the need for longer-term systemic change.

Current cost of living support package

In response to the crisis, the UK government announced a raft of support measures during 2022-2023:

- **The Energy Bills Support Scheme (EBSS).** A £400 energy rebate for all households (paid over a six month period from October 2022) to help with energy bills over the winter of 2022/2023.⁸³
- **The Energy Price Guarantee (EPG).** This policy was introduced in October 2022 and limits the price households pay per unit of gas and electricity. In October 2022 this was set at £2,500, with this level to remain until April 2023, when it increased to £3,000.¹⁸⁴
- **Cost of Living Payments.** A £650 support payment, paid in two instalments to low income households on eligible means-tested benefits.¹⁸⁵ For most households, this was paid in July 2022 and November 2022.¹⁸⁶
- **Disability Cost of Living Payment.** A one off payment of £150 for people with disabilities (in receipt of non means-tested disability benefits). This was paid between September and October 2022.¹⁸⁶
- **Pensioner Cost of Living Payment.** A one off payment of up to £300 for pensioners eligible for Winter Fuel Payment. This was paid as an increase to Winter Fuel Payment for winter 2022/2023.¹⁸⁷

Further, the UK Government has already announced the following support for the current financial year 2023-2024. This includes:

- **Extension of the Energy Price Guarantee (EPG).** In the Spring 2023 Statement it was announced that, due to energy costs remaining high, the current EPG level (of £2,500) would remain for a further three months to 30 June 2023. Therefore, the EPG increase to £3,000 will be implemented in July 2023.¹⁸⁸ Additionally, in the UK Government [Spring Budget 2023 statement](#), it was announced that from July 2023 the EPG would be adjusted to bring comparable charges for pre-payment meters and direct debit customers until April 2024 (when the EPG ends). Further, there is an aim to ensure the pre-payment meters premium is ended on a permanent basis beyond April 2024.¹⁸⁸
- **Cost of Living Payments.** A £900 payment for those eligible and on means-tested benefits. The first payment, of £301, was paid between April-May 2023.¹⁸⁹
- **Disability Cost of Living Payment.** A one off payment of £150 for people with disabilities (in receipt of non means-tested disability benefits). This will be paid between June-July 2023.¹⁹⁰
- **Pensioner Cost of Living Payment.** A one off payment of up to £300 for pensioners eligible for Winter Fuel Payment. This will be paid later in 2023.¹⁸⁹

Both last year and this, the Scottish Government has allocated almost £3bn to support policies which tackle poverty and to protect people as far as possible during the ongoing cost of living crisis. Measures include:

- **The Cost of Living (Tenant Protection) Act.** In September 2022, the Scottish Government announced emergency legislation which included a temporary freeze on in-tenancy rent increases (this moved to a rental cap of 3% in April 2023) and a moratorium on rental evictions.
- **Continuation of Fuel Insecurity Fund.** In March 2023, the First Minister announced increased support for households with energy costs. Up to £30 million will be provided to extend the Fuel Insecurity Fund over 2023-24. This funding provides support for vulnerable households, through partnership with third sector organisations, who are at risk of 'self-disconnection' or 'self-rationing' energy use.
- **Cost of Living Award.** In February 2022, it was announced that low income households and households in Council Tax Bands A-D, would receive a Cost of Living Award of £150 to assist with Council Tax. This was paid to eligible households before the end of April 2022.
- **Islands Cost Crisis Emergency Fund.** In November 2022, the Emergency Budget Review allocated a £1.4m fund to target immediate support to islanders struggling due to the cost of living crisis. The cost of living on islands is higher when compared to the mainland.
- **Doubling the December Bridging Payment.** In October 2022, the then First minister announced that the final quarterly bridging payment, due in December 2022, would be doubled to £260 to provide extra support over winter and help with cost of living pressures.
- **Winter Heating Payment.** In the Programme for Government (Sep 2022), a new Winter Heating Payment (WHP) was set out which replaces DWP's Cold Weather Payment. In 2022-23, this had a value of £50. Next winter, the payment rate will be £55.05 and will help around 395,000 low income individuals.
- **Enhancing Discretionary Housing Payments.** In the Programme for Government (Sep 2022), the Scottish Government committed to giving local authorities more flexibility to take account of energy bills in their prioritisation of households for Discretionary Housing Payments, as well as increasing the funding for Discretionary Housing Payments by £5 million.

Balancing the right approach to support

This section highlights recent discussions from stakeholders and some early emerging evidence on the approach taken by both the UK and Scottish Government to support families during the ongoing cost of living crisis. It explores generic issues to consider when designing policies to support families in need, specifically: targeting, the stigma surrounding access to interventions, and the need for longer-term systemic change.

Targeted or universal support

The range of support provided from both the UK and Scottish Governments during the cost of living crisis has been recognized by stakeholders as broadly progressive.

However, there has been some concerns, mainly:

- **Lack of consideration of varying circumstances.** Some stakeholders argue, that blanket payments do not adequately account for varying circumstances between households. For example, larger households and households with disabled members have been identified as potentially losing out due to their higher energy costs.¹⁹¹ Additionally, people with incomes just above the eligibility threshold for means-tested benefits could be significantly worse off than those who just qualify.¹ Finally, it has been argued that, even with cost of living supports, low income households still face a shortfall which would have been better addressed by more timely uprating of benefits in line with inflation.¹⁶⁹
- **Ensuring that policies support those most in need.** Many stakeholders were concerned about the universal nature of the Energy Price Guarantee (EPG) and the Energy Bill Support Scheme (EBSS) in supporting families with rising energy costs in 2022-2023. The Institute for Fiscal Studies (IFS) commented on how these interventions disproportionately benefitted higher income households due to their universal nature. The report states that the UK Government should have targeted those on lower incomes who would struggle most to cope with the higher energy costs over the winter of 2022-2023.
- **Making sure that the support provided is sufficient.** There are concerns that the support provided is not enough. The Joseph Rowntree Foundation (JRF) highlight that while the UK Government has announced a support package for those on means-tested benefits in 2023-2024 this does not go far enough in helping those on the lowest incomes. JRF state that four in ten households in the most economically disadvantaged fifth of the population are not receiving such benefits.¹⁹² Thus, these households are left without additional support during the continued crisis. JRF calculate that the UK Government support package for 2023-2024 will mean household budgets remain broadly steady for low income families. They estimate an increase of £6,050 in income across the past two years, which is slightly below the increase in prices, leaving a shortfall of £200.¹⁹³
- **A need to consider those just missing out.** Households marginally ineligible for means-tested benefits miss out on the cost of living payments. This means that those just above the threshold to receive support will be worse off. JRF assert that households who are on low incomes, but do not receive means-tested benefits, have been largely forgotten. Their analysis highlights that the increases in prices have left a

£3,500 gap in the budgets of those households in the bottom 20% of household incomes (and not receiving means-tested benefits).¹⁹³

In order to provide those most at need with maximum support, the following interventions have been suggested by stakeholder groups:

- **Encouraging Universal Credit take-up.** This would ensure people get the support available to them when they need it most. Academic research, funded by the Health Foundation, found that during the COVID-19 pandemic almost half a million people, who were eligible did not apply for Universal Credit. For almost three in five (59%) this was due to the perceived difficulties of the application – including assessing if they were eligible, the claims process and the threat of sanctions.¹⁹⁴
- **Adequate support and assistance in applying for benefits.** For the Scottish Child Payment, the Scottish Government worked with the Social Security Experience Panels, which include people with lived experience of the UK benefits system, in the development and design of disability benefits. The [interim evaluation of Scottish Child Payment](#) found that clients saw the application process as straightforward. For some, the simple application process created a sense that they were entitled to the payment, as opposed to feeling they had to prove themselves for it.
- **Continue to explore the provision of a social tariff in the energy market.** This proposed measure is welcomed across the evidence, with it being deemed cost-effective in the longer term,¹⁹⁵ but also a beneficial support package for those families hardest hit by energy costs,¹⁹⁶ and viewed as a source of consumer protection.¹⁹⁷
- **Advocate for adequacy in reserved benefits.** This would ensure the basic rate of Universal Credit is enough to afford household essentials, such as, food, household bills and travel costs.¹⁹⁸

Stigma in accessing support

In the wider UK context, poverty can be a contentious term with no clear definition and one that can be used to label and stigmatise.¹⁹⁹

During the cost of living crisis, it has been reported that adults can face stigma surrounding internalised feelings of shame, guilt and self-blame, but stigma may also be encountered when accessing services.^{52,59}

Some parents have described hiding their financial status, in order to protect their child, by continuing to buy expensive clothing their children. For lone parents, the Poverty Alliance reports that this level of desire to hide from poverty can result in lone parents not asking for greater levels of child maintenance from an ex-partner.⁵⁹

For some recipients, the process of receiving support and benefits can be stigmatising. While a lot of effort has been put in place by those working to reduce poverty to highlight the structural nature of poverty, there still remains a perception that poverty can be attributable to individual choices and decisions.²⁰⁰

Specifically, there are concerns about accessibility and take-up of social security and benefit entitlement in rural areas where the subjective nature of poverty, and stronger culture of self-reliance, can lead some to believe ‘they are just getting by’. A sense of

pride and the 'visibility of life' in smaller communities may impact upon uptake, in that people are more conscious of others in the community being aware of their circumstances.²⁰¹

Across the evidence base, there is a recurring call for cash-first approaches to help support lower income households. These are viewed as more dignified than vouchers and in-kind support due to offering the individual the opportunity to have a sense of control over their life.²⁰² Recipients have also highlighted how cash-first approaches remove stigma as it is more discrete and does not highlight that the individual is in receipt of support (as opposed to vouchers).²⁰³ A cash first approach also communicates the idea of trust and that everyone is deserving of support when it is needed.²⁰⁰

Longer-term, systemic change

Across the evidence, it is apparent that lower income households continue to face significant challenges. The ongoing cost of living crisis has emphasized the systemic challenges that families face when household budgets and household resilience are strained. These will be covered in the subsequent sections of this report and range from:

- The need for **more accessible, flexible and high quality childcare**.^{59,65,204} A recent review of the impact of childcare on parental poverty noted that formal childcare is an 'indispensable part of a policy toolkit' to tackle child and in-work poverty²⁰⁵
- **Improved digital access** and connectivity across all of Scotland^{68,201,206}
- An **employment system which provides secure jobs** with flexible, family friendly support alongside a minimum income guarantee^{viii} in order to raise household incomes and reduce levels of in work poverty^{68,76,207}
- An **accessible and supportive social security system**.⁶⁰ While it is welcomed across the evidence that benefits were uprated in April 2023 by 10.1%,¹²⁴ this still leaves benefit rates at a historic low in real terms. Therefore, many families are struggling to make ends meet, and greater consideration needs to be given to providing adequate packages of social security support²⁰⁸
- A greater need for **mental health support**, due to the deep links between poorer mental wellbeing and poverty⁶⁰
- A need for **joined up and person-based services** which deliver localised support^{60,65,201}

^{viii} A minimum income guarantee is a suite of interventions which includes: social security payments; reforms to employability and access to collective services. The [interim report by the Minimum Income Guarantee Expert Group](#) provides background to the work in this area to date.

Conclusions

The cost of living crisis is the latest development in a 15 year period of financial instability and uncertainty. Low income households have entered the latest crisis in a highly vulnerable position with few, or no, options left to reduce household costs. Many of these families do not have any more choices left. Interventions and support from government are both urgent and necessary to help families through this period.

However, when developing policies **it is necessary to design services and support that respond to specific family circumstances**. The evidence has outlined the structural challenges faced by those on low incomes and in particular those in the priority family groups. Their opportunities to increase income through paid work, even when the economy is better, can be limited. This in turn places a financial strain on the household. For example, for minority ethnic families this would mean navigating the impacts of structural racism in the labour market.

Equally important is a clear consideration of how the assistance and support is accessed by families. This refers not only to how and where individuals can access assistance (e.g. online, in person), but also how well this assistance meets the needs of individuals (e.g. localised approaches, consideration of eligibility criteria for targeted measures). These need to be equitable, while considering variation in need and demand. For example, the UK Government Cost of Living support package, in the form of lump-sum payments, does not account for the higher expenses faced by larger families.

The current cost of living crisis has added an additional layer of complexity to the stigma many families on low incomes face. Recurring across the evidence was the stigma experienced by many low income households. This was internalised, in feelings of inability to provide for their family, and externalised, in terms of not accessing welfare assistance due to social stigma. The result is lower levels of mental wellbeing for low income households during periods of financial crisis, and also places families at increased risk of financial insecurity. Efforts need to be made to challenge this stigma, develop a positive culture surrounding welfare assistance, and ensure low income households receive the support they are entitled to.

The current cost of living crisis **emphasizes a need for structural change**. This crisis reminds policy makers and wider stakeholders that a long-term approach is necessary to tackle child poverty. While direct financial assistance and indirect support is welcomed across the evidence base in order to meet the short term needs of low income households during the current cost emergency, the evidence highlights the needs for longer term, systemic change. The challenges faced by families living in low income households are exacerbated during the current crisis and, thus, longer-term changes across a combination of areas (such as, labour market, childcare, education, mental health, social security) are required to reduce child poverty and sustain positive impacts.

Annex A: Methodology

The findings presented in this report are based on an evidence review which sought to understand the impact of the cost of the living crisis on families in low income households.

Research Advisory Group

A Research Advisory Group (RAG) was established for the project to offer and provide insights, advice, feedback and contacts that would help to contribute to quality assurance. This group contained a combination of Scottish Government representatives and external stakeholders. After one initial virtual meeting, the group mainly contributed via email. The group fed into aspects of the review, including:

- Providing, advice and challenge on the research project
- Support in identifying evidence gaps and highlighting evidence sources
- Helping to shape and advise on suitable research outputs and effective strategy for communication and dissemination of research outputs and findings
- Quality assuring research outputs

Evidence search

The evidence review search was completed using Idox and KandE databases. Searches were carried out using keywords to capture the range of factors affected by the cost of living (such as, poverty, low income, living costs, cost of living, wellbeing, fuel insecurity, period insecurity, food insecurity, rent freeze, debt, housing costs, social security, employment) as well as key events (including financial crisis, austerity, COVID-19, cost of living crisis). The key events were used as we were aware the evidence base for the current cost of living crisis would be limited. As a result, we were keen to evidence learnings from the COVID-19 pandemic and the 2008 financial crisis in order to better understand the societal impacts, challenges and what works to support families through a societal crisis, such as the cost of living crisis. For the searches around the financial crisis and austerity, these were dated back to 2008 while all other key events were dated from 2020 onwards. Further, while the review primarily focused on research from Scotland and the United Kingdom, international evidence^{ix} was included where relevant. This search of databases provided 109 evidence sources.

Further evidence was gathered from stakeholders – which provided 281 sources of evidence. These sources were primarily grey literature. This was gathered from:

- RAG members

^{ix} This included evidence from: Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Scotland, Slovakia, Slovenia, Switzerland, Spain, Sweden, United States.

- Internal Scottish Government analytical groups
- Wider stakeholders across Scottish Government and UK Government
- A review of stakeholder websites

Inclusion criteria

For inclusion in the review, the evidence source had to:

- Draw upon empirical research exploring the impact of a crisis on families and for those living in poverty and/or in low income households
- Be published between 2008 – present (for austerity and financial crisis related sources) and 2020 – present (for COVID-19 pandemic and cost of living crisis related sources).
- Be an academic publication or grey literature (e.g. working papers, evaluation, government reports).
- Provide insights and understanding to the cost of living crisis and its impacts for low income families.

Applying this criteria to the evidence base resulted in a greater number of sources drawn from stakeholder groups as opposed to academic literature.

How to access background or source data

The data collected for this social research publication:

- ☐ are available in more detail through Scottish Neighbourhood Statistics
- ☐ are available via an alternative route
- ☐ may be made available on request, subject to consideration of legal and ethical factors. Please contact < > for further information.
- ☒ cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller. All sources used are quoted and details provided in the footnotes/endnotes or through direct hyperlinks.

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