

Poverty and Income Inequality in Scotland: 2014/15



A National Statistics publication for Scotland

EQUALITY, POVERTY AND SOCIAL SECURITY

This publication presents annual estimates of the percentage and number of people, children, working age adults and pensioners living in low income households in Scotland. The estimates are used to monitor progress in reducing poverty and income inequality. The data published for the first time here are for the financial year April 2014 to March 2015.

Poverty in 2014/15

Statistics on poverty in Scotland in 2014/15 show a complex picture.

Incomes for poorer households increased in 2014/15, but not as much as for middle income households, so **relative poverty before housing costs increased in 2014/15**. However, real terms decreases in housing costs for those on a low income meant that **poverty after housing costs remained unchanged**.

Absolute poverty remained unchanged before housing costs but decreased after housing costs. Incomes were higher and housing costs were lower than the previous year. This, combined with low inflation, meant fewer households were in absolute poverty after housing costs in 2014/15.

Child material deprivation decreased in 2014/15. Moves into employment, especially for those in lower income households, led to increases in household income. This, combined with low inflation, meant fewer children lacking the basic necessities.

There was also a decrease in the number of children living in workless households in 2014/15. However, the move was largely into part-time employment, especially for lone parents. For working families who also receive benefit income, especially families with children, increases in earnings were balanced against reductions in benefit income, combined with a one per cent cap on benefit up-rating. People not in employment and reliant on benefit income saw the smallest increase in income in 2014/15.

The proportion of people in poverty in working households increased in the latest year. The move into employment was largely into part-time work, especially for women, meaning that while people were in employment, they remained in poverty.

In 2014/15, income inequality increased. The top ten per cent of households saw the largest increases in income while the bottom ten per cent saw no real change. This has stretched the income distribution, resulting in low income households falling behind those in the middle and even further behind those at the top.

Key points

All individuals:

- **15 per cent of people** in Scotland were living in relative poverty, before housing costs (BHC), in 2014/15, an increase from 14 per cent the previous year. In 2014/15, 800 thousand people were living in relative poverty BHC, 70 thousand more than the previous year.
- **After housing costs (AHC), 18 per cent of people** in Scotland were living in relative poverty, the same as the previous year. In 2014/15, 940,000 people were living in relative poverty AHC, the same as the previous year.
- While the rate of relative poverty BHC has fluctuated over recent years, levels in 2014/15 were the same as in 2010/11.

The rate of relative poverty AHC has also fluctuated in recent years, with no clear upward or downward trend.

Child poverty:

- **17 per cent of children** in Scotland were living in relative poverty BHC in 2014/15, an increase from 14 per cent the previous year. In 2014/15, 160,000 children were living in relative poverty BHC, 20 thousand more than in the previous year.
- **After housing costs, 22 per cent of children** in Scotland were living in relative poverty, unchanged from the previous year. In 2014/15, 220 thousand children were living in relative poverty AHC, the same as the previous year.
- While relative child poverty BHC has fluctuated in recent years, levels in 2014/15 were the same as in 2010/11.
- There has been no change in the rate of relative child poverty after housing costs. with levels largely unchanged since 2010/11.

Children in combined low income and material deprivation:

- In 2014/15, **10 per cent of children were living in combined low income BHC and material deprivation**, a decrease from 13 per cent the previous year. In 2014/15, 100 thousand children were living in material deprivation, 30 thousand fewer than the previous year.
- **After housing costs, 12 per cent of children** were living in combined low income and material deprivation, a decrease from 14 per cent the previous year. In 2014/15, 120 thousand children were living in material deprivation, 20 thousand fewer than the previous year.

Working age adult poverty:

- **15 per cent of working age adults** in Scotland were living in relative poverty BHC in 2014/15, an increase from 13 per cent the previous year. In 2014/15, 470 thousand working age adults were living in relative poverty BHC, 40 thousand more than the previous year.

- **After housing costs, 19 per cent of working age adults** in Scotland were living in relative poverty, unchanged from the previous year. In 2014/15, 600 thousand working age adults were living in relative poverty AHC, the same as the previous year.

Pensioner poverty:

- **15 per cent of pensioners** in Scotland were living in relative poverty BHC in 2014/15, unchanged from the previous year. In 2014/15, 160 thousand pensioners in Scotland were living in relative poverty BHC, the same as the previous year.
- **After housing costs, 12 per cent of pensioners** in Scotland were living in relative poverty, unchanged from the previous year. In 2014/15, 120 thousand pensioners were living in relative poverty AHC, the same number as the previous year.

In-work poverty:

- In 2014/15, 55 per cent of working age adults in poverty BHC were living in working households, as were 67 per cent of children in poverty.
- After housing costs, 58 per cent of working age adults in poverty were living in working households, as were 66 per cent of children.
- While employment remains the best route out of poverty, employment is no longer a protection against poverty. Increases in in-work poverty in recent years reflect the move into employment and reductions in the number of workless households in Scotland. However in 2014/15, those in low income households have predominantly moved into part-time employment meaning households remain in poverty.

Income Inequality:

- **Median income** in Scotland in 2014/15 was **£24,900**, equivalent to £478 per week. Median income in Scotland has increased in 2014/15 and has returned to the previous peak in 2009/10.
- **Income inequality** increased in 2014/15. The top 10 per cent of the population had 15 per cent more income in 2014/15 than the bottom 40 per cent combined. This is an increase from 12 per cent more income in 2013/14.

Background Notes and Methodology

In this publication, **all statistics are based on net income**. That is, income after taxes and including benefits. Income is calculated at the household level, and reflects the income available to the household after taxes (including council tax) are paid and all benefits and tax credits have been received. Unless otherwise stated, incomes for previous years are in 2014/15 prices (real prices).

All figures in this publication are **rounded to the nearest 10 thousand individuals or whole percentage point**. Percentage change in the annual estimates is calculated prior to rounding. In some cases, calculations based on the unrounded figures do not match those based on the rounded ones. **Unless specifically stated, annual changes in the numbers and percentages of people in poverty presented in the body of this report are not statistically significant.**

Poverty is measured at the household level. If household income is below the poverty threshold, all people within the household are in poverty. This is based on the assumption that income is shared equally across all members of the household, and they have the same standard of living.

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

Changes to statistics 2014/15

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

1. The inflation measure used has been changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This is used to calculate real terms values for income and to uprate the absolute poverty threshold each year to account for inflation. It is also used within years to deflate incomes to a common point in the year so that respondents interviewed at the start and end of the year have their incomes evaluated on a consistent basis.

CPI tends to be lower than RPI on average. Therefore use of these inflation indices in place of RPI would be expected to:

- decrease real terms income prior to 2014/15, with the largest differences in earlier years
- increase the percentage and number of people in absolute low income prior to 2010/11, with the largest differences in earlier years
- decrease the percentage and number in absolute low income from 2011/12 to 2014/15.

This change in methodology means poverty estimates for Scotland remain consistent with those produced for the UK. Poverty estimates based on the previous methodology, using an RPI variant deflator are presented in Annex 2. Full details can be found in [Annex 2](#).

2. Pensioners are defined as all those adults above State Pension age. Working age adults are defined as all adults up to the state pension age. Between April 2010 and March 2016 the state pension age for women increased to 63 and it will subsequently increase to 65 by November 2018. At this point the state pension age for men and women will be the same. The changes do not affect the state pension age for men, which remains at 65. Therefore, as with the previous four reports, the age groups covered by the pensioner poverty analysis will change for the 2014/15 report. The pensioner material deprivation statistics will continue to be based on pensioners aged 65 and over.

Contents

Poverty in 2014/15	1
Key points	2
Background Notes and Methodology	4
Chapter 1: Poverty	8
1.1 People in poverty	8
1.2 Child poverty	12
1.3 Working age adult poverty	18
1.4 Pensioner poverty	20
1.5 In-work relative poverty	25
Chapter 2: Income Inequality and the distribution of income	27
Income inequality Measures	27
2.1 Income inequality – the Palma ratio	27
2.2 Income inequality – the Gini coefficient	29
2.3 Income thresholds	30
2.4 Trends in income distributions	33
Chapter 3: Household characteristics and income distribution	39
3.1 Household composition	39
3.2 Household economic status	41
Annexes	43
Annex 1: Tables	44
Annex 2: Methodological changes in 2014/15	59
Annex 3: Data Sources and Definitions	65
Data sources	65
What does the HBAI measure?	65
Housing Costs	66
Definitions	66
Annex 4: Where to Find More Information	72
A National Statistics publication for Scotland	74

RELATIVE POVERTY BEFORE HOUSING COSTS



All people - 800,000 (15%)



Children - 160,000 (17%)



Working Age Adults - 470,000 (15%)



Pensioners - 160,000 (15%)

RELATIVE POVERTY AFTER HOUSING COSTS



All people - 940,000 (18%)



Children - 220,000 (22%)



Working Age Adults - 600,000 (19%)



Pensioners - 120,000 (12%)

IN-WORK POVERTY BEFORE HOUSING COSTS



Children - 110,000 (67%)



Working Age Adults - 260,000 (55%)

IN-WORK POVERTY AFTER HOUSING COSTS



Children - 140,000 (66%)



Working Age Adults - 350,000 (58%)

Chapter 1: Poverty

Presentation of key points and definitions

Each section in this report starts with a pink box providing the key facts for that section. Where relevant, additional information is provided in a blue box at the end of each section. This includes important definitions and links to National Indicators relating to poverty and income inequality on [Scotland Performs](#).

1.1 People in poverty

Key points:

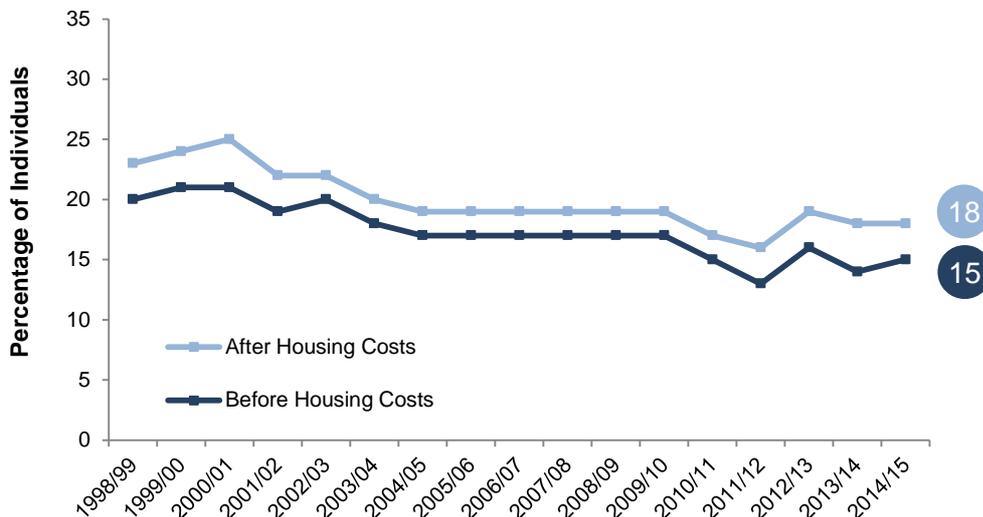
Relative Poverty before housing costs:

- 15 per cent of people in Scotland were living in relative poverty BHC, in 2014/15, an increase from 14 per cent the previous year.
- In 2014/15, there were 800 thousand people in Scotland living in relative poverty BHC, 70 thousand more than in 2013/14.

Relative Poverty after housing costs are taken into account:

- 18 per cent of people in Scotland were living in relative poverty AHC, unchanged from the previous year.
- In 2014/15, there were 940 thousand people living in relative poverty AHC, the same number as the previous year.

Chart 1A – Relative Poverty – All Individuals



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

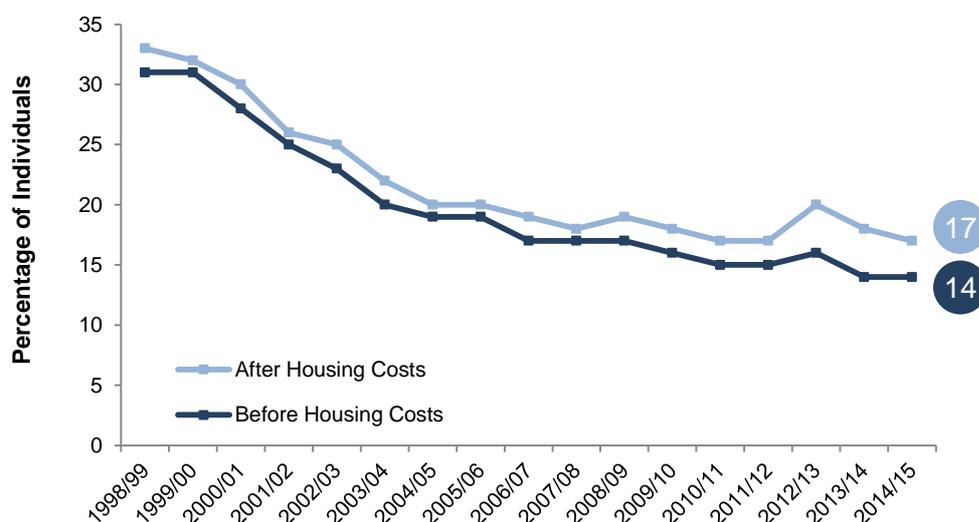
Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Relative poverty BHC for all individuals increased to 15 per cent in 2014/15. The change in the number and percentage of people in relative poverty BHC between 2013/14 and 2014/15 is not statistically significant. Longer term trends often offer a better indication of significant changes.

Poverty rates BHC remained unchanged at 17 per cent from 2004/05 to 2009/10. The rate of relative poverty BHC then decreased to 13 per cent over the two years to 2011/12, before increasing again. In 2014/15, the rate of relative poverty BHC is the same as that in 2010/11.

After Housing Costs have been taken into account, 18 per cent of people in Scotland were in relative poverty, unchanged from the previous year. Relative poverty AHC had followed a similar trend to relative poverty BHC, remaining relatively unchanged at 19 per cent between 2004/05 and 2009/10. Following a small decrease, relative poverty AHC has since returned to 18 per cent. The gap between relative poverty before and after housing costs has widened since 2011/12, reflecting the cumulative impact of increases in housing costs, changes to housing benefit eligibility, and wider welfare reform.

Chart 1B – Absolute Poverty – All Individuals



Source: HBAI dataset, DWP. See Annex 1 (Tables [A1](#) and [A2](#)) for the figures behind these charts. Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute poverty BHC, remained unchanged at 14 per cent. In 2014/15, there were 760 thousand people living in absolute poverty BHC, the same as the previous year. Absolute poverty is a measure of whether incomes of the poorest are keeping pace with inflation, and is based on the poverty threshold in 2010/11. As income has increased in real terms since 2010/11, absolute poverty has decreased and is lower than relative poverty.

Absolute poverty after housing costs decreased to 17 per cent in 2014/15, a one percentage point decrease compared with 2013/14. In 2014/15, there were 890 thousand people living in absolute poverty AHC in Scotland, 70 thousand fewer than the previous year.

The gap between absolute poverty before and after housing costs had widened in recent years, and narrowed only slightly in 2014/15.

Commentary:

Relative poverty BHC increased in 2014/15. There was a move into employment with increases in the number of working households in Scotland, but for those on low income this was largely into part-time employment. Combined with withdrawal of benefit income as households on low incomes increase their earnings, this has resulted in incomes for those near the poverty threshold falling behind the increases seen for middle income households.

Relative poverty after housing costs remained unchanged. Small increases in income combined with lower housing costs for households with incomes near the poverty threshold, particularly those in the private rented sector and owned with a mortgage, meant that income after housing costs kept pace with those in the middle.

Absolute poverty BHC remained unchanged in 2014/15 and absolute poverty AHC decreased. This reflects the fact that there have been real terms increases for some low income households and real terms decreases in housing costs.

There was an increase in the personal tax allowance in 2014/15, but increases in working age benefits were lower than increases in earnings. These factors have a varying impact on the rate of poverty with some, such as increasing the personal tax allowance, mitigating the impact of others, such as welfare reform implemented over the last four years. The net effect however is an increase in relative poverty, despite an increase in employment.

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

Relative poverty:

Relative poverty is a measure of whether the incomes of the poorest are increasing in line with middle income households. In this report, individuals are said to be in relative poverty if they are living in households whose equivalised income is below 60 per cent of UK median income in that year. Relative low income rates fall if household income for the poorest households increases faster than median income. In 2014/15, the relative poverty threshold for a couple with no children was an income of £284 per week BHC from all sources (see [Annex 2](#) for further information on income definitions). For a couple with children the threshold would be higher and for a single person (without children) the threshold would be lower. After housing costs, the relative poverty threshold in 2014/15 was £243 per week.

Absolute poverty:

Absolute poverty is a measure of whether income for the lowest income households is keeping pace with inflation. Individuals are said to be living in absolute poverty if they are living in households whose equivalised income is below 60 per cent of the (inflation adjusted) median income in 2010/11. In 2014/15, the absolute poverty threshold for a couple with no children was an income of £277 per week BHC from all sources (see [Annex 2](#) for further information on income definitions). After housing costs, the absolute poverty threshold in 2014/15 was £237 per week.

Scotland Performs:

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

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

This is measured using relative poverty before housing costs.

1.2 Child poverty

Key points:

Relative Poverty before housing costs:

- 17 per cent of children in Scotland were living in relative poverty BHC in 2014/15, an increase from 14 per cent the previous year.
- In 2014/15, there were 160 thousand children in Scotland living in relative poverty BHC, 20 thousand more than in 2013/14.

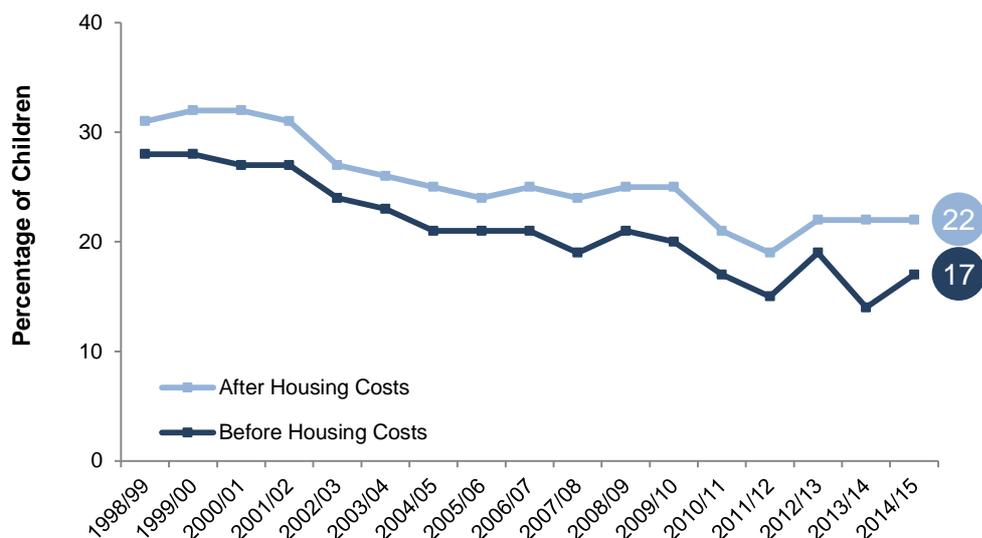
Relative Poverty after housing costs are taken into account:

- After housing costs, 22 per cent of children in Scotland were living in relative poverty, unchanged from the previous year.
- In 2014/15, there were 220 thousand children living in relative poverty AHC, the same number as the previous year.

Low Income and Material Deprivation:

- In 2014/15, 10 per cent of children were living in combined low income BHC and material deprivation, a decrease from 13 per cent the previous year. In 2014/15, 100 thousand children were living in low income BHC and material deprivation, 30 thousand fewer than the previous year.
- After housing costs, 12 per cent of children in Scotland were living in combined low income AHC and material deprivation, a decrease from 14 per cent the previous year. In 2014/15, 120 thousand children were living in low income AHC and material deprivation, 20 thousand fewer than the previous year.
- This reflects increases in employment, especially for those in lower income households, increasing household income. Children in workless households face a significantly higher risk of material deprivation. The decrease in the number of children lacking necessities reflects these moves into employment and the increase in income. However, the move is largely into part-time employment, especially for lone parents, meaning households remain in poverty.

Chart 2A – Relative Poverty - Children



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

Notes:

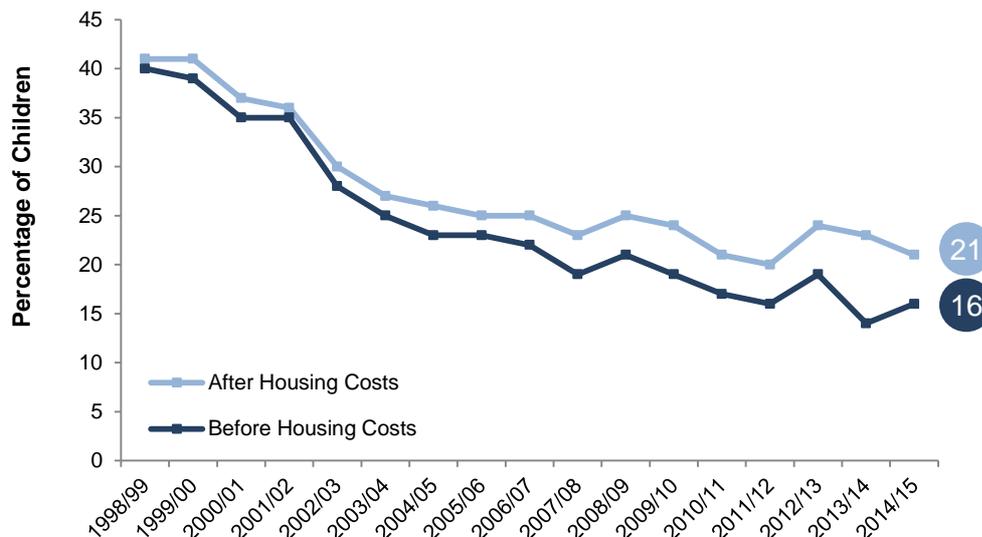
1. A version of these charts showing the Child Poverty Act targets can be found in [Annex 1](#), Chart [A1](#).
2. Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Relative child poverty BHC increased to 17 per cent in 2014/15. The change in the number and percentage of children in relative poverty BHC between 2013/14 and 2014/15 is not statistically significant. Relative child poverty BHC saw a decreasing trend from 21 per cent in 2004/05 to 15 per cent in 2011/12. Following fluctuations in recent years, with no clear upward or downward trend, relative child poverty BHC was the same in 2014/15 as in 2010/11.

After Housing Costs have been taken into account, 22 per cent of children in Scotland were in relative poverty. This has remained unchanged for the last two years.

Relative child poverty AHC had followed a similar trend to relative child poverty BHC, showing a decreasing trend from 25 per cent in 2004/05 to 19 per cent in 2011/12. However, following an increase to 22 per cent in 2012/13, relative child poverty AHC has remained at that level. The gap between relative child poverty before and after housing costs increased in 2013/14 but has narrowed slightly in the latest year.

Chart 2B – Absolute Poverty – Children



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

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute child poverty BHC increased to 16 per cent in 2014/15, a one percentage point increase compared with 2013/14. In 2014/15, there were 150 thousand children living in absolute poverty BHC, 10 thousand more than the previous year.

Absolute child poverty AHC decreased to 21 per cent in 2014/15, a two percentage point decrease compared with 2013/14. In 2014/15, there were 200 thousand children living in absolute poverty AHC in Scotland, 20 thousand fewer than the previous year.

As with relative child poverty, the gap between absolute poverty before and after housing costs has narrowed in the most recent year. In 2014/15, the gap was five percentage points, a decrease from eight percentage points in 2013/14.

Chart 2C – Material deprivation and low income BHC combined and relative poverty before housing costs - Children

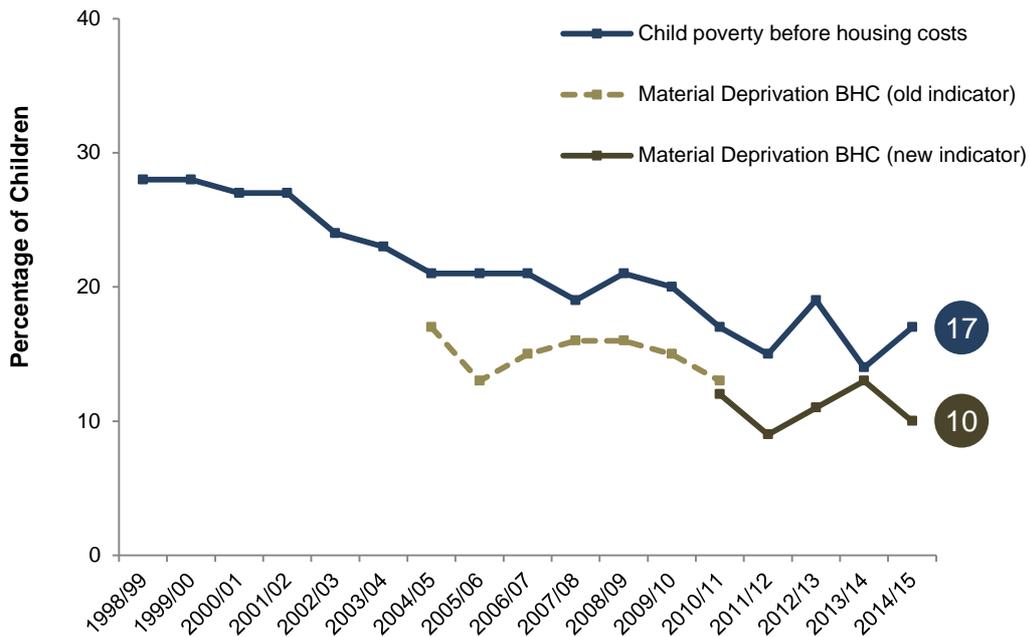
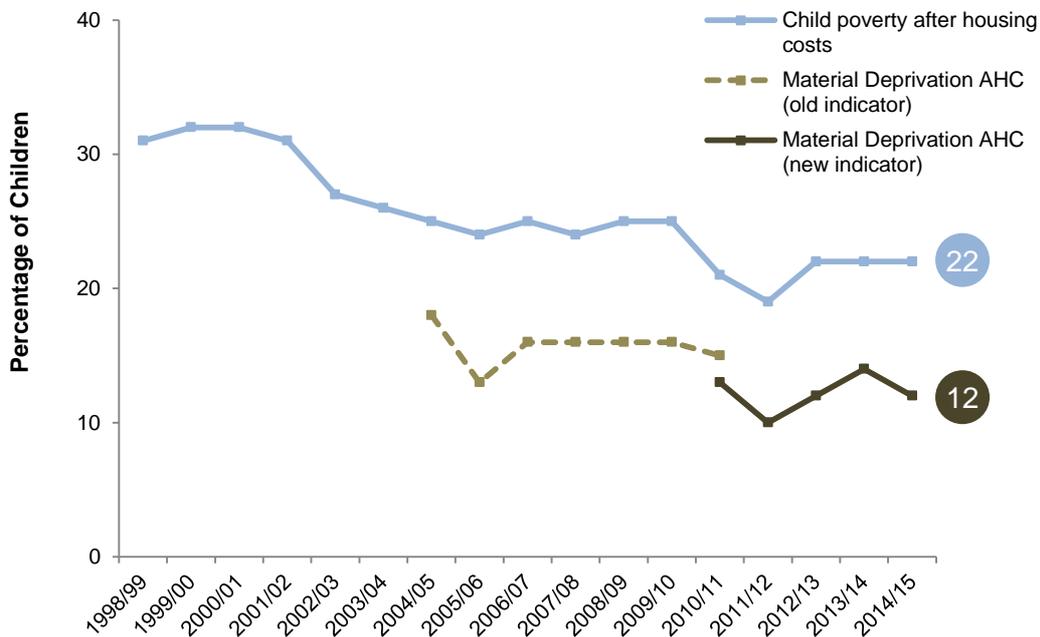


Chart 2D –Material deprivation and low income AHC combined and relative poverty after housing costs - Children



Source: HBAI dataset, DWP. See [Annex 1](#) (Tables [A1](#), [A3](#) and [A4](#)) for the figures behind these charts.

Notes:

1. A version of these charts showing the Child Poverty Act targets can be found in [Annex 1](#), Chart [A1](#).
2. Changes in the material deprivation questions in 2010/11 created a break in the series. Data for 2010/11 onwards is not directly comparable with that prior to 2010/11. Further information is available in [Annex 2](#).

In 2014/15, 10 per cent of children in Scotland were living in **combined low income BHC and material deprivation**. This follows two years of increasing child material deprivation. In 2014/15, there were 100,000 children living in combined low income BHC and material deprivation, 30 thousand fewer than the previous year.

After housing costs, 12 per cent of children in Scotland were living in **combined low income and material deprivation**. In 2014/15, 120 thousand children were living in combined low income AHC and material deprivation, 20 thousand fewer than the previous year. This decrease in child material deprivation and low income AHC follows two years of increases.

Commentary:

Over the last decade, the proportion of children in Scotland living in relative poverty BHC had decreased by four percentage points from 21 per cent in 2004/05 to 17 per cent in 2014/15, with the largest decreases before 2011/12.

In recent years households with children had moved into employment, especially lower income households, and this had led to increases in household income. However, increases in employment in the latest year were largely into part-time employment, especially for lone parents. Combined with the withdrawal of benefit income as earnings increase, and benefit up-rating capped at one per cent, income for lower income households has not increased as much as that for middle income households. So, while income has increased and hence material deprivation has fallen, households remain in poverty as low income households fell further behind those in the middle.

For middle income households, increases in earnings were above inflation in the latest year. However, increases for those with a mixture of earnings and benefits – particularly families with children – were lower, as increases in earnings were balanced against reductions in benefit income. For those wholly reliant on working age benefits, increases in income were less than for those in employment.

Child poverty rates after housing costs remained unchanged in 2014/15 reflecting the cumulative impact of small increases in income and real terms decreases in housing costs, particularly for those renting their homes.

Material Deprivation and Low Income Combined Poverty Indicator:

Combined low income and child material deprivation is an additional way of measuring living standards and refers to the inability of households to afford basic goods and activities that are seen as necessities in society. It is a more direct measure of poverty than income alone, as it captures changes in standard of living.

Material deprivation is calculated from a suite of questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or social activities. This measure is applied to households with incomes below 70 per cent of UK median income (£335 per week) to create the 'material deprivation and low income combined' indicator. This indicator aims to provide a measure of children's living standards which, unlike relative and absolute poverty, is not solely based on income.

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

Scotland Performs:

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

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

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

1.3 Working age adult poverty

Key points:

Relative Poverty before housing costs:

- 15 per cent of working age adults in Scotland were living in relative poverty BHC in 2014/15, an increase from 13 per cent the previous year.
- In 2014/15, there were 470 thousand working age adults in Scotland living in relative poverty BHC, 40 thousand more than in 2013/14.

Relative poverty after housing costs are taken into account:

- 19 per cent of working age adults in Scotland were living in relative poverty, unchanged from the previous year.
- In 2014/15, there were 600 thousand working age adults living in relative poverty AHC, the same number as the previous year.

Chart 3A - Relative Poverty – Working Age Adults



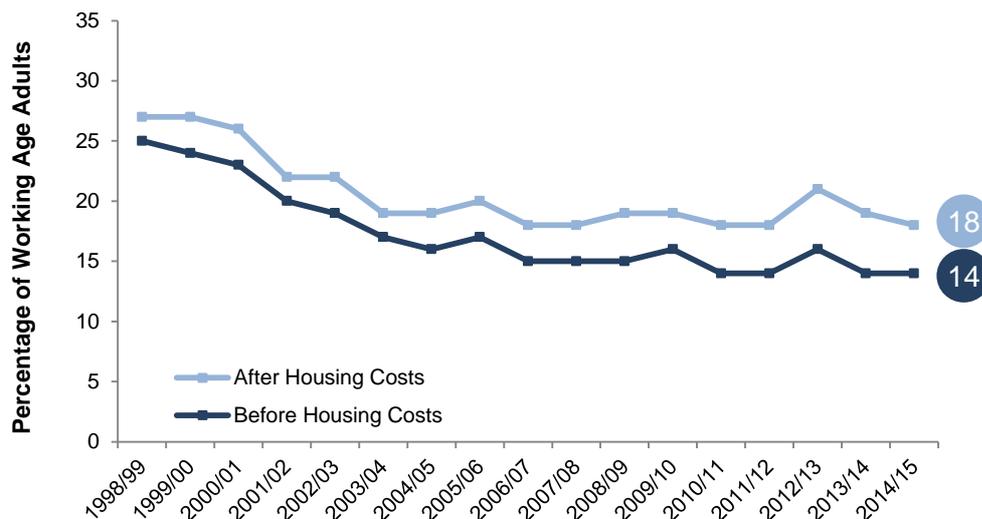
Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table A1).

Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Relative poverty BHC for working age adults increased to 15 per cent in 2014/15, from 13 per cent in 2013/14. The change in the number and percentage of working age adults in relative poverty BHC between 2013/14 and 2014/15 is not statistically significant. The trend for working age adults in relative poverty BHC had been fluctuating in recent years, following a peak in 2009/10.

After Housing Costs have been taken into account, 19 per cent of working age adults in Scotland were in relative poverty, unchanged from the previous year. Relative poverty AHC had followed a similar trend to relative poverty BHC, remaining between 17 and 19 per cent between 2004/05 and 2011/12, before increasing to 21 per cent in 2012/13. In 2013/14, it returned to 19 per cent and remained unchanged in the latest year.

Chart 3B - Absolute Poverty – Working Age Adults



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

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute poverty for working age adults BHC was 14 per cent in 2014/15, unchanged from the previous year. In 2014/15, there were 460 thousand working age adults living in absolute poverty BHC, 10 thousand more than the previous year.

Absolute poverty after housing costs decreased in 2014/15. In 2014/15, 18 per cent of people in Scotland were in absolute poverty AHC, a one percentage point decrease compared with 2013/14. In 2014/15, there were 580 thousand working age adults living in absolute poverty AHC in Scotland, 30 thousand fewer than the previous year.

Commentary:

The percentage of working age adults in relative poverty BHC has fluctuated over the last decade with no clear upward or downward trend.

The increase in relative poverty BHC in the latest year reflects movement in employment across the income distribution but with those on low income more likely to move into part-time employment. This, combined with the withdrawal of means tested benefits and a one per cent cap on benefit up-rating, means those on a low income saw smaller increases in income than middle income households and therefore remained in poverty.

Income for middle income households increased by more than that for low income households. For households not in receipt of benefit income, increases in earnings were greater than inflation, and household income increased. For households with a mixture of earnings and benefit income, there were some increases in household income, but smaller than households with earnings only. Households with children were likely to be in receipt of benefit income, and so increases in household income were smaller than those in employment and without children. Those not in employment, and wholly in receipt of benefit income saw the smallest increases in household income in 2014/15.

Working age vs. State pension age:

Working age adults are defined as all adults up to the state pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women increased to 63 and it will subsequently increase to 65 by November 2018. At this point the state pension age for men and women will be the same. The changes do not affect the state pension age for men, which remains at 65. The impact is to retain more women in the working age adult group, who in previous years would have been classified as pensioners.

1.4 Pensioner poverty

Key points:**Relative Poverty before housing costs:**

- 15 per cent of pensioners in Scotland were living in relative poverty BHC in 2014/15, unchanged from the previous year.
- In 2014/15, there were 160 thousand pensioners in Scotland living in relative poverty BHC, the same number as the previous year.

Relative poverty after housing costs are taken into account:

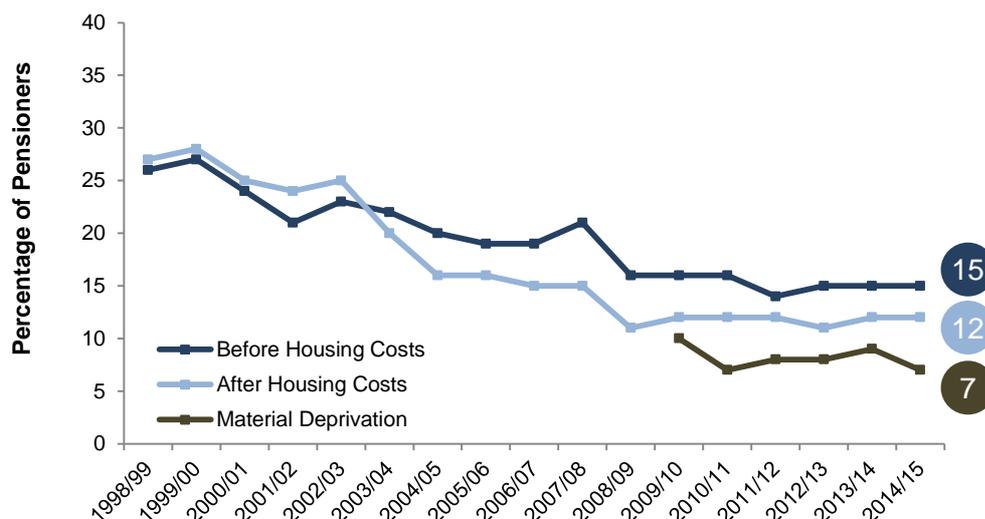
- 12 per cent of pensioners in Scotland were living in relative poverty AHC, unchanged from the previous year.
- In 2014/15, 120 thousand pensioners were living in relative poverty AHC, the same number as the previous year.

Material Deprivation:

- In 2014/15, seven per cent of pensioners were living in material deprivation, a decrease from nine per cent the previous year. In 2014/15, there were 60 thousand pensioners in Scotland living in material deprivation, 20 thousand fewer than the previous year.

The majority of pensioners own their own home, so for this reason the preferred measure of low income for pensioners is based on incomes measured AHC. Examining pensioners' incomes compared to others after deducting housing costs allows for more meaningful comparisons of income between working age people and pensioners, and the pensioner population over time.

Chart 4A – Relative Poverty and Material Deprivation - Pensioners



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Tables [A1](#) and [A5](#)).

Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Notes:

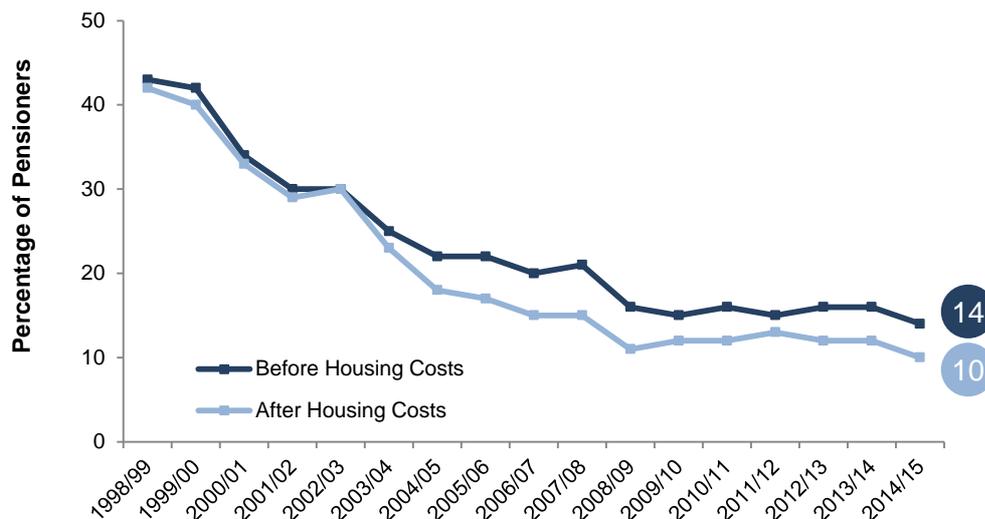
1. Pensioner material deprivation is not solely based on affordability and so should not be compared directly with measures of income-related poverty.
2. Pensioner material deprivation is included for those aged 65 and over only and therefore is not the same population as relative and absolute poverty measures.

Relative poverty BHC for pensioners was 15 per cent in 2014/15, unchanged from the previous year. Pensioner relative poverty BHC decreased from 20 per cent in 2004/05 to a low of 14 per cent in 2011/12 and has remained stable since then.

After Housing Costs have been taken into account, 12 per cent of pensioners in Scotland were in relative poverty, unchanged from the previous year. Relative pensioner poverty AHC decreased from 16 per cent in 2004/05 to 11 per cent in 2008/09 and has remained around this level. Relative pensioner poverty AHC, having been higher than relative poverty BHC in 2002/03, decreased faster than relative pensioner poverty BHC.

Pensioner material deprivation decreased to seven per cent in 2014/15, a 2 percentage point decrease on the previous year. Having decreased from 10 per cent in 2009/10 to seven per cent in 2010/11, there had been a small increase to 2013/14, but still below the level seen in 2009/10. This was followed by a decrease in the latest year. This measure captures both financial deprivation and non-financial deprivation (such as health and disability, or a lack of support) reflecting the fact that deprivation for older people is about more than income.

Chart 4B - Absolute Poverty – Pensioners



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

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute pensioner poverty BHC decreased to 14 per cent in 2014/15, a two percentage point decrease compared with the previous year. In 2014/15, there were 140 thousand pensioners living in absolute poverty BHC, 20 thousand fewer than in 2013/14.

Absolute poverty after housing costs are taken into account has also decreased. In 2014/15, 10 per cent of pensioners in Scotland were in absolute poverty AHC, a two percentage point increase compared with the previous year. In 2014/15, there were 110 thousand pensioners living in absolute poverty AHC in Scotland, 20 thousand fewer than the previous year.

Commentary:

Over the last decade, the proportion of pensioners in Scotland in relative poverty AHC has fallen four percentage points from 16 per cent in 2004/05 to 12 per cent in 2014/15. However, poverty rates for pensioners have remained largely unchanged since 2008/09.

Households containing pensioners at the lower end of the income distribution generally received a larger proportion of their income from benefits and a smaller proportion from other sources. The Basic State Pension (BSP) increased by 2.7 per cent and Pension Credit Guarantee Credit increased by two per cent, larger than increases in other benefits and tax credits and above CPI inflation in 2014/15. While small in absolute terms, increases in BSP and Pensions Credit above the rate of inflation meant that pensioner poverty, both before and after housing costs, remained stable. While pensioners saw larger increases in percentage terms, in absolute terms this increase in income was significantly less than for many middle income working households.

State pension age:

Pensioners are defined as all those adults above State Pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women increased to 63 and it will subsequently increase to 65 by November 2018. At this point the state pension age for men and women will be the same. The changes do not affect the state pension age for men, which remains at 65. Therefore, as with the previous four reports, the age groups covered by the pensioner poverty analysis will change for the 2014/15 report. The impact is that more women will remain in the working age adult group, who in previous years would have been classified as pensioners.

The pensioner material deprivation statistics will continue to be based on pensioners aged 65 and over.

Pensioner Material Deprivation Indicator:

Pensioner material deprivation is an additional way of measuring living standards for pensioners. It focuses on access to specific goods, services and experiences. It is used to explore a broader definition of pensioner poverty and captures both financial and non-financial reasons for being in material deprivation. Pensioner material deprivation captures whether it is health or disability, or if nobody is available to help them, that prevents access to goods and services, rather than solely low income.

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

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

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

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

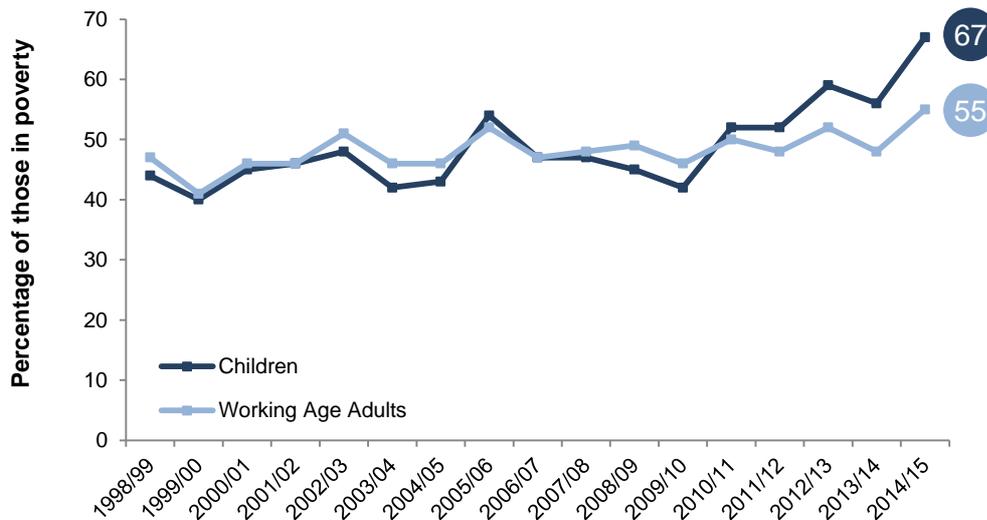
<https://www.gov.uk/government/publications/households-below-average-income-hbai-technical-note-on-pensioner-material-deprivation>.

1.5 In-work relative poverty

Key points:

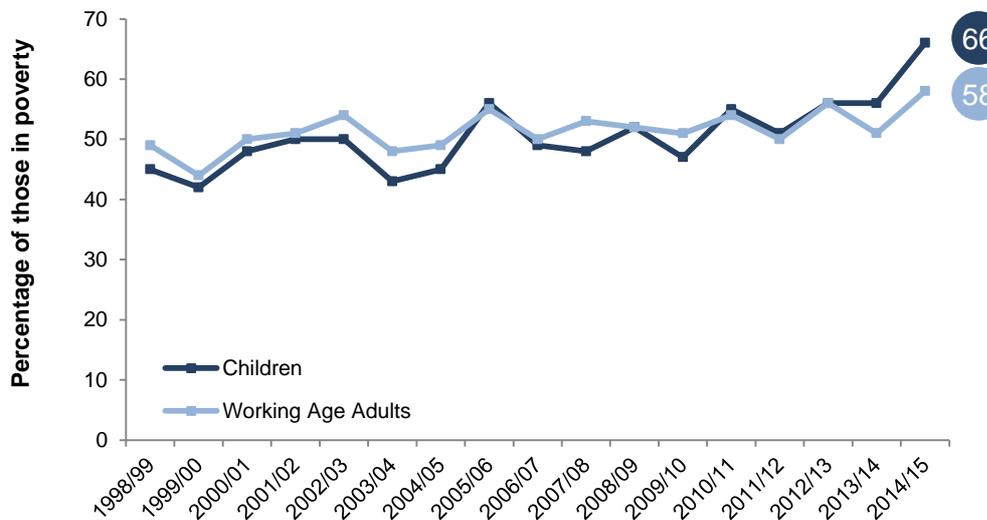
- In 2014/15, 55 per cent of working age adults in poverty BHC were living in working households, as were 67 per cent of children in poverty.
- In 2014/15, 58 per cent of working age adults in poverty AHC were living in working households, as were 66 per cent of children in poverty AHC.

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



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

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



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

Commentary:

In-work poverty BHC in Scotland increased in 2014/15, with over half (55 per cent) of working age adults in poverty BHC living in working households. In 2014/15, 260 thousand working age adults were in in-work poverty BHC - an increase of 50 thousand compared with 2014/15.

In 2014/15, two thirds of children living in poverty BHC were in working households. In-work child poverty increased in the latest year, with 110 thousand children in poverty in Scotland living in working households in 2014/15, 30 thousand more than the previous year.

In-work poverty AHC also increased for working age adults and children. In 2014/15, child in-work poverty AHC increased to 66 per cent (from 56 per cent in 2013/14). Working age adult in-work poverty AHC increased to 58 per cent in 2014/15 (from 51 per cent in 2013/14).

In-work poverty has been increasing steadily and is now the highest rate since reporting began in 1994/95, both before and after housing costs.

While the overall number of children living in relative poverty BHC has fallen over recent years, a greater proportion were living in working households. The fact that 110 thousand children remained in in-work poverty BHC in 2014/15, despite the overall number falling over time, means they make up a larger percentage of those in poverty BHC.

The increase in in-work poverty reflects increases in the number of working households, and the decrease in the number of workless households in Scotland. However, increases in part-time employment, especially for women, combined with withdrawal of benefit income as earnings increase, mean that the majority of working age adults and children in poverty were in working households in 2014/15.

In-work poverty:

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

Chapter 2: Income Inequality and the distribution of income

Income inequality Measures

Just as there are a number of different measures of poverty, so there are multiple measures of income inequality. The Scottish Government focuses on two – the Palma Ratio, which is the measure underpinning the Solidarity Purpose Target; and the Gini Coefficient. These measure income inequality in slightly different ways.

2.1 Income inequality – the Palma ratio

Key points:

- Income inequality increased in 2014/15. The top 10 per cent of the population had 15 per cent more income in 2014/15 than the bottom 40 per cent combined. This is an increase from 12 per cent more income in 2013/14.
- Income inequality increased quickly up to 2008/09 before decreasing again. Over the last five years it has fluctuated but remained unchanged overall.

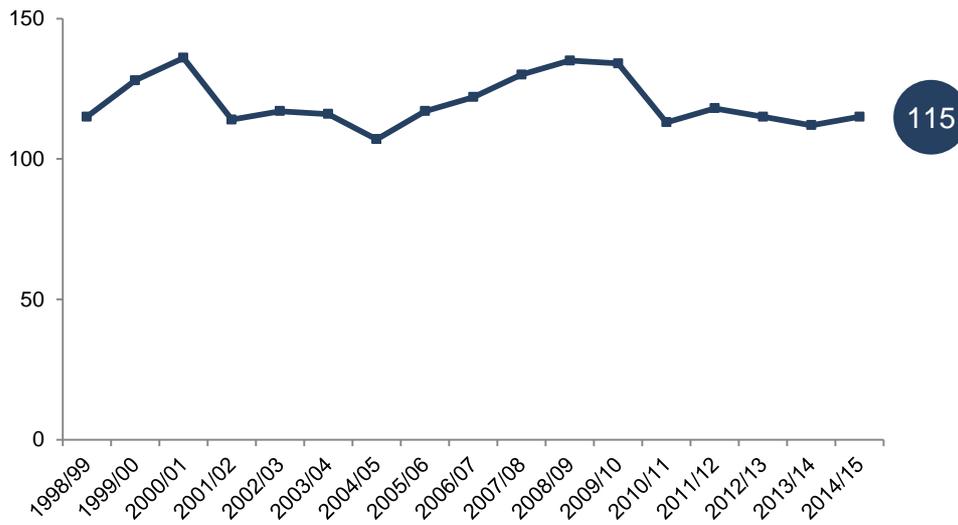
This section provides information that relates to the Scottish Government's Solidarity Purpose Target which is *"To increase overall income and reduce income inequality by 2017"*

More information can be found at the following link:

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

Chart 6 shows the ratio of total income received by the top ten per cent of the population divided by the total income of the bottom forty per cent of the population (expressed as a percentage) from 1998/99 to 2014/15. This measure of how equally income is distributed across the population is known as the "Palma ratio" or "S90/S40 ratio". Palma is used internationally to estimate the extent of inequality between those at the top of the income distribution and those at the bottom and is used in Scotland to monitor progress towards the Scottish Government's Solidarity Purpose Target.

Chart 6 – Palma measure of inequality



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A15](#)).

Commentary:

Income inequality in Scotland increased gradually up to 2008/09, before falling following the onset of the recession. In 2010/11, income for the top 10 per cent fell, resulting in a reduction in income inequality. It has remained largely flat since then, with an increase in 2014/15 due to increases in incomes at the top of the distribution. The increases in income at the top of the distribution were driven by increases in non-earnings income (income from sources other than employment).

2.2 Income inequality – the Gini coefficient

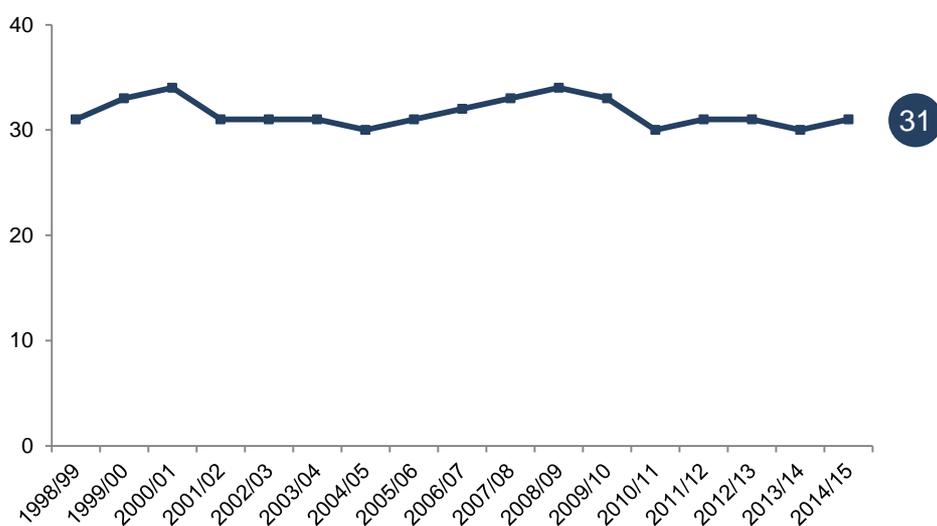
Key points:

- The Gini coefficient, which measures the degree of inequality in household income, was 31 in 2014/15. This is an increase from 30 in 2014/15, mainly due to increases in incomes at the top of the distribution with little or no change at the bottom.
- Income inequality, as measured by the Gini coefficient, has remained largely unchanged over the last five years.

The Gini coefficient is a measure of how equally income is distributed across the population. It takes a value between 0 and 100 with 0 representing perfect equality where every person has the same income. The larger the Gini coefficient, the more people towards the top of the income distribution have a greater share of overall income with a value of 100 representing the case where one individual has all the income. In practice, the proportion of overall income going to each individual increases gradually across the income distribution.

For Scotland, the Gini coefficient has been between 30 and 34 over the last decade. In 2014/15, the Gini coefficient for Scotland was 31, a one percentage point increase compared with 2014/15.

Chart 7 – Inequality of household income as measured by the Gini coefficient



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A14](#)).

The Gini coefficient shows a similar trend to the Palma ratio, with income inequality rising until the recession and then falling in 2010/11. This was largely driven by a fall in income to the top per cent. Income inequality has remained relatively stable since then. The increase in the latest year was largely driven by increases in the top ten per cent, due to non-earnings income increasing for this group.

2.3 Income thresholds

Key points:

- Median income in Scotland in 2014/15 was £24,900, equivalent to £478 per week. Median income in Scotland has increased in 2014/15 by £700, equivalent to £14 per week.
- The poverty threshold BHC in 2014/15 was £14,800, equivalent to £284 per week. The poverty threshold BHC increased in 2014/15 by £500, equivalent to £9 per week.
- After housing costs, the poverty threshold in 2014/15 was £12,700, equivalent to £243 per week. The poverty threshold AHC also increased in 2014/15 by £500, equivalent to £9 per week.
- A couple with no children with a combined income of over £37,600 (after tax and benefits) would be in the highest income 20 per cent of the population. With an income over £47,600 they would be in the top 10 per cent.

Most of the income figures in this publication are based on equivalised income. One consequence of the [equivalisation](#) process is that there are different poverty thresholds for households of different sizes and compositions. To help readers understand the figures in this publication, Table 1 below presents some commonly used income thresholds, before equivalisation, for households of different sizes.

The incomes presented elsewhere in this report use the value for “Couple with no children” as the standard, and all other household types are adjusted to reflect their different household composition.

Table 2 shows the same information after housing costs have been taken into account.

Table 1 - Income thresholds (£) for different household types before housing costs (income after tax and transfers) – 2014/15

	Single person with no children		Couple with no children		Single person with children aged 5 and 14		Couple with children aged 5 and 14	
	weekly	annual	weekly	annual	weekly	annual	weekly	annual
UK median income (before housing costs)	317	16,500	473	24,700	568	29,600	724	37,800
Scottish median income (before housing costs)	321	16,700	478	24,900	574	29,900	732	38,200
60% of UK median income (before housing costs) - relative poverty threshold	190	9,900	284	14,800	341	17,800	435	22,700
60% of inflation adjusted 2010/11 UK median income (before housing costs) - absolute poverty threshold	186	9,700	277	14,500	333	17,400	424	22,100
Scottish 1st income decile	164	8,600	245	12,800	294	15,300	375	19,500
Scottish 2nd income decile	209	10,900	312	16,300	375	19,500	478	24,900
Scottish 3rd income decile	243	12,700	362	18,900	435	22,700	554	28,900
Scottish 4th income decile	279	14,600	417	21,700	500	26,100	638	33,200
Scottish 5th income decile	321	16,700	478	24,900	574	29,900	732	38,200
Scottish 6th income decile	363	18,900	542	28,300	651	33,900	830	43,300
Scottish 7th income decile	416	21,700	621	32,400	745	38,800	950	49,500
Scottish 8th income decile	483	25,200	721	37,600	865	45,100	1103	57,500
Scottish 9th income decile	611	31,900	912	47,600	1094	57,100	1395	72,800

Source: HBAI dataset, DWP.

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

Table 2 - Income thresholds (£) for different household types after housing costs (income after tax and transfers) – 2014/15

	Single person with no children		Couple with no children		Single person with children aged 5 and 14		Couple with children aged 5 and 14	
	weekly	annual	weekly	annual	weekly	annual	weekly	annual
UK median income (after housing costs)	235	12,200	404	21,100	485	25,300	655	34,200
Scottish median income (after housing costs)	245	12,800	422	22,000	507	26,400	684	35,700
60% of UK median income (after housing costs) - relative poverty threshold	141	7,300	243	12,700	291	15,200	393	20,500
60% of inflation adjusted 2010/11 UK median income (after housing costs) - absolute poverty threshold	138	7,200	237	12,400	285	14,800	384	20,000
Scottish 1st income decile	109	5,700	188	9,800	225	11,700	304	15,900
Scottish 2nd income decile	148	7,700	254	13,300	305	15,900	412	21,500
Scottish 3rd income decile	179	9,400	309	16,100	371	19,300	501	26,100
Scottish 4th income decile	211	11,000	363	18,900	436	22,700	588	30,700
Scottish 5th income decile	245	12,800	422	22,000	507	26,400	684	35,700
Scottish 6th income decile	287	14,900	494	25,800	593	30,900	800	41,700
Scottish 7th income decile	330	17,200	569	29,700	683	35,600	922	48,100
Scottish 8th income decile	384	20,000	661	34,500	794	41,400	1072	55,900
Scottish 9th income decile	490	25,600	845	44,100	1014	52,900	1369	71,400

Source: HBAI dataset, DWP.

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

Deciles / decile points:

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

Decile groups:

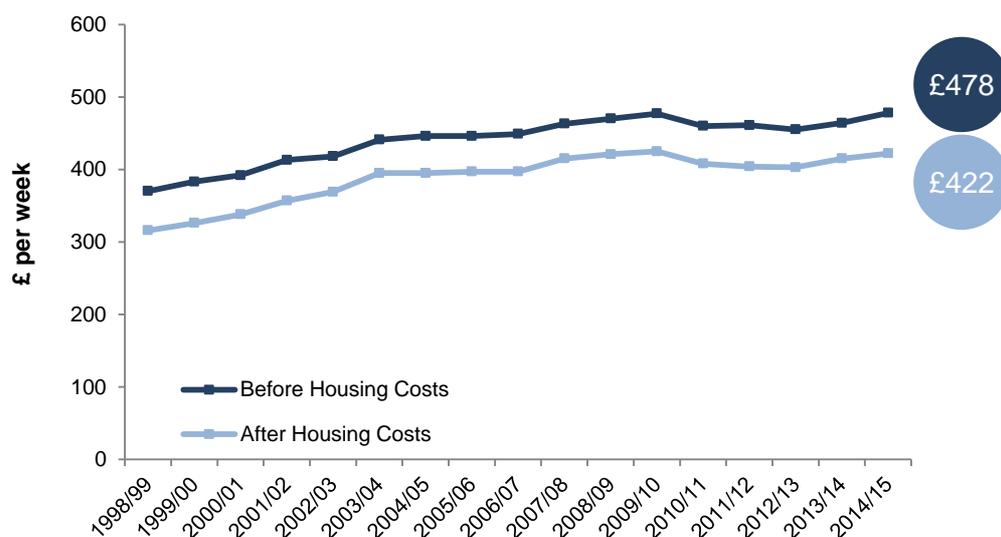
These are groups of the population defined by the decile points. The lowest decile group is the ten per cent of the population with the lowest incomes. The second decile group contains individuals with incomes above the lowest decile point but below the second decile point.

2.4 Trends in income distributions

Key points:

- Median household income increased in 2014/15 for the second year in a row and has returned to the peak in 2009/10 for the first time since median income fell, following the recession.
- Median household income for households with children increased in 2014/15, following four years of decreases, though it is still below the level seen in 2009/10.
- Median income for working age adults increased in 2014/15, though to a lesser extent than for households with children.
- Median income for pensioners also increased and is at its highest level since reporting began.
- In 2014/15, the top decile saw the largest increase in income compared to the previous year, with a six per cent increase. This is equivalent to £51 per week (£2,700 per year), compared to a £14 per week (£700 per year) increase for those on median income.
- Incomes increased for all deciles apart from the bottom, which saw a slight decrease of £1 per week.

Chart 8A – Median weekly household income in Scotland (in 2014/15 prices)



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

Chart 8B – Median weekly household income BHC in Scotland for children, working age adults and pensioners (in 2014/15 prices)

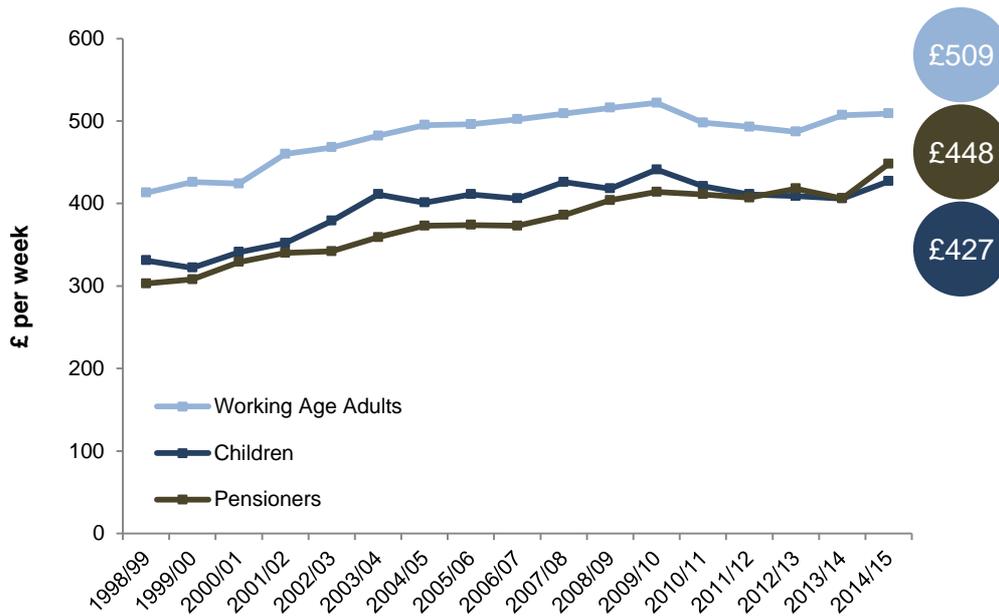
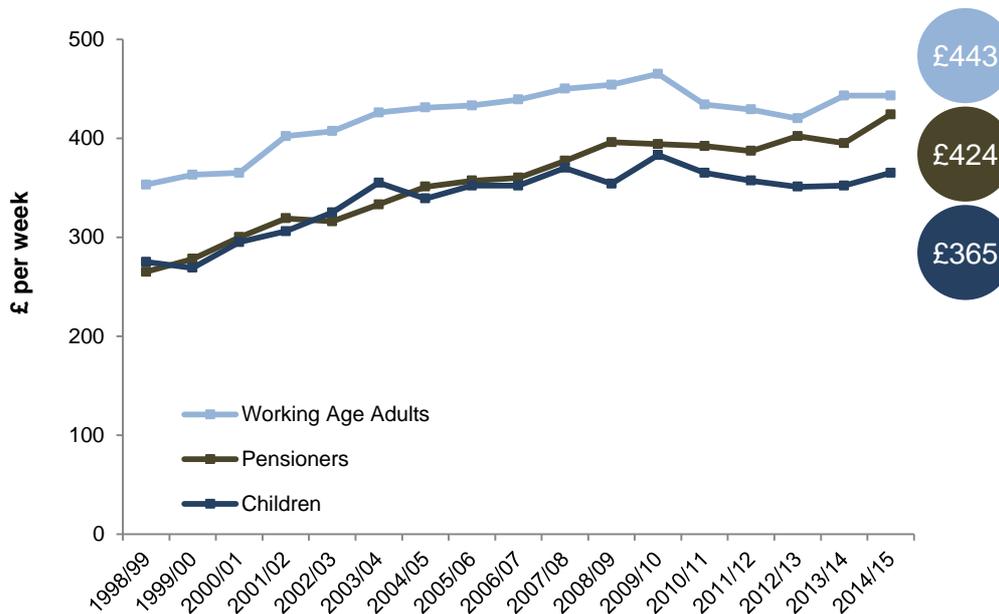


Chart 8C – Median weekly household income AHC in Scotland for children, working age adults and pensioners (in 2014/15 prices)



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A9](#)).

In 2014/15, median household income was £478 per week (£24,900 per year), an increase of £14 (£700 per year) compared with 2013/14. This is the second year in a row that median income has increased and it has returned to the peak in 2009/10. Median income had been increasing for the 10 years to 2009/10, then decreased for three years to 2012/13. All incomes are quoted in 2014/15 prices.

Median income after housing costs followed a similar trend to median income BHC. However, median income AHC is still slightly below the peak in 2009/10.

Commentary:

Before the recession, there was a gradual increase in median equivalised weekly household income BHC in Scotland, peaking at £477 in 2009/10. This was then followed by a decrease to £455 in 2012/13. Median income then increased to £478 in 2014/15, bringing it back to 2009/10 levels.

The pattern is similar for median equivalised weekly household income AHC in Scotland, Median income AHC increased over the last two year to £422, still below the peak in 2009/10.

Chart 9 shows how the weekly equivalised incomes have changed from 2010/11 to 2014/15 across the different income decile points. Decile points are the incomes that separate out the 10 deciles, so 10 per cent of the population have household income below the 1st decile point and 90 per cent of the population have income below the 9th decile point. Charts 10 and 11 show the change in each decile point in the latest year, in percentage terms (Chart 10) and in pounds per week (Chart 11).

Chart 9 – Weekly household incomes for each decile point from 2010/11 to 2014/15

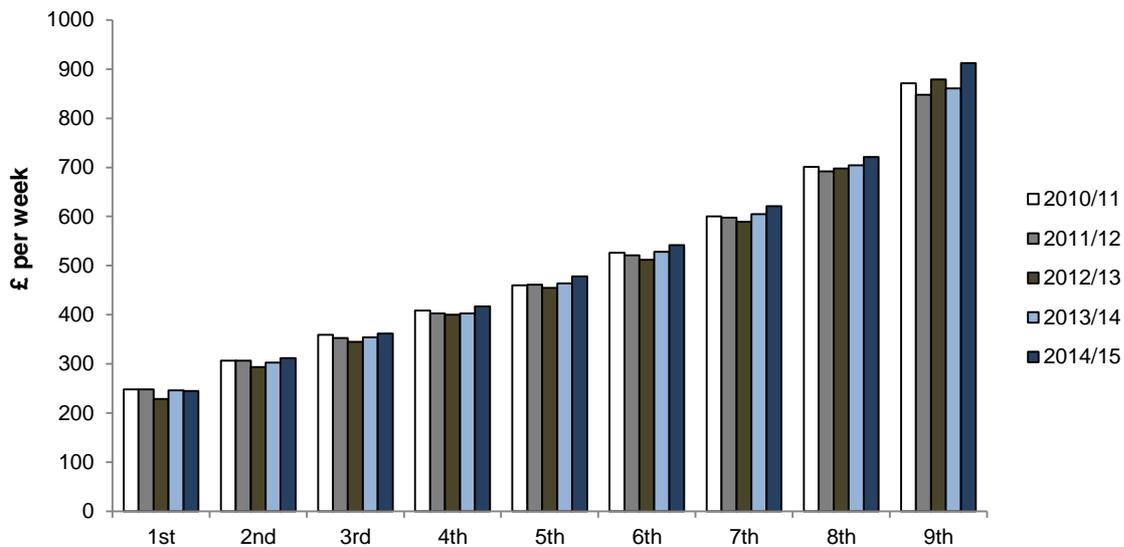


Chart 10 – Percentage change in each decile point between 2013/14 and 2014/15 (in real prices)

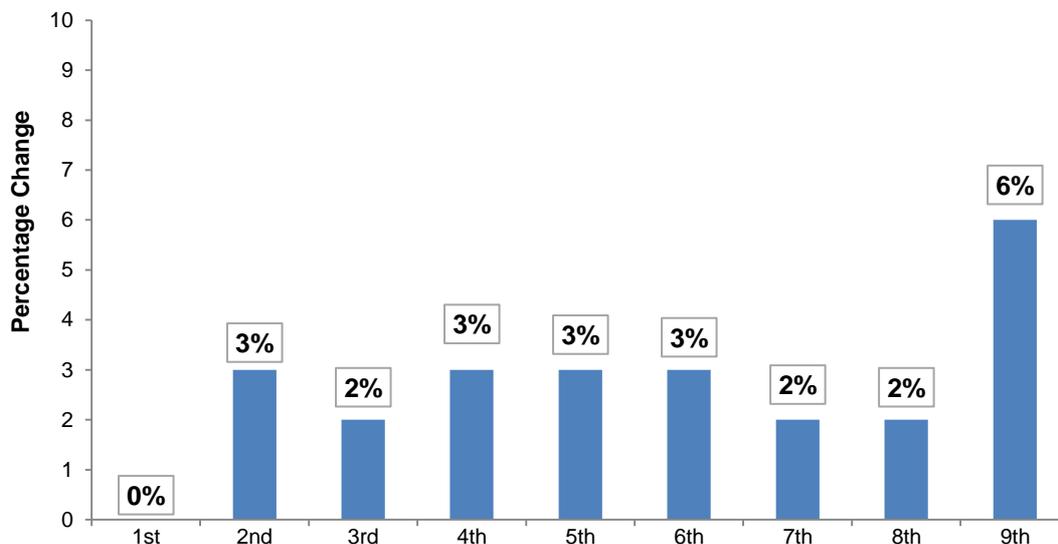
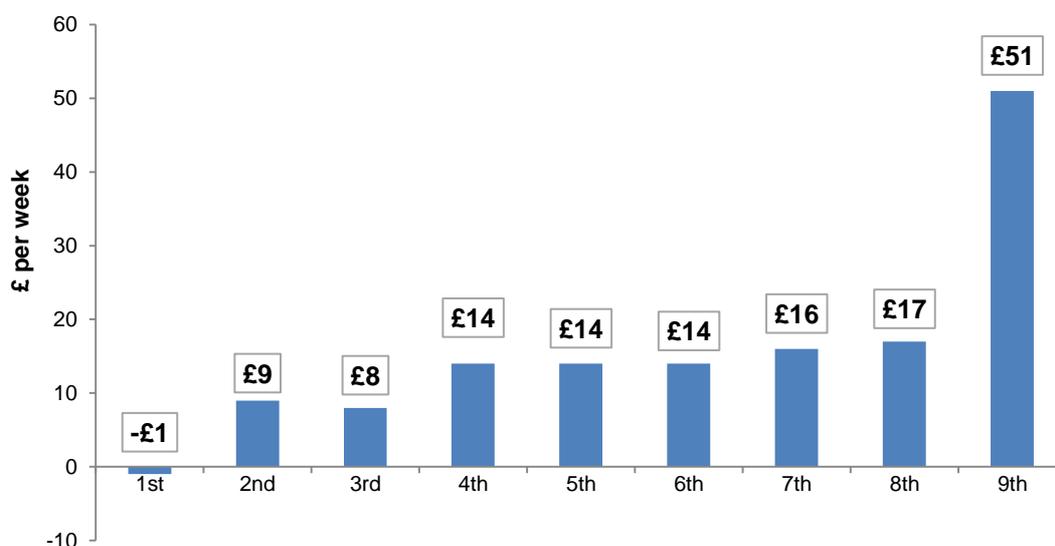


Chart 11 – Change in weekly income (£) by decile point between 2013/14 and 2014/15 (in real prices)



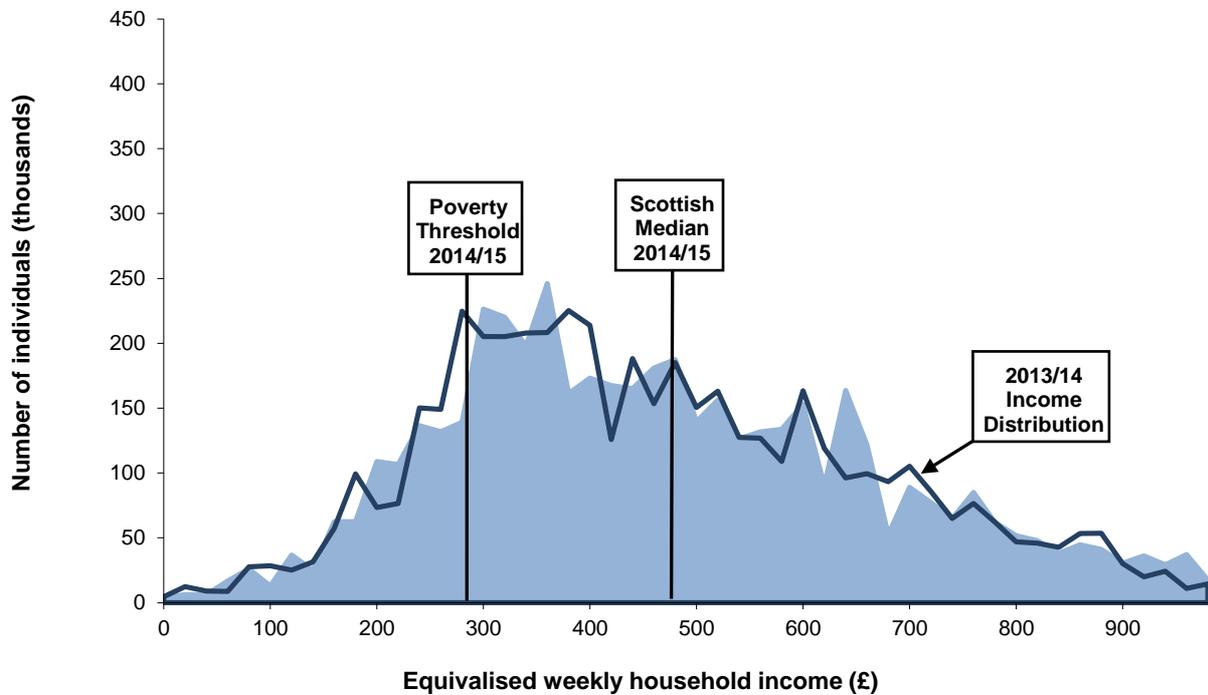
Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A10](#)).

In 2014/15, the top decile saw the largest percentage increase at six per cent compared to the previous year. This was mainly due to non-earnings income increasing for this group. Incomes increased for all other deciles apart from the bottom, which saw a slight decrease of £1 per week. Income for households near the median increased by 3 per cent, £14 per week. In comparison, a six per cent increase in the top decile is an increase of £51 per week.

Chart 11 below shows the distribution of weekly income across Scotland in 2014/15. The shaded area shows the shape of the 2014/15 income distribution and the black lines show

the Scottish median income (£478) and the relative poverty threshold BHC (£284). The dark blue line superimposed shows the 2013/14 income distribution for comparison.

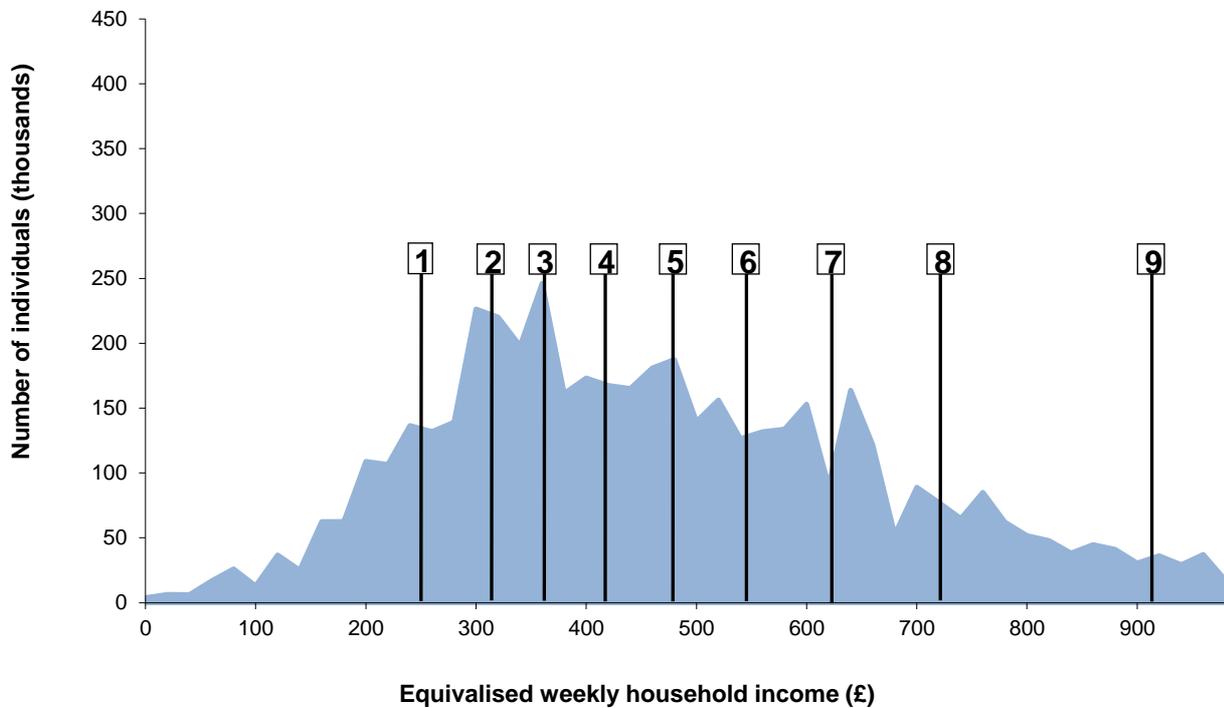
Chart 11 – Distribution of weekly household income with Scottish median and relative poverty threshold BHC – 2014/15



Source: HBAI dataset, DWP.

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

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



Source: HBAI dataset, DWP.

The relative poverty threshold BHC is based on the UK median equivalised household income. In 2014/15, UK median income increased and so the poverty threshold also increased, by £9. This means that those on low incomes need a higher income in 2014/15 to be above the poverty threshold, reflecting the greater increases in income for middle income households compared with low income households.

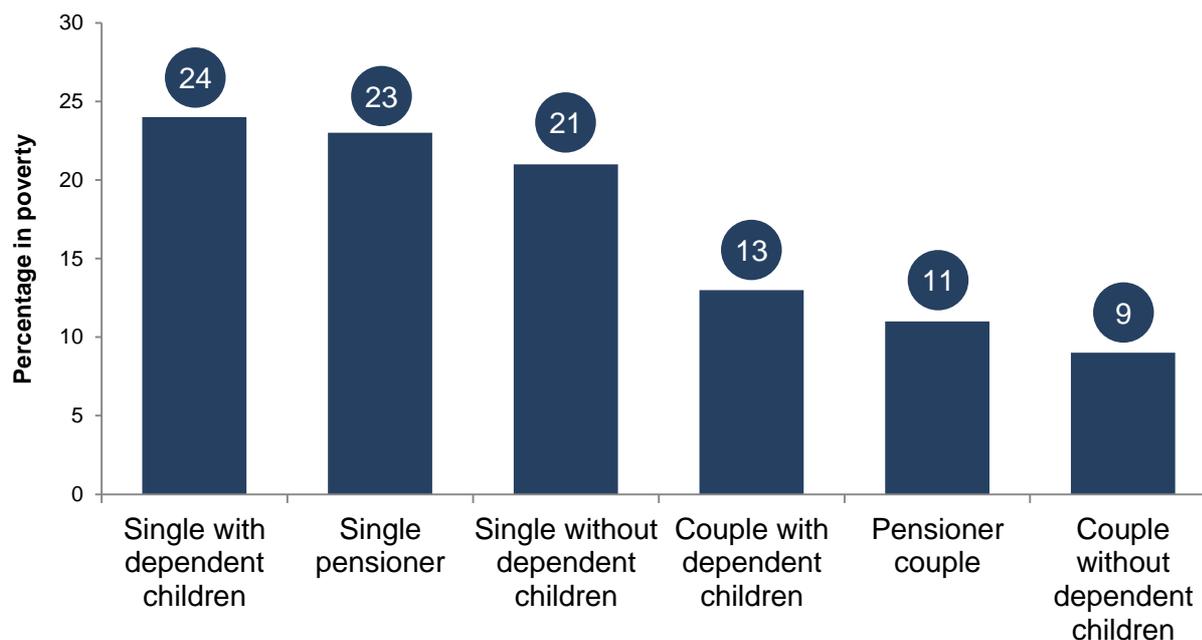
Chapter 3: Household characteristics and income distribution

3.1 Household composition

Key points:

- Lone parents saw the largest increase in relative poverty BHC, increasing by nine percentage points to 24 per cent. Lone parents had seen the largest decrease in relative poverty BHC in 2013/14 but are once again the family type with the highest risk of poverty.
- The bottom five deciles all saw an increase in the percentage of households with at least one adult in employment. However, for the bottom two deciles this was driven by increases in part-time employment. The largest increases in the percentage of households where all adults are in full-time work were from the third to the seventh decile.
- The bottom decile saw the largest decrease in the percentage of households with no adults in employment and one or more adults unemployed. This was accompanied by an increase in those in part-time employment but also by an increase in households where all adults were economically inactive and a decrease in full-time employment.
- 58 per cent of those in the bottom decile are in households with no adults in employment, a decrease of four percentage points on the previous year. This reflects the move into employment and the decrease in the number of workless households.
- However, families with someone in employment make up 51 per cent of those in the bottom three deciles, an increase of five percentage points on the previous year, reflecting that the move into employment for those in lower income households has predominantly been into part-time employment.

Chart 13 – Risk of poverty BHC by household type – 2014/15



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A11](#)).

Commentary:

Lone parents saw the largest increase in relative poverty BHC, increasing by 9 percentage points to 24 per cent in 2014/15. This follows a large decrease in the risk of poverty for lone parents in 2013/14. The decrease in 2013/14 had largely been the result of lone parents moving into employment, however the increase this year is mainly driven by more lone parents working part-time and those that are unemployed or economically inactive (this includes lone parents whose youngest child is younger than five years who are not required to seek employment).

There was a higher percentage of single adult households (both with and without children) towards the lower end of the income distribution. Single people without dependent children make up 31 per cent of those in the lowest decile, and around 20 per cent or less in the other deciles. Similarly, lone parent households are concentrated in the lower income deciles, with 59 per cent in the bottom 30 per cent.

There were also more single pensioners towards the lower end of the income distribution, representing 12 per cent of the bottom decile compared to four per cent of each of the top 3 deciles. Relative poverty BHC for single pensioners increased to 23 per cent, a two percentage point increase, making single pensioners the group with the second highest risk of poverty, just below the level for lone parents.

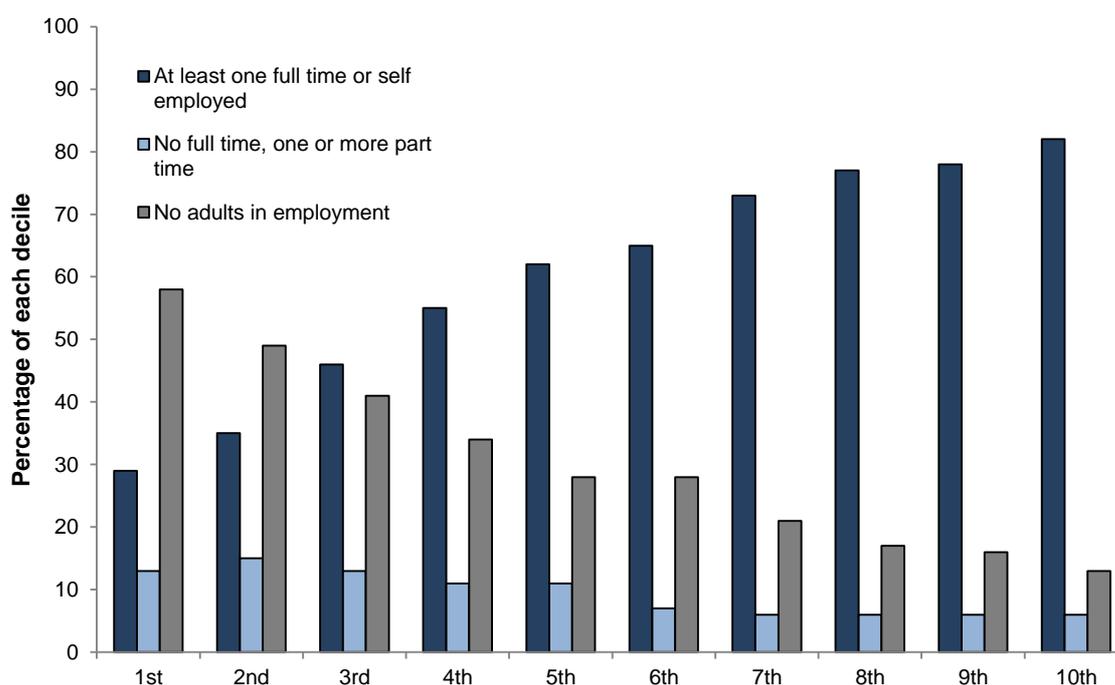
Couple households without children were the most likely to be at the top end of the income distribution, while those with children are more likely to be near the median. Couple households may be more able to increase household income than single person households, as there is the potential for earnings for two adults. Households without children may be more able to work more hours and have greater flexibility in the labour market, as well as their income not being shared with direct dependants. Households

without children are also able to move out of the welfare system quickly, at which point any increases in earnings do not trigger decreases in benefit income.

3.2 Household economic status

Chart 14 below shows the employment characteristics of households in each decile. Each bar represents the percentage of people in that decile living in each of the following households types: at least one adult in full-time employment, part-time employment only, no adults in employment (whether due to unemployment, not actively seeking employment, or retirement).

Chart 14 – Economic status of household, composition of each decile in 2014/15



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A13](#)).

Commentary:

While employment remains the best route out of poverty, employment is no longer a protection against poverty. In 2014/15, 55 per cent of working age adults in relative poverty BHC were living in working households, an increase of seven percentage points on 2013/14. The rate was higher for children, with 67 per cent of children in poverty living in a household with at least one adult in employment, an increase of 12 percentage points compared to the previous year. This is largely due to increases in employment for those on low income. However, the increase in employment was mainly due to a move towards households where adults were employed part-time only, particularly for those in the bottom two deciles. The percentage of households in the bottom two deciles with adults in part-time employment increased by 6 percentage points in 2014/15.

Having an adult in the household in full-time employment (including those who are self-employed) greatly reduces the risk of poverty. In 2014/15, only eight per cent of people living in a household with an adult in full-time employment were in relative poverty BHC, one percentage point more than in 2013/14. Relative poverty AHC for households with an adult in full-time employment increased to 10 per cent, but still represents a lower risk of poverty for those in full-time employment.

Households where no-one is working either through unemployment, retirement or economic inactivity (those who are neither in work, nor looking for work) were more common towards the bottom of the income distribution. Almost half (49 per cent) of people in the bottom three income deciles were in households where no-one is in employment, compared to 15 per cent in the top three deciles.

People in households where at least one adult is working full-time (including those who are self-employed) made up 79 per cent of those in the top three deciles, a decrease of four percentage points compared to 2013/14. However, households where at least one adult is working full-time still made up 37 per cent of those in the bottom three deciles, an increase of one percentage point on the previous year.

Fifty-eight per cent of those in the bottom decile were in households with no adults in employment, a decrease of four percentage points on the previous year. Unemployment continues to pose the highest risk of poverty with 60 per cent of those living in an unemployed household being in relative poverty BHC in 2014/15.

Annexes

Annex 1: Tables	44
Annex 2: Methodological changes in 2014/15	59
Annex 3: Data Sources and Definitions	65
Annex 4: Where to Find More Information	72

Annex 1: Tables

Table A1: Relative poverty (below 60% of UK median income in the same year) in Scottish households: 1994/95 to 2014/15

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	21	1,040	23	1,140	28	310	30	330	17	510	18	560	26	220	29	250
1995/96	20	980	23	1,150	27	300	32	350	14	440	18	540	28	240	30	260
1996/97	22	1,090	25	1,230	31	340	33	360	16	490	19	580	30	260	33	290
1997/98	20	1,000	22	1,120	30	330	31	330	16	470	18	540	24	210	28	250
1998/99	20	990	23	1,130	28	300	31	330	15	460	19	570	26	230	27	230
1999/00	21	1,050	24	1,190	28	300	32	350	17	510	20	600	27	240	28	250
2000/01	21	1,040	25	1,220	27	280	32	340	18	540	22	650	24	220	25	220
2001/02	19	960	22	1,110	27	280	31	330	16	490	19	570	21	190	24	210
2002/03	20	1,000	22	1,110	24	250	27	280	18	530	20	610	23	210	25	230
2003/04	18	910	20	1,010	23	230	26	270	16	480	18	560	22	200	20	180
2004/05	17	860	19	960	21	210	25	250	15	460	18	560	20	190	16	150
2005/06	17	870	19	980	21	210	24	240	15	480	19	590	19	180	16	150
2006/07	17	840	19	940	21	210	25	250	14	440	18	550	19	180	15	140
2007/08	17	860	19	950	19	190	24	240	15	460	18	570	21	210	15	150
2008/09	17	860	19	960	21	210	25	250	16	490	19	600	16	160	11	110
2009/10	17	870	19	970	20	200	25	250	16	510	19	600	16	160	12	120
2010/11	15	770	17	900	17	170	21	210	14	440	18	560	16	160	12	120
2011/12	13	700	16	860	15	150	19	190	13	410	17	550	14	140	12	120
2012/13	16	820	19	1,000	19	180	22	220	15	480	21	660	15	150	11	120
2013/14	14	730	18	940	14	140	22	220	13	430	19	600	15	160	12	120
2014/15	15	800	18	940	17	160	22	220	15	470	19	600	15	160	12	120

Source: HBAI dataset, DWP.

Table A2: Absolute poverty (below 60 per cent of inflation adjusted 2010/11 UK median income) in Scottish households: 1994/95 to 2014/15

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	37	1,830	39	1,930	44	490	48	530	29	870	31	940	55	480	54	470
1995/96	38	1,900	40	1,990	49	540	51	570	29	890	31	960	55	470	54	470
1996/97	36	1,790	39	1,930	46	500	50	540	27	820	31	930	53	460	52	450
1997/98	33	1,630	35	1,730	43	470	47	510	25	760	28	840	46	400	44	380
1998/99	31	1,560	33	1,630	40	430	41	440	25	750	27	820	43	380	42	370
1999/00	31	1,520	32	1,600	39	410	41	440	24	740	27	800	42	370	40	350
2000/01	28	1,380	30	1,470	35	370	37	390	23	700	26	780	34	300	33	290
2001/02	25	1,250	26	1,290	35	370	36	380	20	610	22	650	30	270	29	260
2002/03	23	1,140	25	1,230	28	290	30	310	19	590	22	660	30	270	30	270
2003/04	20	1,000	22	1,080	25	260	27	280	17	520	19	580	25	230	23	220
2004/05	19	930	20	1,000	23	230	26	260	16	500	19	570	22	200	18	170
2005/06	19	940	20	1,020	23	230	25	250	17	510	20	610	22	200	17	160
2006/07	17	860	19	930	22	220	25	250	15	450	18	550	20	190	15	140
2007/08	17	860	18	930	19	190	23	230	15	460	18	550	21	210	15	140
2008/09	17	840	19	950	21	210	25	250	15	480	19	590	16	150	11	110
2009/10	16	840	18	940	19	190	24	240	16	490	19	590	15	150	12	120
2010/11	15	770	17	900	17	170	21	210	14	440	18	560	16	160	12	120
2011/12	15	760	17	890	16	160	20	200	14	440	18	560	15	160	13	130
2012/13	16	850	20	1,050	19	190	24	230	16	500	21	680	16	160	12	130
2013/14	14	750	18	960	14	140	23	230	14	450	19	610	16	160	12	130
2014/15	14	760	17	890	16	150	21	200	14	460	18	580	14	140	10	110

Source: HBAI dataset, DWP.

Table A3: Children in combined material deprivation and low income BHC (below 70 per cent of UK median income in the same year) in Scottish households: 2004/05 to 2014/15

	%	000s		%	000s
2004/05	17	170	2004/05	-	-
2005/06	13	130	2005/06	-	-
2006/07	15	150	2006/07	-	-
2007/08	16	160	2007/08	-	-
2008/09	16	160	2008/09	-	-
2009/10	15	150	2009/10	-	-
2010/11	13	130	2010/11	12	120
2011/12	-	-	2011/12	9	90
2012/13	-	-	2012/13	11	110
2013/14	-	-	2013/14	13	130
2014/15	-	-	2014/15	10	100

Source: HBAI dataset, DWP.

Table A4: Children in combined material deprivation and low income AHC (below 70 per cent of UK median income in the same year) in Scottish households: 2004/05 to 2014/15

	%	000s		%	000s
2004/05	18	180	2004/05	-	-
2005/06	13	130	2005/06	-	-
2006/07	16	160	2006/07	-	-
2007/08	16	160	2007/08	-	-
2008/09	16	160	2008/09	-	-
2009/10	16	160	2009/10	-	-
2010/11	15	150	2010/11	13	130
2011/12	-	-	2011/12	10	100
2012/13	-	-	2012/13	12	120
2013/14	-	-	2013/14	14	140
2014/15	-	-	2014/15	12	120

Source: HBAI dataset, DWP.

Table A5: Pensioners over 65 in material deprivation in Scotland: 2009/10 to 2014/15

	%	000s
2009/10	10	80
2010/11	7	60
2011/12	8	70
2012/13	8	70
2013/14	9	80
2014/15	7	60

Source: HBAI dataset, DWP.

Table A6: In-work poverty (relative poverty BHC) in Scotland: 1998/99 to 2014/15
 Percentage of individuals in poverty in households with at least one adult in employment

	In in-work poverty		In in-work poverty		In in-work poverty	
	000s	%	000s	%	000s	%
1998/99	360	37	130	44	210	47
1999/00	350	33	120	40	210	41
2000/01	390	37	130	45	250	46
2001/02	370	38	130	46	230	46
2002/03	410	41	120	48	270	51
2003/04	330	36	100	42	220	46
2004/05	310	36	90	43	210	46
2005/06	370	43	110	54	250	52
2006/07	320	38	100	47	210	47
2007/08	340	39	90	47	220	48
2008/09	350	40	90	45	240	49
2009/10	330	38	80	42	230	46
2010/11	320	42	90	52	220	50
2011/12	290	41	80	52	200	48
2012/13	370	45	110	59	250	52
2013/14	290	40	80	56	210	48
2014/15	380	48	110	67	260	55

Source: HBAI dataset, DWP.

Table A7: In-work poverty (relative poverty AHC) in Scotland: 1998/99 to 2014/15
 Percentage of individuals in poverty in households with at least one adult in employment

	All People In in-work poverty		Children In in-work poverty		Working Age Adults In in-work poverty	
	000s	%	000s	%	000s	%
1998/99	440	39	150	45	280	49
1999/00	430	36	150	42	260	44
2000/01	500	41	160	48	330	50
2001/02	460	42	160	50	290	51
2002/03	480	43	140	50	330	54
2003/04	400	39	120	43	270	48
2004/05	400	41	110	45	280	49
2005/06	470	48	130	56	320	55
2006/07	400	43	120	49	270	50
2007/08	430	45	110	48	300	53
2008/09	450	47	130	52	310	52
2009/10	430	45	120	47	310	51
2010/11	430	48	110	55	300	54
2011/12	380	44	100	51	270	50
2012/13	510	51	130	56	370	56
2013/14	430	46	120	56	300	51
2014/15	500	53	140	66	350	58

Source: HBAI dataset, DWP.

Table A8: Median equivalised weekly household income in Scotland: 1994/95 to 2014/15 (2014/15 prices)

	Before Housing Costs	After Housing Costs
1994/95	338	286
1995/96	337	281
1996/97	350	293
1997/98	366	309
1998/99	370	316
1999/00	383	326
2000/01	392	338
2001/02	413	357
2002/03	418	369
2003/04	441	395
2004/05	446	395
2005/06	446	397
2006/07	449	397
2007/08	463	415
2008/09	470	421
2009/10	477	425
2010/11	460	408
2011/12	461	404
2012/13	455	403
2013/14	464	415
2014/15	478	422

Source: HBAI dataset, DWP.

Table A9: Median equivalised weekly household income in Scotland: 1994/95 to 2014/15 (2014/15 prices)

Children, working age adults and pensioners

	Children		Working Age Adults		Pensioners	
	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs
1994/95	301	247	390	325	256	223
1995/96	288	232	382	315	262	223
1996/97	296	238	403	337	262	229
1997/98	308	248	413	345	290	262
1998/99	331	275	413	353	303	265
1999/00	322	269	426	363	308	278
2000/01	341	295	424	365	329	300
2001/02	352	306	460	402	340	319
2002/03	379	325	468	407	342	316
2003/04	411	355	482	426	359	333
2004/05	401	339	495	431	373	351
2005/06	411	352	496	433	374	357
2006/07	406	352	502	439	373	360
2007/08	426	370	509	450	386	377
2008/09	418	354	516	454	404	396
2009/10	441	383	522	465	414	394
2010/11	421	365	498	434	411	392
2011/12	411	357	493	429	407	387
2012/13	409	351	487	420	418	402
2013/14	406	352	507	443	406	395
2014/15	427	365	509	443	448	424

Source: HBAI dataset, DWP.

Table A10: Equivalised weekly household income (BHC) in Scotland: 1994/95 to 2014/15 (2014/15 prices)

	Scottish 1st income decile	Scottish 2nd income decile	Scottish 3rd income decile	Scottish 4th income decile	Scottish 5th income decile	Scottish 6th income decile	Scottish 7th income decile	Scottish 8th income decile	Scottish 9th income decile
1994/95	168	202	244	291	338	394	448	538	653
1995/96	174	208	244	292	337	385	451	530	662
1996/97	175	210	251	296	350	405	463	550	675
1997/98	180	221	264	310	366	417	485	572	717
1998/99	184	227	270	321	370	422	498	580	736
1999/00	190	230	275	324	383	440	509	609	761
2000/01	199	240	286	336	392	442	513	611	767
2001/02	214	258	308	357	413	473	541	633	834
2002/03	208	262	311	364	418	478	550	640	802
2003/04	221	276	335	391	441	501	570	668	812
2004/05	228	286	335	386	446	508	582	684	829
2005/06	226	284	338	393	446	508	582	691	856
2006/07	236	290	341	397	449	517	593	700	872
2007/08	232	296	349	403	463	530	607	724	912
2008/09	233	299	352	406	470	544	620	731	920
2009/10	240	302	358	421	477	544	626	725	923
2010/11	248	307	359	409	460	526	600	701	871
2011/12	248	307	353	403	461	521	598	692	848
2012/13	229	294	345	400	455	512	589	698	879
2013/14	246	303	354	403	464	528	605	704	861
2014/15	245	312	362	417	478	542	621	721	912

Source: HBAI dataset, DWP.

Table A11: Household type by equivalised income decile in Scotland: 2014/15

Income decile	Pensioner couple		Single pensioner		Couple with dependent children		Single with dependent children		Couple without dependent children		Single without dependent children	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	40	7	60	12	140	26	50	9	80	14	160	31
2	70	13	70	13	140	26	100	19	50	10	100	19
3	70	14	70	12	150	29	90	16	60	11	90	17
4	80	15	50	9	180	35	60	11	50	10	100	19
5	60	11	40	7	210	41	50	9	70	12	100	20
6	80	16	50	9	160	31	30	5	90	17	110	22
7	70	14	30	6	180	34	20	3	110	20	120	22
8	60	12	20	4	170	32	10	1	150	28	110	22
9	80	15	20	4	160	30	10	1	160	31	100	20
10	70	14	20	4	150	29	0	1	200	38	70	14
Total	690	13	420	8	1,650	31	400	8	1,010	19	1,080	21

Source: HBAI dataset, DWP.

Table A12: Economic status of households by equivalised income decile in Scotland: 2014/15

Income decile	One or more self employed		Single/couple all in full time work		Couple/one in full time, one part time		Couple, one full time one not working		No full time, one or more part time		No adult in employment, head or spouse aged 60 or over		No adult in employment, head or spouse unemployed		No adult in employment, other inactive	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	70	14	40	7	10	2	30	6	70	13	110	20	80	15	120	22
2	40	8	40	8	10	2	90	16	80	15	140	27	20	4	100	18
3	60	11	70	14	50	10	60	11	70	13	140	26	10	3	60	12
4	60	11	110	21	70	14	40	8	60	11	120	23	10	2	50	9
5	30	6	150	29	100	19	40	7	60	11	100	18	10	2	40	7
6	30	6	180	33	100	18	40	8	40	7	120	23	0	0	20	5
7	40	7	220	43	80	15	40	8	30	6	80	16	0	0	20	5
8	40	8	260	50	70	13	30	6	30	6	70	13	0	0	20	3
9	60	11	230	44	90	16	30	6	30	6	70	13	0	0	20	3
10	80	15	240	46	70	13	30	7	30	6	50	10	0	1	10	2
Total	510	10	1,560	30	650	12	430	8	500	10	990	19	140	3	460	9

Source: HBAI dataset, DWP.

Table A13: Full-time, part-time and not in employment by equivalised income decile in Scotland: 1994/95 to 2014/15

	At least one full time or self employed		No full time, one or more part time		No adults in employment	
	000s	%	000s	%	000s	%
1st	150	29	70	13	300	58
2nd	190	35	80	15	260	49
3rd	240	46	70	13	220	41
4th	290	55	60	11	180	34
5th	320	62	60	11	140	28
6th	340	65	40	7	150	28
7th	380	73	30	6	110	21
8th	400	77	30	6	90	17
9th	410	78	30	6	80	16
10th	430	82	30	6	70	13
Total	3,160	60	500	10	1,590	30

Source: HBAI dataset, DWP.

Table A14: Palma ratio for Scotland: 1994/95 to 2014/15

1994/95	114
1995/96	111
1996/97	111
1997/98	120
1998/99	115
1999/00	128
2000/01	136
2001/02	114
2002/03	117
2003/04	116
2004/05	107
2005/06	117
2006/07	122
2007/08	130
2008/09	135
2009/10	134
2010/11	113
2011/12	118
2012/13	115
2013/14	112
2014/15	115

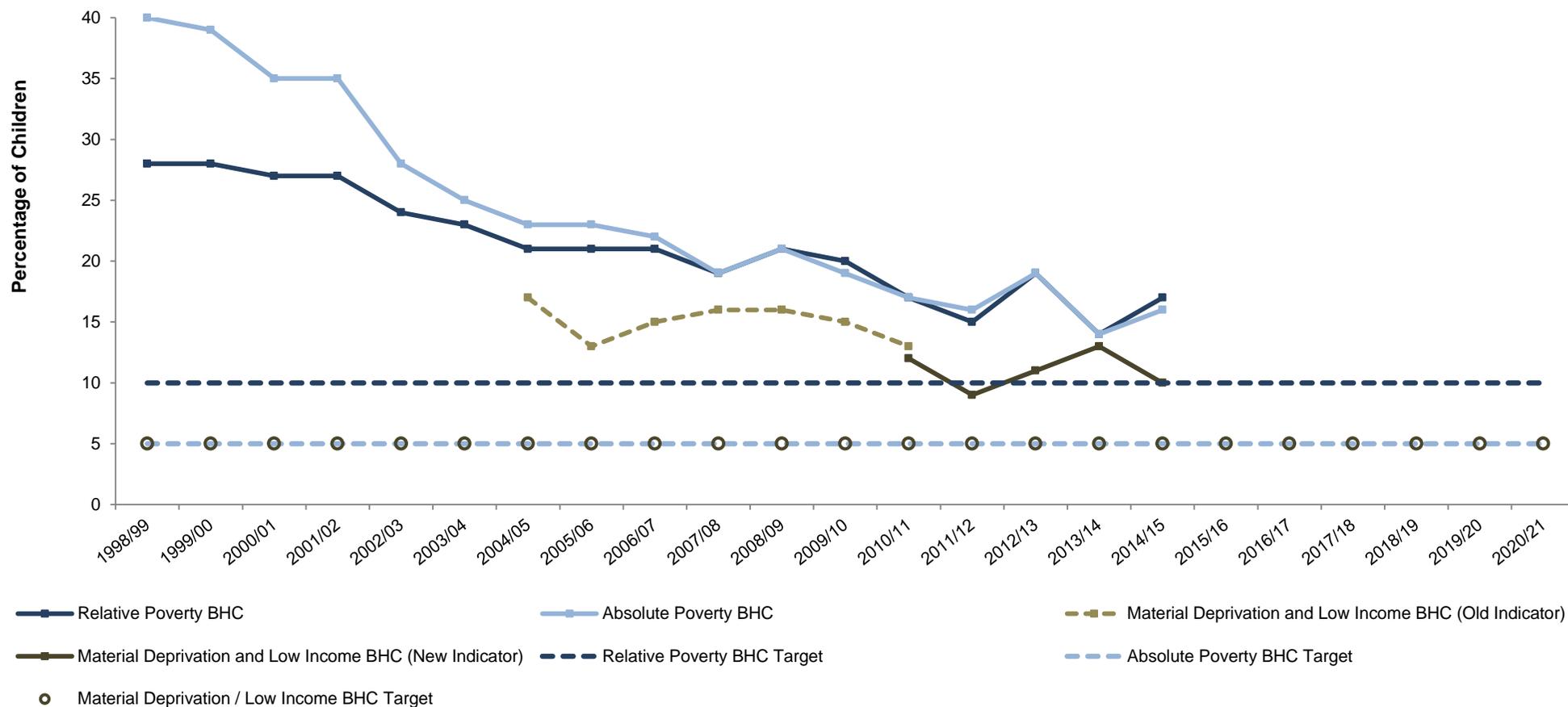
Source: HBAI dataset, DWP.

Table A15: Gini coefficient for Scotland: 1994/95 to 2014/15

1994/95	31
1995/96	30
1996/97	30
1997/98	32
1998/99	31
1999/00	33
2000/01	34
2001/02	31
2002/03	31
2003/04	31
2004/05	30
2005/06	31
2006/07	32
2007/08	33
2008/09	34
2009/10	33
2010/11	30
2011/12	31
2012/13	31
2013/14	30
2014/15	31

Source: HBAI dataset, DWP.

Chart A1 – Summary of measures previously included within the Child Poverty Act 2010



Source: HBAI dataset, DWP.

Notes:

1. The Welfare Reform and Work Act 2016 repealed the four targets included in the Child Poverty Act 2010. This publication updates three of the four measures used to monitor progress and so these are summarised in this chart for reference.
2. Changes in the material deprivation questions in 2010/11 created a break in the series. Data for 2010/11 onwards is not directly comparable with that prior to 2010/11. Further information is available in [Annex 2](#).

Annex 2: Methodological changes in 2014/15

The methodological change introduced in the 2014/15 poverty and income inequality estimates is a move from an RPI to CPI inflation measure.

- **Inflation measure:** Variants of the Consumer Price Index (CPI) replaced use of the Retail Prices Index (RPI). Further detail on the reasons for this change are available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/519332/dwp-family-household-income-stats-adjusting-for-inflation-statistical-notice.pdf

Impact of changing the inflation measure:

Inflation is used to adjust incomes in three main ways:

- To present incomes in real terms i.e. adjusted in line with inflation to the current publication year;
- To adjust thresholds for absolute low incomes measures;
- To deflate in-year incomes to a common point in the year so that respondents interviewed at the start and end of the year have their incomes evaluated on a consistent basis.

Absolute poverty estimates:

The impact of the move to a CPI variant inflation measure is detailed below. CPI tends to be lower than RPI on average. The move to a CPI variant inflation measure generally decreases real terms income prior to 2014/15 (with the largest differences in earlier years), increases the percentage and number of people in absolute low income prior to 2010/11 (with the largest differences in earlier years), and decreases the percentage and number in absolute low income from 2011/12 to 2014/15.

Table A16 below reports the absolute poverty estimates, by population group, deflated by the (old) RPI variant deflator.

Table A17 below shows the difference in the number and rate of people in absolute poverty with the change in deflator from RPI to CPI.

Table A16: Absolute poverty in Scottish households: 1994/95 to 2014/15: RPI variant inflation measure

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	32	1,580	34	1,720	38	420	42	460	24	740	28	840	48	420	48	420
1995/96	32	1,610	36	1,810	42	470	47	520	24	720	28	860	48	420	49	420
1996/97	31	1,550	35	1,740	40	440	46	500	23	700	27	820	47	410	48	420
1997/98	28	1,400	31	1,570	39	420	43	470	22	650	25	750	37	320	40	350
1998/99	28	1,390	30	1,520	36	390	39	420	22	660	25	750	39	340	39	340
1999/00	27	1,330	30	1,480	34	360	38	410	22	650	24	740	36	310	38	330
2000/01	25	1,220	27	1,360	31	330	35	380	20	620	24	730	31	270	29	260
2001/02	22	1,070	24	1,210	30	310	34	360	18	530	20	610	25	220	27	240
2002/03	20	1,010	23	1,120	25	250	27	280	18	540	20	620	24	220	25	230
2003/04	19	930	20	990	24	240	26	260	16	490	18	550	22	200	19	180
2004/05	17	860	18	920	21	210	24	240	15	460	18	540	20	180	14	130
2005/06	17	860	18	900	21	210	23	230	15	470	18	560	19	180	13	120
2006/07	16	800	17	840	21	210	22	220	14	430	16	500	17	170	12	120
2007/08	16	830	17	880	19	190	22	220	14	450	17	530	20	190	13	130
2008/09	16	820	18	900	20	200	24	240	15	470	18	570	15	150	10	100
2009/10	15	790	17	890	18	180	22	220	15	470	18	570	15	150	10	100
2010/11	15	770	17	900	17	170	21	210	14	440	18	570	16	160	12	120
2011/12	15	780	18	950	17	170	22	220	14	450	18	590	16	160	14	140
2012/13	17	880	21	1,100	20	200	25	250	16	510	22	710	16	170	13	140
2013/14	15	800	20	1,030	16	150	24	240	15	480	20	650	17	170	14	140
2014/15	15	800	19	970	17	160	23	230	15	470	19	610	16	160	13	130

Table A17: Absolute poverty in Scottish households: 1994/95 to 2014/15: Difference in estimates using CPI variant deflator and RPI variant inflation measure

	All individuals				Children				Working Age Adults				Pensioners						
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs				
	%	000s	%	000s															
1994/95	5	250	5	210	0	6	70	6	70	0	5	130	3	100	0	7	60	6	50
1995/96	6	290	4	180	0	7	70	4	50	0	5	170	3	100	0	7	50	5	50
1996/97	5	240	4	190	0	6	60	4	40	0	4	120	4	110	0	6	50	4	30
1997/98	5	230	4	160	0	4	50	4	40	0	3	110	3	90	0	9	80	4	30
1998/99	3	170	3	110	0	4	40	2	20	0	3	90	2	70	0	4	40	3	30
1999/00	4	190	2	120	0	5	50	3	30	0	2	90	3	60	0	6	60	2	20
2000/01	3	160	3	110	0	4	40	2	10	0	3	80	2	50	0	3	30	4	30
2001/02	3	180	2	80	0	5	60	2	20	0	2	80	1	40	0	5	50	2	20
2002/03	3	130	2	110	0	3	40	3	30	0	1	50	2	40	0	6	50	5	40
2003/04	1	70	2	90	0	1	20	1	20	0	1	30	1	30	0	3	30	4	40
2004/05	2	70	2	80	0	2	20	2	20	0	1	40	1	30	0	2	20	4	40
2005/06	2	80	2	120	0	2	20	2	20	0	2	40	2	50	0	3	20	4	40
2006/07	1	60	2	90	0	1	10	3	30	0	1	20	2	50	0	3	20	3	20
2007/08	1	30	1	50	0	0	0	1	10	0	1	10	1	20	0	1	20	2	10
2008/09	1	20	1	50	0	1	10	1	10	0	0	10	1	20	0	1	0	1	10
2009/10	1	50	1	50	0	1	10	2	20	0	1	20	1	20	0	0	0	2	20
2010/11	0	0	0	0	0	0	0	0	0	0	0	0	0	-10	0	0	0	0	0
2011/12	0	-20	-1	-60	0	-1	-10	-2	-20	0	0	-10	0	-30	0	-1	0	-1	-10
2012/13	-1	-30	-1	-50	0	-1	-10	-1	-20	0	0	-10	-1	-30	0	-1	-10	-1	-10
2013/14	-1	-50	-2	-70	0	-2	-10	-1	-10	0	-1	-30	-1	-40	0	-1	-10	-2	-10
2014/15	-1	-40	-2	-80	0	-1	-10	-2	-30	0	-1	-10	-1	-30	0	-2	-20	-3	-20

Relative poverty estimates:

The inflation measure is used to deflate in-year incomes to a common point in the year so that respondents interviewed at the start and end of the year have their incomes evaluated on a consistent basis.

The change from an RPI to CPI variant inflation measure has very little effect on the relative poverty measure. In a small number of years, the rate of relative poverty changes by one percentage point, and the number of people in poverty changes by 10 thousand. This largely reflects the rounding policy applied to the estimates, which are rounded to the nearest 10 thousand people. Rates of relative poverty are rounded to the nearest whole number. Where changes have occurred in the rates of relative poverty, these are less than half a percentage point.

Table A18 below reports the relative poverty estimates, by population group, with in-year incomes deflated by the (old) RPI variant deflator.

Table A19 below shows the difference in the number and rate of people in absolute poverty with the change in deflator from RPI to CPI.

Table A18: Relative poverty in Scottish households: 1994/95 to 2014/15: RPI variant inflation measure

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	21	1,040	23	1,140	28	310	30	330	17	510	18	560	26	220	29	250
1995/96	20	980	23	1,160	27	300	32	360	14	440	18	540	28	240	31	270
1996/97	22	1,090	25	1,230	31	340	33	360	16	490	19	580	30	260	33	290
1997/98	20	1,000	22	1,120	30	330	31	330	16	470	18	540	24	210	28	250
1998/99	20	980	23	1,130	28	300	31	330	15	450	19	570	26	230	27	230
1999/00	21	1,050	24	1,200	28	300	32	350	17	510	20	600	27	240	28	250
2000/01	21	1,040	24	1,220	27	280	32	340	18	540	22	650	24	210	25	220
2001/02	19	960	22	1,110	27	280	31	330	16	490	19	570	21	190	24	210
2002/03	20	1,000	22	1,120	24	250	27	280	18	530	20	610	23	210	25	230
2003/04	18	910	20	1,010	23	240	26	270	16	480	18	560	22	200	20	180
2004/05	17	860	19	960	21	210	25	250	15	460	18	560	20	180	16	150
2005/06	17	870	20	980	21	210	24	240	15	470	19	590	20	180	16	150
2006/07	17	840	19	940	22	210	25	250	14	440	18	550	19	180	15	140
2007/08	17	870	19	960	20	190	24	240	15	470	18	570	21	210	15	150
2008/09	17	860	19	960	21	210	26	250	16	490	19	600	16	160	11	110
2009/10	17	870	19	970	20	200	24	240	16	500	19	600	16	170	12	120
2010/11	15	770	17	900	17	170	21	210	14	440	18	570	16	160	12	120
2011/12	14	710	16	860	15	150	19	190	13	410	17	550	14	140	12	120
2012/13	16	820	19	1,000	19	180	22	220	15	480	21	660	15	150	11	120
2013/14	14	730	18	940	14	140	22	210	14	440	19	600	15	160	12	120
2014/15	15	800	18	940	17	160	22	210	15	470	19	600	15	160	12	120

Table A19: Relative poverty in Scottish households: 1994/95 to 2014/15: Difference in estimates of relative poverty using CPI variant and RPI variant inflation measures.

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s												
1994/95	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1995/96	-1	0	0	-10	0	0	0	-10	0	0	0	0	0	0	-1	-10
1996/97	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1997/98	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1998/99	0	10	0	0	0	0	0	0	0	10	0	0	0	0	0	0
1999/00	0	0	0	-10	0	0	0	0	0	0	0	0	0	0	0	0
2000/01	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0
2001/02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002/03	0	0	0	-10	0	0	0	0	0	0	0	0	0	0	0	0
2003/04	0	0	0	0	0	-10	0	0	0	0	0	0	0	0	0	0
2004/05	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0
2005/06	0	0	-1	0	0	0	0	0	0	10	0	0	-1	0	0	0
2006/07	0	0	0	0	-1	0	0	0	0	0	0	0	0	0	0	0
2007/08	0	-10	0	-10	-1	0	0	0	0	-10	0	0	0	0	0	0
2008/09	0	0	0	0	0	0	-1	0	0	0	0	0	0	0	0	0
2009/10	0	0	0	0	0	0	1	10	0	10	0	0	0	-10	0	0
2010/11	0	0	0	0	0	0	0	0	0	0	0	-10	0	0	0	0
2011/12	-1	-10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012/13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013/14	0	0	0	0	0	0	0	10	-1	-10	0	0	0	0	0	0
2014/15	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0

Annex 3: Data Sources and Definitions

Data sources

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

All the figures in this publication come from the Department for Work and Pensions' (DWP) Households Below Average Income dataset which is produced from the Family Resources Survey. UK figures are published by DWP in 'Households Below Average Income: 2014/15' on the same day as 'Poverty and Income Inequality in Scotland: 2014/15'. For the UK figures, as well as more detail about the way these figures are collected and calculated, see the DWP website:

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

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

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

Future plans for updating persistent poverty figures

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

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PersistentPoverty>.

The BHPS has been subsumed into the larger Understanding Society survey from the start of 2009. These figures will be updated in early 2017. For more detail see

www.understandingsociety.org.uk.

What does the HBAI measure?

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

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

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

Housing Costs

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

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

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

Definitions

Measures of income

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

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

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

support payments made; and parental contributions to students living away from home.

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

Real prices

Unless otherwise stated, all figures relating to income are in 2014/15 prices. Values from previous years are updated to account for inflation using the Consumer Price Index (CPI). This is a change from previous years when the Retail Price Index was used. In January 2013, the National Statistician announced that, in accordance with the Statistics and Registration Service Act 2007, the RPI and its derivatives had been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics.

In May 2013, Paul Johnson, Director of the Institute for Fiscal Studies, was invited by the UK Statistics Authority (UKSA) to lead a review into UK price indices, to consider what changes are needed to the range of consumer price statistics produced for the UK to best meet current and future user needs.

The UKSA published a consultation document on consumer price statistics, following the Johnson Review, on 15th June 2015 which closed on 15th September 2015. A summary of responses to the consultation has been published and is now being considered by the UKSA.

On 9th March 2016 the National Statistician, John Pullinger, wrote to the Chair of the UKSA, Sir Andrew Dilnot, setting out his views on the future of consumer price statistics in the UK. His view was that RPI "is not a good measure of inflation" and that future usage is strongly discouraged in favour of alternative measures.

Over recent years, the use of RPI in our publications has been consistent with the DWP HBAI methodology. Following the change in HBAI methodology in 2014/15, the Scottish Government adopted the change in deflator to allow consistent poverty estimates for Scotland and the UK.

Full details can be found at the link below:

[Methodological changes to poverty statistics](#)

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

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

and reduces relatively the incomes of households with three or more persons, which have an equivalence value of greater than one.

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

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

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

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

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

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

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

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PovertyMethodology>

Poverty measurement from the Family Resources Survey

Individuals are defined as being in poverty if their equivalised net disposable household income is below 60 per cent of the UK median. The median is the income value which divides a population, when ranked by income, into two equal sized groups. Since the mean is influenced considerably by the highest incomes, median income thresholds are widely accepted as a better benchmark when considering a derived measure for low income. Sixty per cent of the median is the most commonly used low income measure. For a couple with no children, the UK median income BHC in 2014/15 was £473 per week, which has increased by £15 in real terms since 2013/14. After housing costs the UK median also increased by £15 to £404 per week in 2014/15.

Consequently, the 60 per cent low income threshold, which is used to derive the low income household figures, has also increased in real terms, before and after housing costs. This means a household has to have a larger income in real terms to be above the poverty threshold.

Relative and absolute poverty

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

Material deprivation for Children

A suite of questions designed to capture the material deprivation experienced by households with children has been included in the Family Resources Survey since 2004/05. Respondents are asked whether they have 21 goods and services, including child, adult and household items. The list of items was identified by independent academic analysis. See McKay, S. and Collard, S. (2004). Together, these questions form the best discriminator between those households that are deprived and those that are not. If they do not have a good or service, they are asked whether this is because they do not want them or because they cannot afford them.

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

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

Changes to measuring material deprivation in 2010/11

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

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

For further information about material deprivation see the DWP [Households Below Average Income publication](#).

Material Deprivation for Pensioners

A suite of questions designed to capture the material deprivation experienced by pensioner households has been included in the Family Resources Survey since 2009/10. Respondents are asked whether they have access to 15 goods and services. The list of items was identified by independent academic analysis. See:

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

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

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

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

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

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

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

Population Coverage

The FRS is a survey of private households. This means that people in residential institutions, such as nursing homes, barracks, prisons or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here. The area of Scotland north of the Caledonian Canal was included in the FRS for the first time in the 2001/02 survey year, and from the 2002/03 survey year, the FRS was extended to include a 100 per cent boost of the Scottish sample. This has increased the sample size available for analysis at the Scottish level. Between 2002/03, the sample size has been around five thousand. However, following cost savings introduced to the FRS in 2010, the sample size in Scotland has reduced. It was approximately 3,300 in 2014/15. For further information see the DWP [Households Below Average Income publication](#).

Reliability of estimates

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

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PovertyMethodology/ConfidenceIntervals>

The Family Resources Survey publication:

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

contains information on topics such as:

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

Detailed HBAI definitions and methodology

More detailed information on definitions and methodology can be found in the DWP's publication:

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

Annex 4: Where to Find More Information

Further analysis:

This publication contains the headline poverty and income inequality statistics.

Further analysis based on the FRS and HBAI datasets is published by the Scottish Government during the year at:

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

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

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

jill.morton@gov.scot

or phone 0131 244 3004

Scottish Government websites:

The poverty statistics website contains a range of analysis on poverty and information about what the Scottish Government is doing to reduce poverty and income inequality:

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

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

<http://www.gov.scot/About/scotPerforms>

Confidence limits surrounding Scotland poverty estimates:

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PovertyMethodology/ConfidenceIntervals>

For further information on all Scottish Government statistics

<http://www.gov.scot/topics/statistics/>

Local Authority level analysis and other geographies in Scotland:

The figures presented here are from a sample survey which limits the analysis possible at smaller geographical areas. A few analyses are published for areas below Scotland level, (e.g. poverty in rural and urban areas), however it is not possible to produce reliable estimates at Local Authority level from this source

Information at Local Authority level is available from alternative sources. These can be found at:

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/incomepoverty/LApovertydata>

UK Government websites:

Family Resources Survey, Department for Work and Pensions

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

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

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

UK Government action on child poverty

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

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How to access background or source data

The data collected for this statistical bulletin:

cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.

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