

# Every child, every chance



# What is child poverty?

## The targets

The Child Poverty (Scotland) Act sets out four measures of relative poverty and statutory targets for Scotland to reach by 2030. These targets are:

Target	Description	Rationale
For less than 10% of children to be in <b>relative poverty</b>	The proportion of children living in households with incomes below 60% of the median (middle) UK income in the current year.	Recognises that individual and household needs are relative to societal standards of living and measures whether the incomes of the poorest households are keeping up with growth in average (middle) incomes in the current year.
For less than 5% of children to be in <b>absolute poverty</b>	The number of children living in households with incomes below 60% of the median UK income in 2010/11, adjusted for inflation.	Assessment of whether living standards at the bottom of the income distribution are rising or falling (keeping pace with inflation) irrespective of those elsewhere in the income distribution.
For less than 5% of children to be in <b>combined low income and material deprivation</b>	The number of children living in households with incomes below 70% of the median UK income AND going without certain basic goods and services (such as a warm winter coat, a holiday away from home, money to replace worn out furniture etc.)	Enables an analysis of a household's ability to use resources to buy essentials as well as of the income coming into the household.
For less than 5% of children to be in <b>persistent poverty</b>	The number of children who have lived in relative poverty in 3 of the last 4 years.	Living in poverty for a significant period of time is more damaging than brief periods spent with a low income.

**All data in this report uses three year averages of income data for the period 2013/14 to 2015/16. New data for 2016/17 was published on 22 March, but it was not possible to incorporate this into this analysis. A detailed explanation of the definition of income and material deprivation is included at the end of this document.**

# What are the drivers of child poverty?

The direct drivers of poverty fall into 3 main categories – income from employment, costs of living, and income from social security. These are summarised in Figure 1 and discussed in more detail below.

Figure 1 – Summary of direct drivers of child poverty

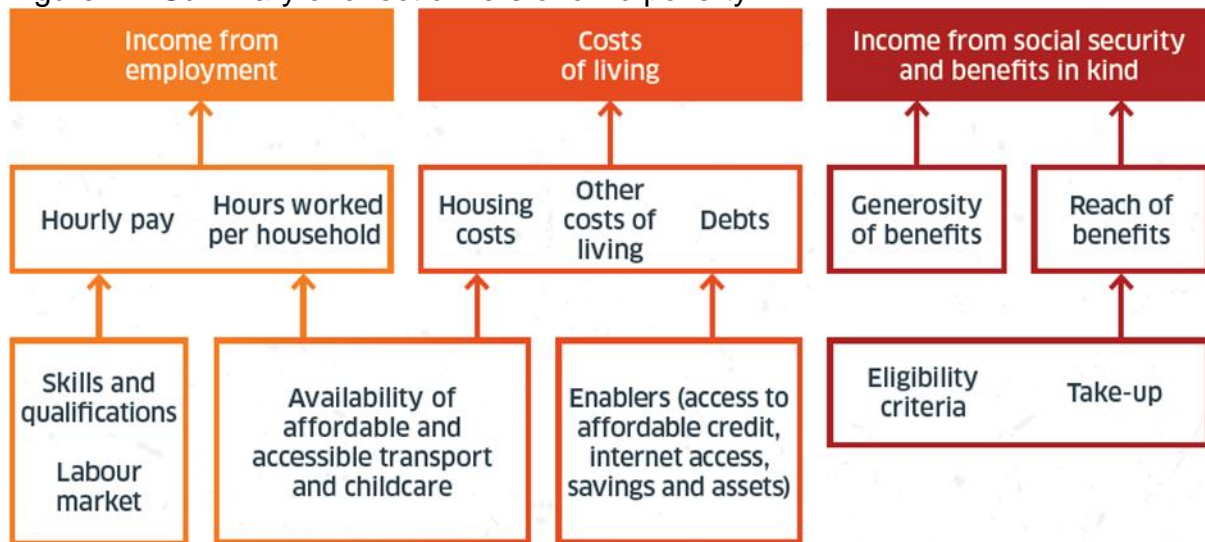


Figure 2 summarises which of these drivers influence which of the targets. Income from employment, income from social security and housing costs influence all four targets. Other costs of living influence the combined low income and material deprivation target.

Figure 2 – Summary of poverty drivers and which targets they influence

		DRIVERS			
		Income from employment	Costs of living		Income from social security and benefits in kind
			Housing costs	Other costs	
TARGETS	Relative poverty	✓	✓	✗	✓
	Absolute poverty	✓	✓	✗ <sup>1</sup>	✓
	Combined poverty and material deprivation	✓	✓	✓	✓
	Persistent poverty	✓	✓	✗	✓

We now look at each of these drivers in turn.

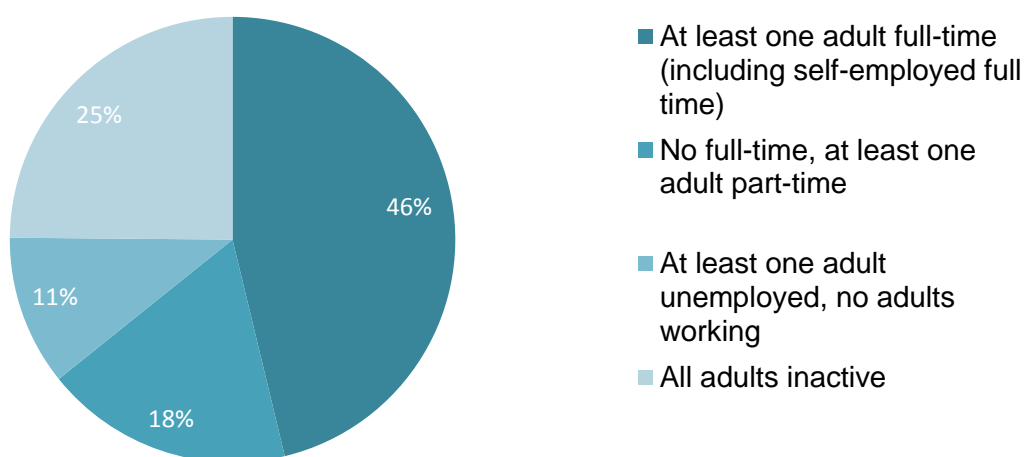
<sup>1</sup> It is theoretically possible for other costs of living to influence absolute poverty if they impact on measures of inflation, but this is unlikely.

## Income from employment

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Being in employment remains the most sustainable route out of poverty, but it is not a guarantee against poverty. The vast majority of children in poverty live in a household where at least one adult is in paid employment. The number of children in relative poverty where at least one adult is in full time paid employment exceeds the number of children in relative poverty in families where no one is in paid employment, as shown in Chart 1.

**Chart 1: Relative child poverty by economic status 2013/14 – 2015/16**



Source: Family Resources Survey

There are many children who live in poverty where one adult works full-time, but the second adult either works part-time or is not in paid employment. In households where all adults are in full-time paid employment, although the child poverty risk is much lower (less than 10% for relative poverty), it still exists. This highlights the importance of hourly pay in addition to hours worked per household.

Individuals with higher qualification levels and skills are much more likely to be in employment, and have better employment prospects and higher earnings. However, the number and type of jobs available in the labour market also has an impact on people's income, through the employment opportunities they have access to.

Education and skills policies that will benefit today's children, such as the efforts to close the attainment gap, should lead to an improvement in work prospects for older children who may become parents before 2030, and the next generation of parents and children beyond<sup>2</sup>. However, we must be clear here that in order to meet the

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<sup>2</sup> Taylor, M., T. Haux, and S. Pudney (2012), *Skills, employment, income inequality and poverty: theory, evidence and an estimation framework*, available [here](#)

targets, it is the skills and qualifications of parents (and people who may become parents by 2030) that are our primary focus.

In order for skills and training to be able to impact on income, suitable jobs need to be available in locations that are accessible to those who want them. Labour market conditions and ensuring a spread of good quality jobs is therefore of paramount importance for tackling poverty.

## Costs of living

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The 'cost of living' generally refers to the prices of goods and services considered essential to day-to-day life. The Joseph Rowntree Foundation's Minimum Income Standard (MIS)<sup>3</sup> includes the following categories of essentials: housing; household goods and services; transport; food and drink; clothing; personal goods and services; social and cultural participation; and childcare. Price increases have a particular impact on low income households as they spend a higher proportion of income on goods and services.

Poorer households in Scotland spend a higher proportion of their income on housing. In 2015/16, the lowest income households spent, on average, 48% of their income on housing, more than five times that for middle income households (9%), and 16 times more than the highest income households (3%). In 2015/16, an extra 170,000 people were below the poverty threshold once housing costs were taken into account. Low income households renting privately spend an especially high proportion of their income on housing<sup>4</sup>.

High and rising energy prices can mean that households on lower incomes experience difficulties in paying their bills – resulting either in debts to energy companies, or households living in under-heated homes.

Childcare can be a significant cost for households with children. And a lack of affordable and flexible childcare can limit opportunities for paid employment. Other costs arising from children's attendance at school – including the cost of school uniforms, transport costs, eating at school, learning resources, school trips, events and clubs - place pressure on family budgets, and can also lead to unequal access to opportunities, or stigma.

Transport enables people to travel further to find a good deal (for example, to shop in a large supermarket as opposed to a more expensive local convenience store), as well as access to jobs and essential services. People with low incomes do not travel

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<sup>3</sup> More information on the Minimum Income Standard can be found [here](#)

<sup>4</sup> Scottish Government *Cost of Living briefing note* and *Poverty and Income Inequality in Scotland 2015/16* publication, both available [here](#). Note housing costs do not include mortgage capital repayments.

as far or as frequently as those with high incomes, and rely more on walking and buses<sup>5</sup>. Low income households are much less likely to have access to at least one car than high income households<sup>6</sup>. Along with affordability, other aspects of public transport, such as limited frequency and timetable constraints, can make it difficult for people without access to a car to co-ordinate work, childcare and other activities.

The 'poverty premium' is a term used to describe a situation in which people in poverty pay more than those with higher incomes for equivalent goods and services, including:

- more expensive utility tariffs due to being on a payment method with higher charges (e.g. Pre-Payment Meters) or being on a suboptimal tariff
- additional charges for transaction method (e.g. not paying by direct debit)
- expensive credit (low income is often associated with poor credit ratings)
- higher insurance (those in poorer areas often face higher insurance premiums).

Enabling products are goods and services that improve access in other markets. These include: a current bank account, which increases credit options and allows payment by direct debit and standing order; and access to the internet, which allows opportunities to find lower-cost financial products and services, online banking, price comparison sites and online deals. Internet access and digital literacy also increase people's chances of accessing jobs and social welfare systems.

There is a relationship between wealth and poverty. Savings can provide income, from interest earned, and therefore reduce the risk of income poverty. They can also allow people to buy goods and services, without eating into their disposable income, and therefore reduce their risk of material deprivation. Savings and affordable borrowing can cushion the impact of a loss of income, and avoid financial difficulty turning in to problem debt. Debt repayments reduce the amount of disposable income people have to spend on goods and services, and therefore increase their risk of material deprivation.

## **Income from social security and benefits in kind**

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

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<sup>5</sup> Titheridge, H, et al. (2014) *Transport and Poverty: A Review of the Evidence*, available [here](#)

<sup>6</sup> Scottish Government (2017) *Scotland's People Annual Report: results from the 2015 Scottish Household Survey*, available [here](#)

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

Benefits in kind are transfers to households that are non-cash but have a monetary value. Some of these benefits in kind count towards the definition of income used by DWP so will count towards all targets<sup>7</sup>, but all will have a positive impact on material deprivation.

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<sup>7</sup> A full list of the benefits in kind that count towards income are provided in the section at the end of this document. This list can change as new benefits in kind are introduced.

# Who is at the highest risk of child poverty?

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To support the evidence base for this delivery plan, we have produced focused analysis on priority groups, which are households with children that are known to be at high risk of poverty. These groups have been identified using available data but we know this does not cover all groups at higher risk of poverty. These groups, taken together, do cover the majority of households in poverty.

- Having a lone parent (mainly women)
- Having two or more siblings (3+ children)
- Being disabled or having a disabled sibling or parent
- Being from a minority ethnic background
- Having a young child in the household (<1 years old)
- Having young parents (using data for households where the mother is aged <25)

Every household circumstance is different. There will be some children experiencing poverty even though none of the above apply to their situation. There will also be children living in families where many of these factors apply, yet they do not live in poverty.

We have conclusive evidence that poverty and **gender** are inextricably linked. However, this can be hard to understand by purely looking at poverty statistics produced from Family Resources Survey data, because income is measured at a household level. It is difficult to devise a robust means of dividing data between members of a household, particularly when eligibility for social security is usually dependent on all members of the household and is not due to individual circumstances. However, this can mask many structural issues such as the fact that the causes and consequences of poverty, and the routes in and out of poverty, are profoundly affected by gender.

This can be simply illustrated by the evidence of the gender pay gap. Income from employment is the most sustainable route out of poverty, so barriers for women in the labour market which lead to the existence of the gender pay gap also contribute to the existence of poverty. This is even more acute for child poverty, as it is women who typically take on the bulk of childcare responsibilities.

However, this issue is about much more than earnings. Wider social structures and power imbalances mean that we cannot simply assume that women share the same access to resources as men when they are in the same household. This can lead to hidden poverty within households, which may also affect children.

Whilst data limitations mean we cannot include women as a 'priority' group in the same way as we can for some of the other protected characteristics, the 'lone parent'



priority group encapsulates many of the issues affecting women – for example, the fact that for some, their prior role as (unpaid) primary carer means that their ability to earn a sufficient wage on return to the formal labour market is harder. Some factors are unique to lone parents – for example, the inability of some to access sufficient resources from ex-partners via child maintenance. Many of our interventions are directly targeted at alleviating women’s poverty, whether lone parents or cohabiting parents, and we make explicit reference to this in introductory sections and where applicable in the analysis of each intervention.

## **Statistical summary of poverty in high risk groups**

When considering the priority groups, we need to look at both risk of poverty (poverty rates) and the size of group. For example, children from minority ethnic communities and children of mothers aged less than 25 are the two groups with the highest relative poverty rates, but the numbers in these groups are the smallest. Policies to eradicate poverty need to be proportionate to both poverty risk and the size of the group.

Charts 2 to 5 summarise poverty rates and the size of each group for the different priority groups for each of the target measures. As with all data in this analysis, the FRS dataset used is for the period 2013/14 – 2015/16. Understanding Society, that is used for the persistent poverty measure, is based on the four years 2011 – 2015<sup>8</sup>.

The pages following Charts 2 to 5 look at each priority group in more detail.

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<sup>8</sup> The persistent poverty rate, used in this analysis, is taken from the experimental statistics published by the DWP and the Scottish Government. There may be revisions to this data in future due to changes made by the data providers.

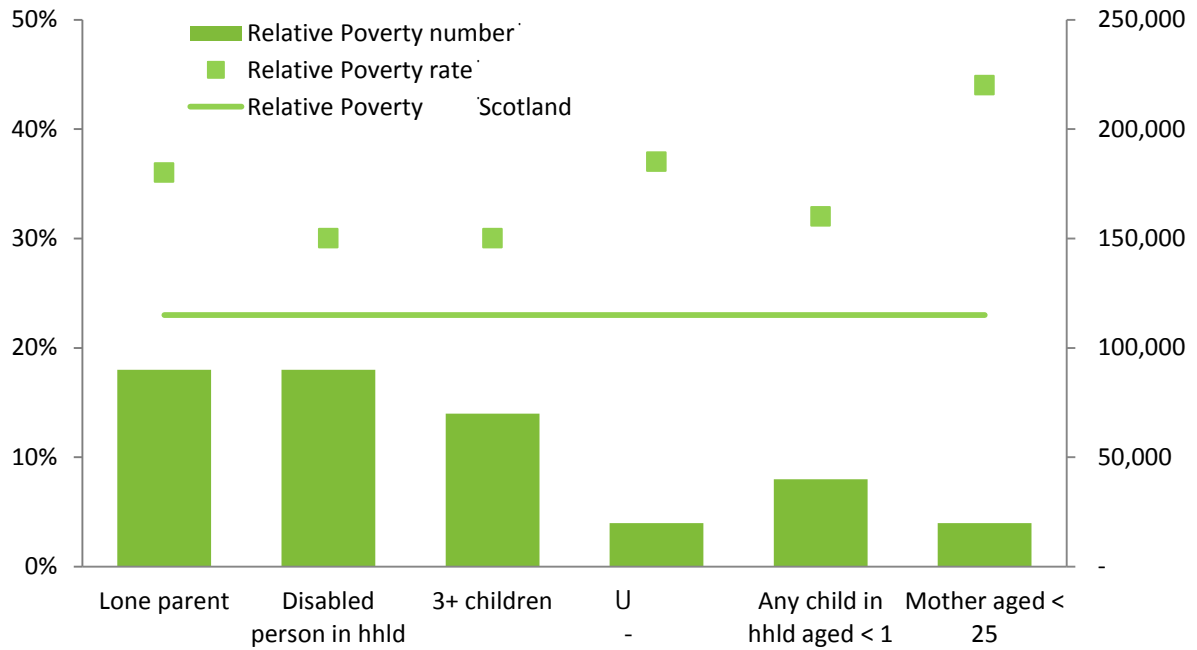
The breakdowns for priority groups were provided by the University of Essex. Although both the Scotland statistic and the priority group breakdowns use the same data source, there may be minor differences in the methodologies used.

The small sample size for the priority group breakdowns will affect reliability of estimates. The available sample for the minority ethnic group was too small to produce figures for this group, and no data is available for households with children under the age of one, as the longitudinal nature of the Understanding Society dataset and persistent poverty measure mean this breakdown would not be meaningful.

Persistent poverty figures are only published as percentages because the survey weights are currently not set up to produce correct grossed-up populations.

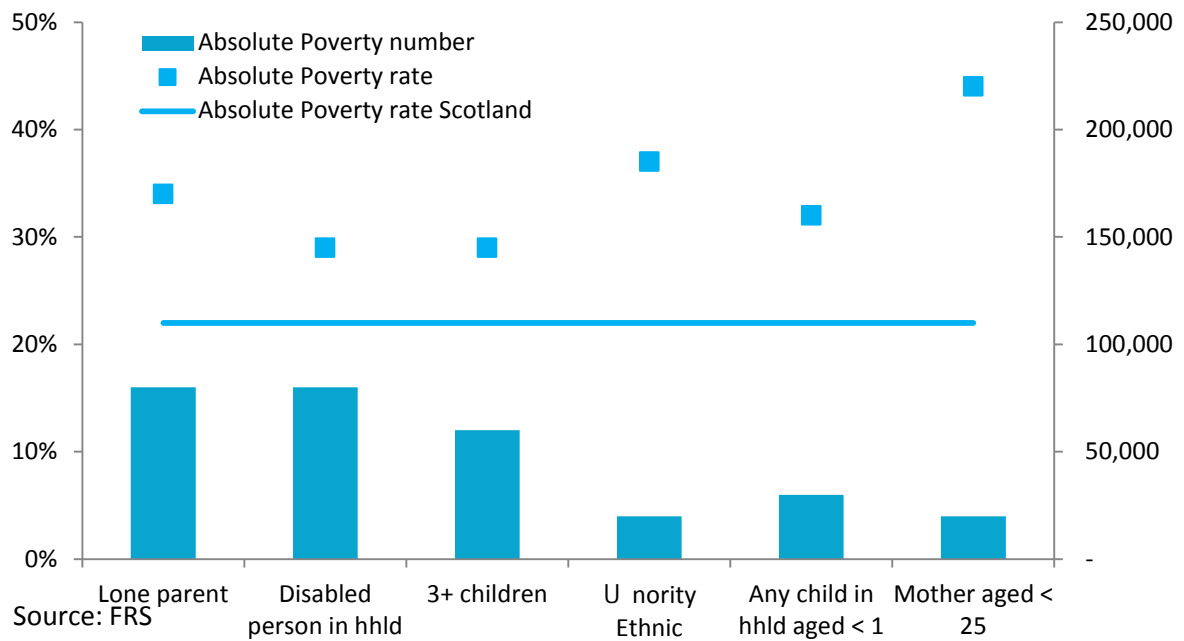
## Chart 2: Relative Poverty

Source: Family Resources Survey



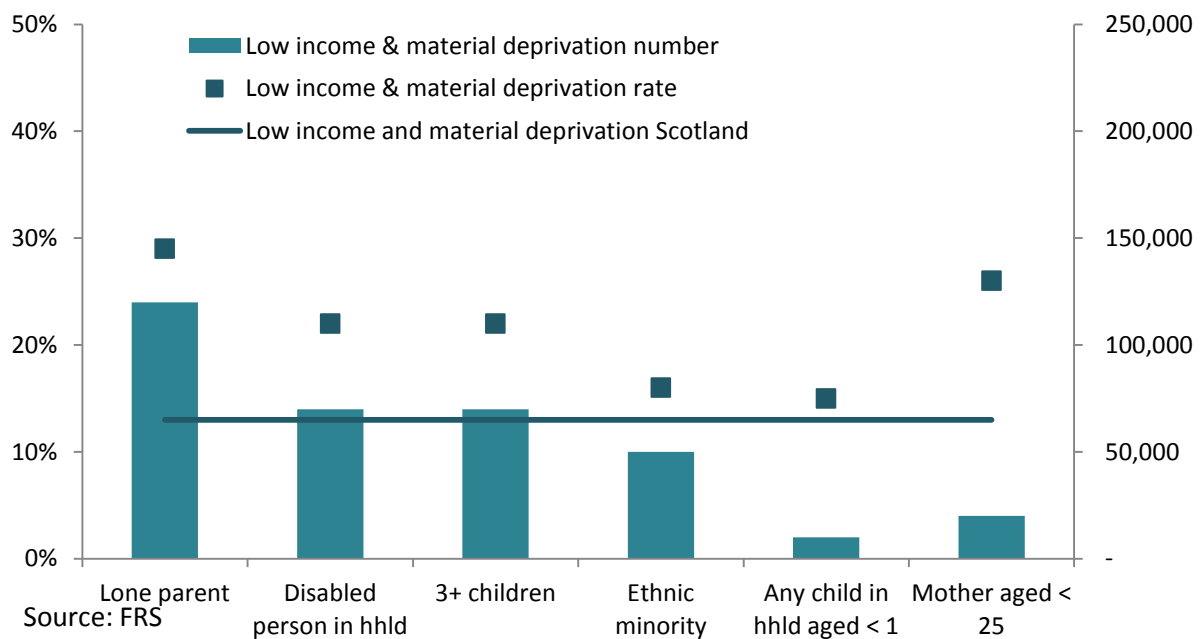
## Chart 3: Absolute Poverty

Source: Family Resources Survey



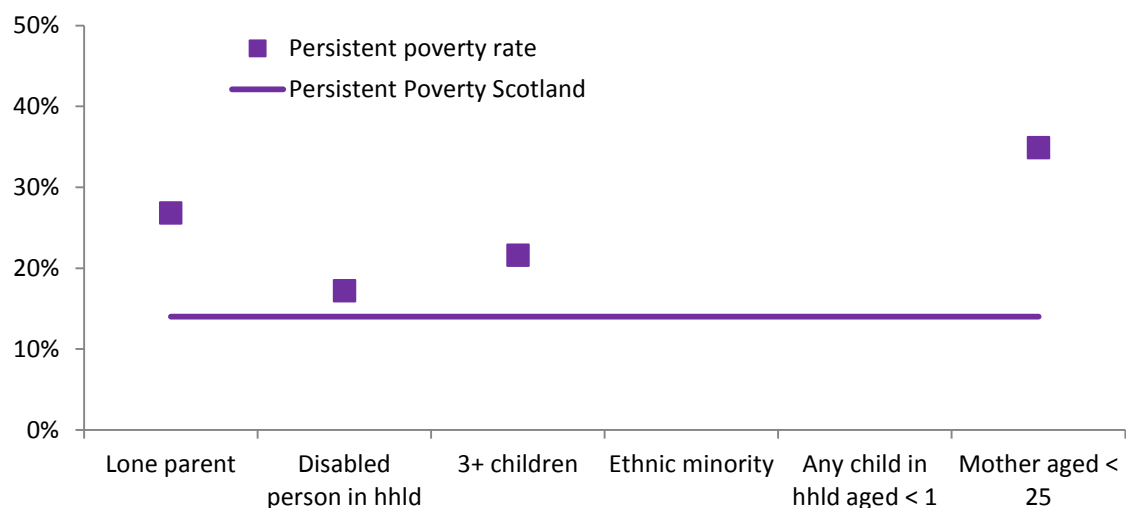
## Chart 4: Low Income and Material Deprivation

Source: Family Resources Survey



## Chart 5: Persistent Poverty

Source: Understanding Society (University of Essex & DWP analysis<sup>9</sup>)



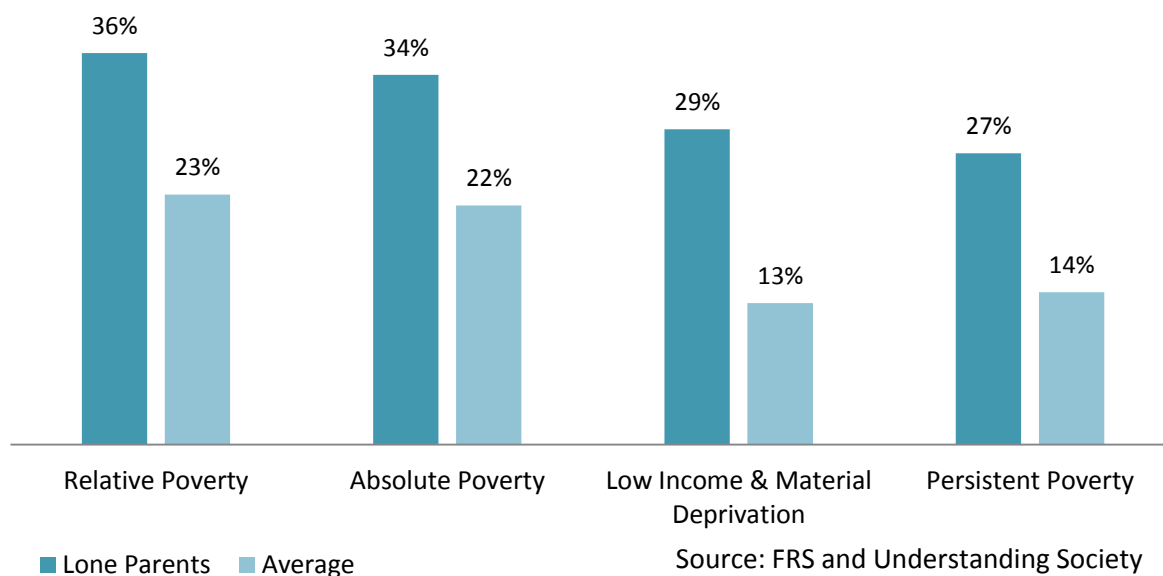
Source: Understanding Society

<sup>9</sup> Statistics produced by DWP and University of Essex. Methodologies may not match exactly. No numbers are available for this measure. See footnote on page 9 for more detail.

## Lone parents

Lone parents are at much higher risk of poverty than the average household. Rates of material deprivation are the highest out of all the priority groups, which means this group struggles most to buy essential goods and services. This may be because it is less likely that this group have other financial resources, such as savings, to rely on.

**Chart 6: Child Poverty Rates - Lone parents**

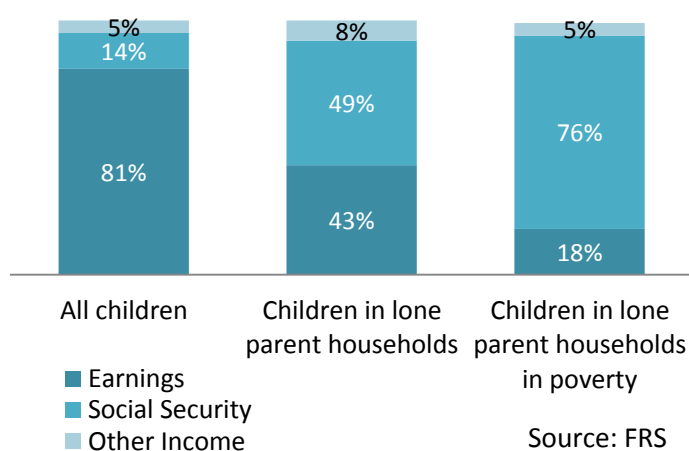


Research has found that the transition to lone parenthood is a time when poverty entry can be at its highest – this transition may be due to separation or due to bereavement<sup>10</sup>.

**Chart 7: Income Sources – Lone parents**

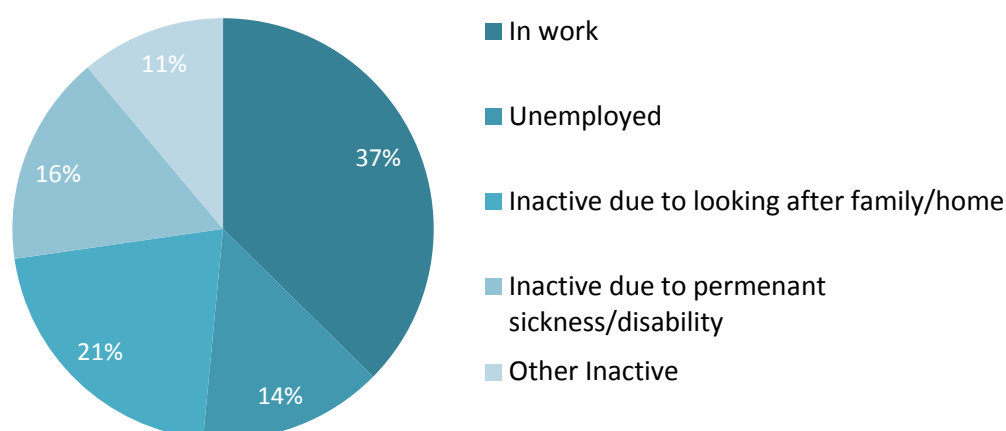
### Income

The size of this group means we can look in detail at their income data. Lone parents, regardless of income, rely on social security payments for nearly half of their income. For lone parents in poverty, social security income accounts for more than three quarters of their income.



<sup>10</sup> Barnes, M, et al. (2014), *Child Poverty Transitions: Exploring the routes into and out of child poverty, 2009 – 2012*, available [here](#)

**Chart 8: Employment status – Lone parents in poverty**



Source: FRS

Earnings account for only a fifth of income, and less than a half of lone parents in poverty are in work. Over a fifth are inactive (not in work and not looking for work) due to ‘looking after children/the home’, and around one in seven are inactive due to ‘permanent sickness or disability’. Around one in seven are unemployed (and therefore are looking for work).

## Costs of living

Having only one parent in the household does not necessarily lead to lower costs than for two parent households. An annual report published by the Child Poverty Action Group (CPAG) indicates that the cost of raising a child is higher for single parents than couples. Whereas the 18-year cost of raising a child in 2017 was estimated to be £75,000 for a couple, the figure was £103,000 for a lone parent, or £187,000 including childcare and housing costs as compared to £155,000 for a couple. Principally this is due to less scope for cost saving to offset the additional costs of a child<sup>11</sup>. Similarly, figures compiled by the Centre for Economic & Business Research (CEBR) indicate that whereas parents as a whole were estimated to spend 28% of their income on bringing up their child each year in 2014, the figure was 54% for single parents. The CEBR research also reports that single parents have been hit the hardest by inflation in recent years, particularly on essential goods and services whose prices have risen disproportionately<sup>12</sup>.

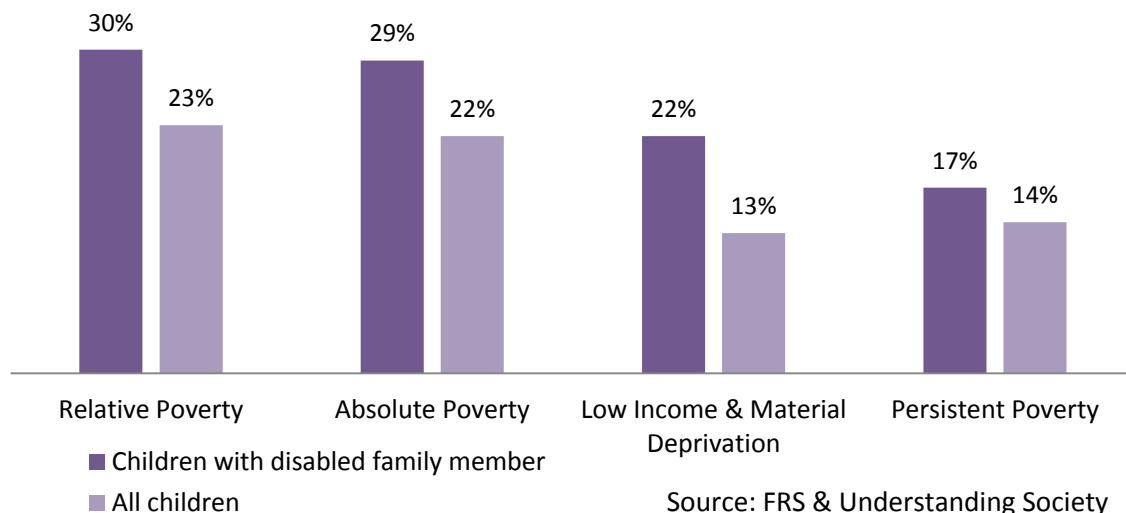
<sup>11</sup> Hirsch, D (2017) for CPAG, *The Cost of a Child in 2017*, available [here](#)

<sup>12</sup> CEBR (2014) *Cost of a Child: From Cradle to College*, available [here](#)

## Disabled person in household

Our published statistics include poverty rates for households where there is a disabled person. This could be either a disabled adult or child.

**Chart 9: Child Poverty Rates – Disabled households**

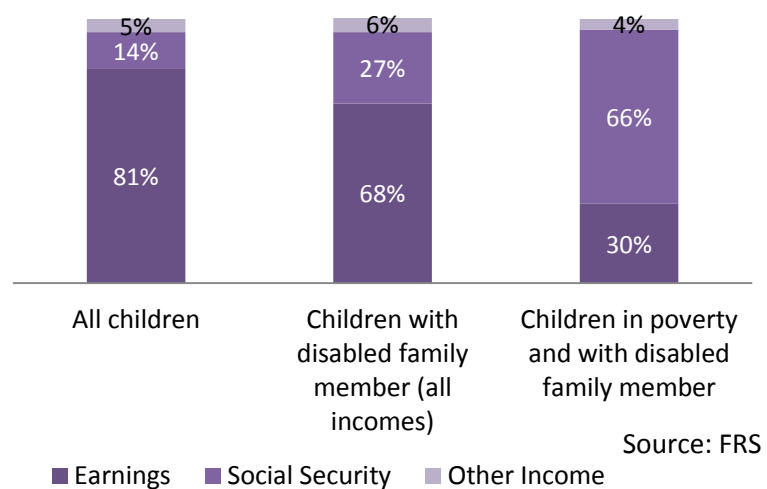


There is debate surrounding how disability poverty should be measured, and whether Scottish Government's published figures adequately account for the additional costs of living in poverty. Cost of living is currently only reflected in the low income and material deprivation measure, and although there is no consensus of how to calculate additional costs of disability, we are looking at ways of providing additional breakdowns of income and poverty for households where there is a disabled person<sup>13</sup>. Even without this additional breakdown, it is still apparent that households with a disabled person have much higher child poverty rates than the average population.

**Chart 10: Income Sources – Disabled households**

### Income

We are able to look at the breakdown of income sources for households with a disabled person where there are children in poverty. Here, we see that earnings are far below average, and social security makes up a much greater proportion of their income –



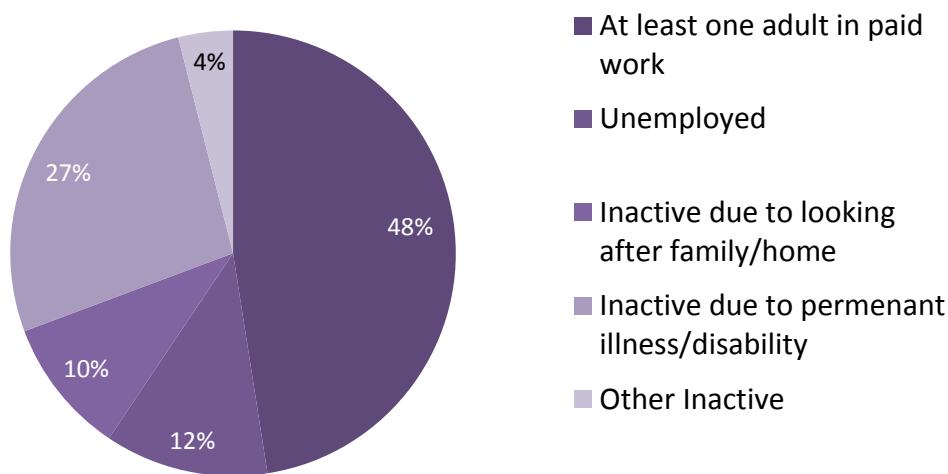
<sup>13</sup> See Poverty and Income in Scotland publication, published on the 22 March, available [here](#).

this will be a mix of non-means tested disability benefits and means-tested benefits such as tax credits and universal credit.

Like most households in poverty, a large proportion of children have at least one adult in work. However, only a small proportion of those households have all adults in work.

There are many factors that may limit ability to work, and hours worked, including additional caring responsibilities, need for flexibilities for hospital/medical appointments and adaptations required in the workplace.

**Chart 11 – Employment Status – Disabled households in poverty**



Source: FRS

We know that disability employment rates are much lower than on average. There were 285,000 people of working age (16-64) with disabilities in employment in the year Jul 2016-Jun 2017, with an employment rate of 43.4%. The employment rate for people without disabilities was 80.8%<sup>14</sup>.

32,600 people with disabilities of working age were unemployed, an unemployment rate of 10%. The unemployment rate for people without disabilities was 3.8%.

Social security provides some additional non-means tested support to households with a disabled person. This means that income from benefits is slightly higher on average for households with a disabled person.

<sup>14</sup> Taken from analysis of the Annual Population Survey – July 2016 to June 2017

## Costs of living

Many studies document the additional costs of disability<sup>15</sup>. These costs are likely to represent a combination of special costs (which are specific to the disability) and enhanced costs (which would be incurred regardless but not to the same extent). For example, a disabled person who spends more time at home may incur special costs in the form of adaptive equipment, in addition to enhanced costs due to higher energy usage<sup>16</sup>.

According to research by Scope, on average, disabled people face extra costs of £570 a month related to their impairment or condition. This is on top of welfare payments designed to help meet these costs. For one in five disabled people, extra costs amount to over £1,000 per month<sup>17</sup>. As a result of this heightened cost, families with disabled children are more likely to be in debt<sup>18</sup>.

Disabled people requiring personal assistants are likely to see the highest additional costs of living<sup>19</sup>. Hospitalisation can represent another particularly significant source of costs for families with disabled members. For example, a parent staying with a hospitalised child may need to organise care for other children, in addition to potentially paying other expenses like transport. The costs of living in remote areas are often compounded for families with disabled members. For example, accessing specialist services can require travelling particularly long distances, sometimes including an overnight stay. A report by Contact a Family found that transport costs were the second largest additional cost for families with disabled children<sup>20</sup>.

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<sup>15</sup> Mitra, S, et al. (2017) *Extra costs of living with a disability: A review and agenda for research*, available [here](#)

<sup>16</sup> Tinson, A, et al. for JRF (2014) *Poverty and the Cost of Living*, available [here](#)

<sup>17</sup> Scope (2018) *The Disability Price Tag*, available [here](#)

<sup>18</sup> Blackburn, C M, et al. (2010) *Prevalence of childhood disability and the characteristics and circumstances of disabled children in the UK: secondary analysis of the Family Resources Survey*, available [here](#)

<sup>19</sup> Smith, N, et al. (2004) *Disabled people's cost of living*, available [here](#)

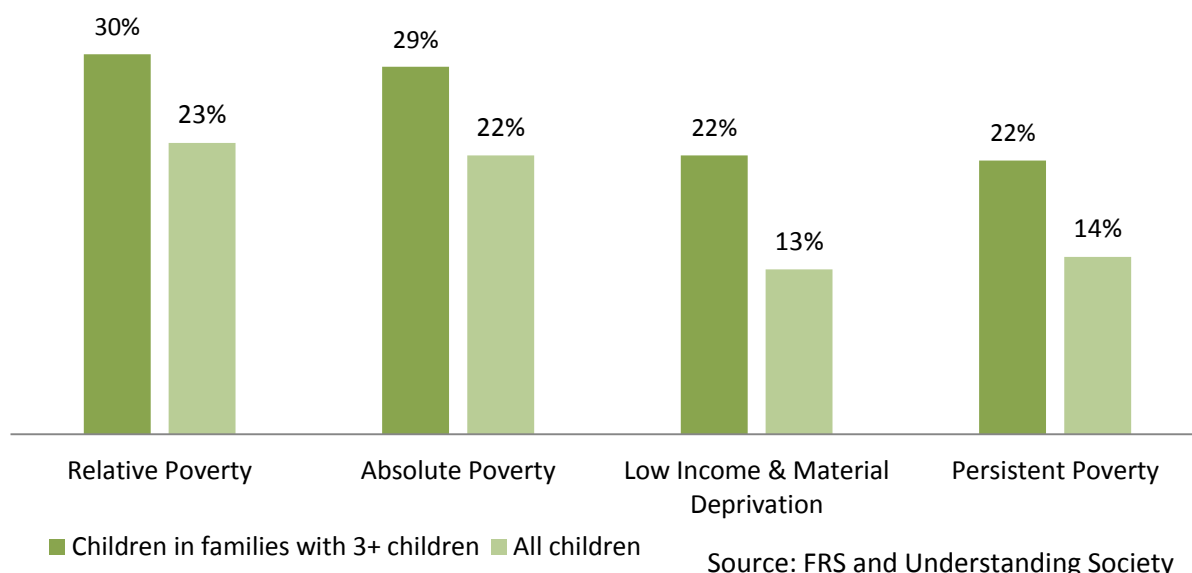
<sup>20</sup> Contact a Family (2012) *Counting the Costs*, available [here](#)



## Households with 3+ children

Larger families require higher levels of income to achieve an adequate standard of living, and hence their 'equivalised' income is lower – pushing them towards the poverty line.

**Chart 12: Child Poverty Rates – 3+ children**



Previous research has shown that children in larger families are more likely to

- have older parents
- have the youngest child under five years of age
- be from a Pakistani, Indian or Bangladeshi background
- have lower levels of employment
- have higher levels of hardship both in and out of work
- receive social security benefits.

They conclude that children in large families are associated with a higher risk of child poverty and that a 'large family effect' exists independent of these characteristics<sup>21</sup>. Understanding Society data has been used to show that having a third child was linked to poverty entry. Of those entering poverty two in five children (42 per cent) lived in families with three or more children. Moving from 3 to 4 children carried a higher risk of entering poverty and families with four or more children had the lowest 'poverty exit' rate<sup>22</sup>.

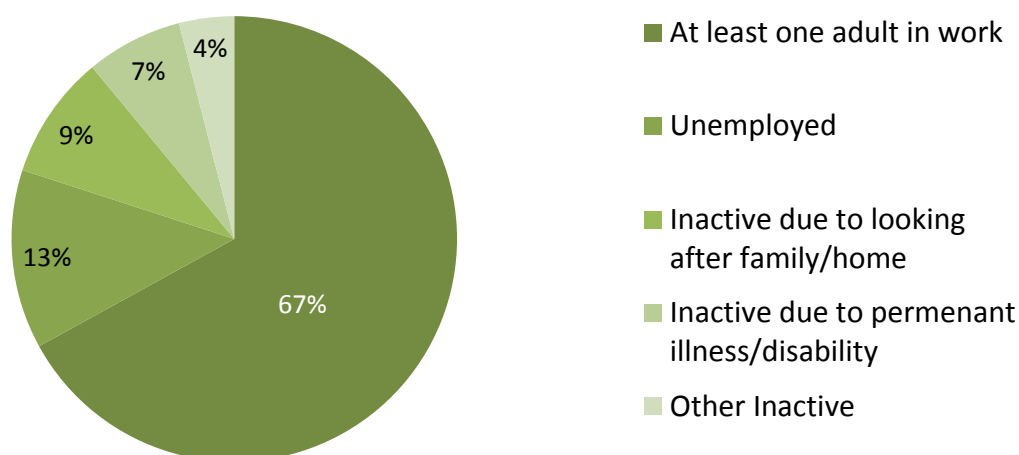
<sup>21</sup> Bradshaw, J, et al. (2006) *Child poverty in large families*, available [here](#)

<sup>22</sup> Barnes, M, Lord, C, & Chanfreau, J (2015) *Child poverty transitions: Exploring the routes into and out of child poverty, 2009-2012*, available [here](#)

## Income

Overwhelmingly, children in poverty in 3+ child families have at least one adult in the household in work. However, only 10% of households in in-work poverty have all adults working full-time. The challenges of organising care for children, both pre-school and after school, increases with more children, potentially limiting hours worked.

**Chart 13: Economic Status – 3+ children in poverty**



Source: FRS

Social security payments typically increase with additional children, and on average, households with 3+ children receive a slightly higher proportion of their income from benefits than the population average. However, the amount paid does not increase sequentially with the number of children in the family - the rate paid may reduce for each additional child, and recent changes to tax credits/UC limit some elements of benefits to 2 children only.

## Costs of living

The larger the family, the more goods and services need to be purchased and the rate of combined low income and material deprivation is considerably higher than average for households with 3+ children.

Housing costs for children living in poverty are only marginally higher than the average for all households with children. Whilst surprising to some extent, there is evidence that overcrowding is a serious issue for children in Scotland, with a report published in 2011 showing that one in ten children in Scotland were living in overcrowded homes<sup>23</sup>. The likelihood is that overcrowding will be higher for larger

<sup>23</sup> Shelter Scotland (2011) *The Facts: Bad housing and homelessness for children and young people in Scotland*, available [here](#)

families, and this may mean that housing costs are less likely to represent an adequate standard of living.

Although research suggests that each additional child tends to incur less costs (including childcare and housing) than the previous child for single parents, this relationship is reversed for couples until the fourth child is reached<sup>24</sup>. In part this is because any lifestyle savings on behalf of parents will already be achieved when second and third children are born, and also because expenditure on items like washing machines and larger cars will be required as the family size increases.

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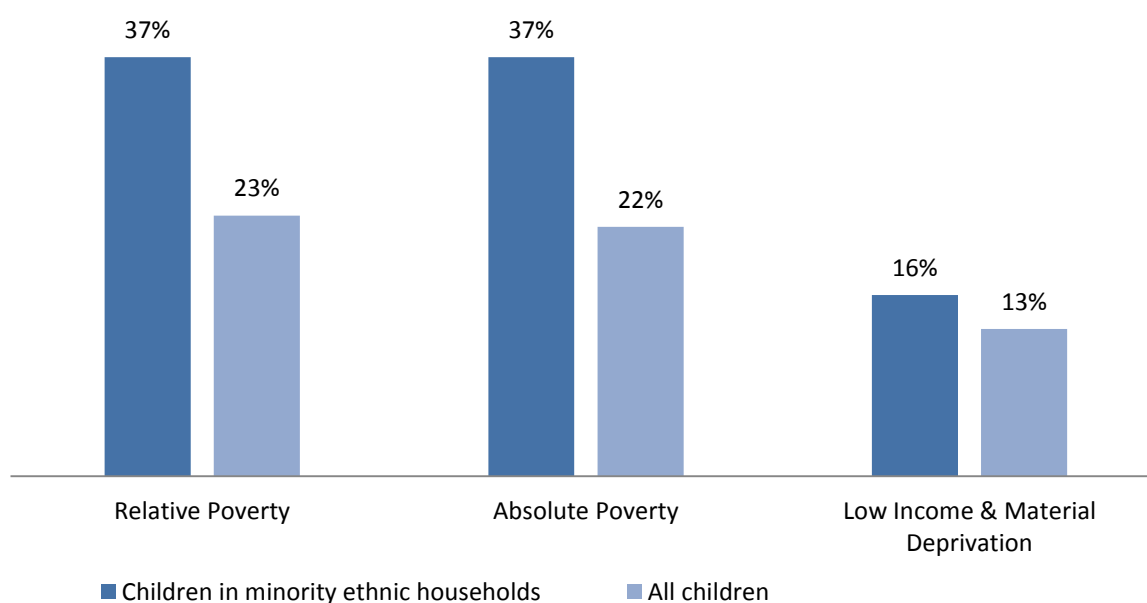
<sup>24</sup> Hirsch, D (2017) *The Cost of a Child in 2017*, available [here](#)

## Minority ethnic households

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Relative and absolute poverty rates for this group are higher than most of the other priority groups we have considered. However, low income and material deprivation is amongst the lowest. This suggests that this group have a slightly different experience of poverty, and are more likely to be in poverty, but less likely to be unable to afford basic goods and services. This could be due to reliance on savings or other forms of wealth.

**Chart 14: Child Poverty Rates – Minority ethnic households<sup>25</sup>**



## Income

The vast majority (over three quarters) of parents in these households are in work. There is evidence of several factors that may limit career progression. For example, there is evidence that this group are overqualified for their jobs<sup>26</sup>, and over a third have someone in the household with degree level qualifications, much higher than any of the other priority groups we have looked at.

According to the Wood Commission report in 2014, young people from minority ethnic groups are more likely to be unemployed and enter a narrower range of career pathways<sup>27</sup>. There is evidence of clustering in certain industries, and this differs depending on different ethnicities. For example, according to labour market statistics for Scotland there appears to be strong clustering of Chinese workers in 'accommodation and food services'; Pakistani employment is clustered in 'wholesale

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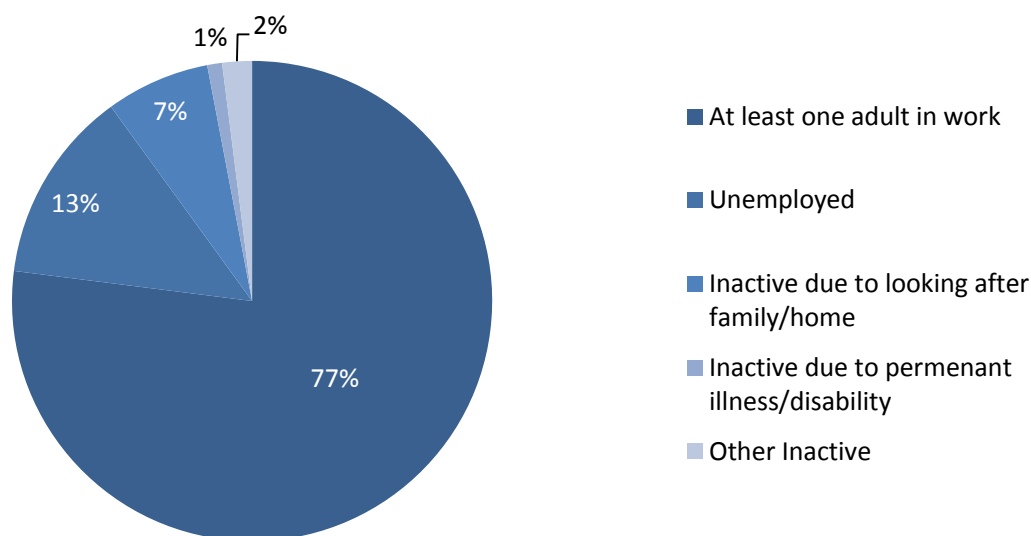
<sup>25</sup> No persistent poverty estimates are available for this priority group

<sup>26</sup> Kelly, M (2016) *Poverty and Ethnicity: Key messages for Scotland*, available [here](#)

<sup>27</sup> Commission for Developing Scotland's Young Workforce (2014) *Education Working for All*, available [here](#)

and retail trade', 'transport and storage' and 'accommodation and food services' whereas Black/African/Caribbean/Black British are clustered in 'Human health and Social Work activities'<sup>28</sup>. A Joseph Rowntree Foundation paper looking at caring and earning suggests that some minority ethnic groups are more likely to work irregular, night or weekend hours (e.g. in restaurants or hotels or as taxi drivers) and therefore require more flexible childcare<sup>29</sup>.

**Chart 15: Economic Status – Minority ethnic households in poverty**



Cultural factors may also have a role, with employment rates for minority ethnic women substantially lower than for white ethnic women<sup>30</sup>. However, this decreases by age and it is not the case for all minority ethnic groups.

Lastly, there is also evidence of discrimination and racism<sup>31</sup>, which again may limit employment opportunities and progression.

In terms of social security, overall, minority ethnic groups have a lower reliance on social security payments than the population average. We do not have a large enough sample size to look at minority ethnic poverty in isolation, or to look at the different Scottish minority ethnic groups.

However, UK data supports the fact that, on average, minority ethnic groups are most reliant on earned income, but suggests that Pakistani and Bangladeshi groups

<sup>28</sup> Data taken from the Scottish sample from the Annual Population Survey, June 2017

<sup>29</sup> Khan, O, Ahmet, A, Victor, C (2014) *Poverty and Ethnicity, Balancing caring and earning for British Caribbean, Pakistani and Somali people*, available [here](#)

<sup>30</sup> Scottish Government (2016) *Regional Employment Patterns*, available [here](#)

<sup>31</sup> Hudson et al. (2013) *In Work Poverty, Ethnicity and Workplace*, available [here](#)

are more reliant on tax credits and other working age (non-disability) benefits than the average, and other research suggests that this may be due to larger family size amongst these groups<sup>32</sup>.

Clearly, there are different factors that affect different households, and merging minority ethnic groups into one category is problematic for many reasons and the policy response will need to be cognisant of that. However, our data on poverty in Scotland, and the wider literature support looking at all minority ethnic groups, and hence, supports the identification of all of minority ethnic households as a priority group.

## **Costs of living**

We have not found evidence of significant differences in cost of living for minority ethnic groups.

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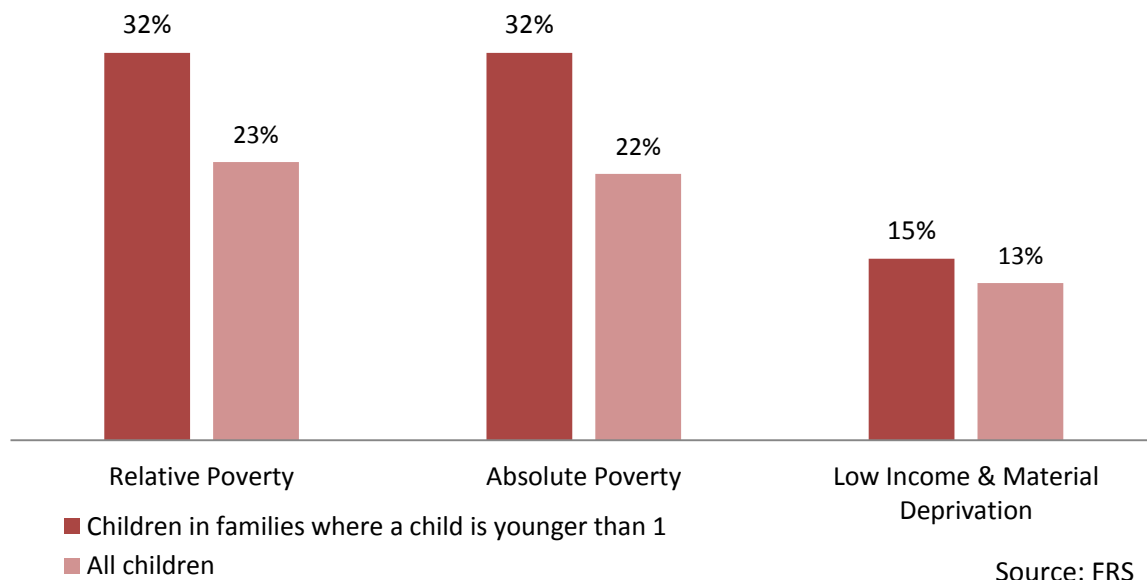
<sup>32</sup> Runnymede (2015) *The 2015 Budget: Effects on Black and minority ethnic people*, available [here](#)

## Households with a child aged <1

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Households with children aged 0-4 are at high risk of poverty, but the risk is much higher when the youngest child is aged less than one year old.

**Chart 16: Child Poverty Rates – Households with child aged <1<sup>33</sup>**



Families with a new child are more likely to enter poverty, even when controlling for other factors. Research from 2015 found a quarter of ‘new families’ are in poverty in the year after having their first child. For new lone parents, this figure was much higher<sup>34</sup>.

## Income

The vast majority of these households who are in poverty have at least one adult working. One of the main factors that could explain the drop in income is a fall in earnings as a result of at least one earner relying on maternity/paternity pay and/or maternity benefits.

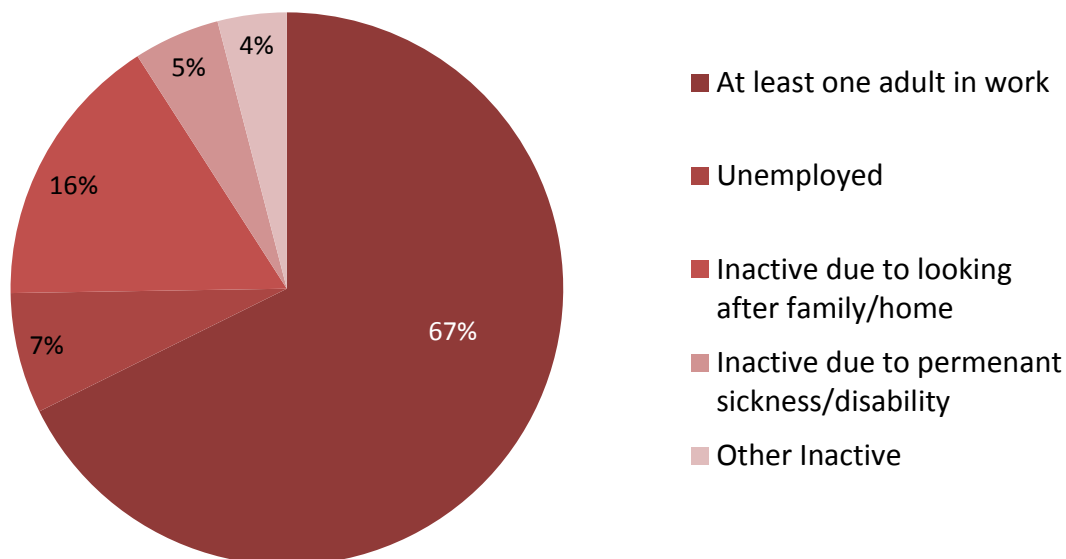
Unsurprisingly, most new mothers who were not working, nor looking for work, stated ‘looking after children/the home’ as the main reason for not working. This was true for both mothers in low income households and those above the poverty threshold.

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<sup>33</sup> No persistent poverty estimates are available for this priority group

<sup>34</sup> Barnes, M, Lord, C, & Chanfreau, J (2015) *Child poverty transitions: Exploring the routes into and out of child poverty, 2009-2012*, available [here](#)

**Chart 17: Economic Status – Households with a child aged <1 in poverty**



The support for new parents through the social security system guarantees some support, but the system is complex, and the amount you receive depends to some extent on previous work status. A new child will increase eligibility for a variety of other social security benefits. However, a one-off payment for babies, via the child tax credits system, was abolished by the UK Government from 2011/12.

## Costs of living

The first year of a child's life can require substantial additional expenditure, especially for the first child, for example in the form of equipment, clothing, furniture, and possibly a car. A family may also have to consider moving to a larger property to accommodate a growing family.

Childcare is perhaps the most critical cost of raising young children<sup>35</sup>. For families without childcare costs, the costs of raising a child are greater when the child is older, whereas for those paying for their own childcare the relationship is reversed<sup>36</sup>.

<sup>35</sup> Scottish Government (2017) *A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland*, available [here](#)

<sup>36</sup> Hirsch, D (2017) *The Cost of a Child in 2017*, available [here](#)

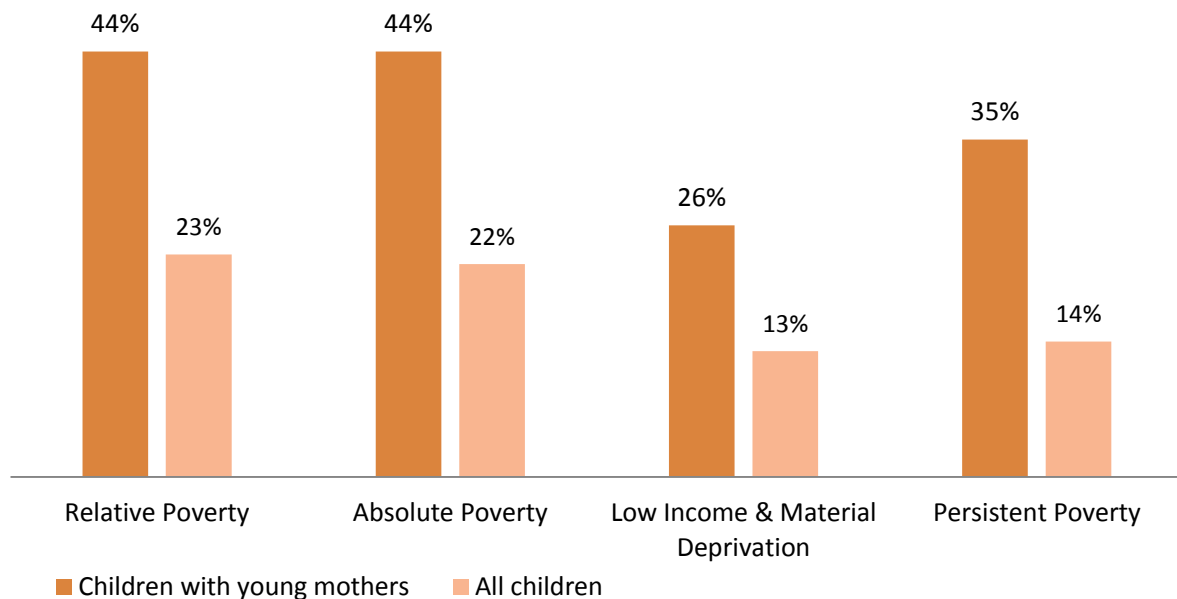


## Young mothers (aged <25)

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Due to data availability, we have chosen the young mothers group as a proxy for young parents. This group has particularly high relative and absolute poverty rates, and this is likely to be for a range of factors – for example, less labour market experience, potential interruptions to education.

**Chart 18: Child Poverty Rates – Young Mothers**



## Income

Due to the relatively small size of this group, it isn't possible to do extensive statistical analysis on this group, but we have looked at the wider literature to help understand some of the reasons why young mothers are at higher risk of poverty.

Young mums who are in employment are more likely to be on low pay, particularly as they are not entitled to the national living wage. According to a report from the Young Woman's Trust (YWT), most young mothers had done or were doing roles within the 'so-called 5 C's of women's work– caring, cashiering, catering, cleaning or clerical'. Many had encountered unhelpful attitudes and discriminatory or unlawful practices from employers.

- 25% had experienced discrimination when their employer found out they were pregnant.
- 39% had been illegally questioned in an interview about how being a mother affects their ability to work.

- 26% had requests for flexible working related to their pregnancy or child turned down.<sup>37</sup>

Younger mums tend to have lower levels of education and will have less work experience, and the research also found that young mothers are more likely than older mothers to be living in 'less advantaged socio-economic circumstances'<sup>38</sup>. The level of a mother's education was an important predictor of whether or not mothers gave up work after having a child.

Although we can't be certain how many young mums this includes, evidence shows that young women (aged 16-25) are more likely to work part time (39.3%) than young men (60.7%) and earn less than their male counterparts. Scottish figures for 2017 reveal that median weekly income for men was £535.40 compared with £362.10 for women (£173.30 less)<sup>39</sup>.

We do not have enough data to look at income sources for children with young mothers in poverty, but we can look at the average for all children with young mothers. This finds that a slightly higher proportion of income comes from benefits rather than earnings. However, age restrictions on some UK Government benefits (such as housing benefit) mean that benefits levels are lower than would be the case if the parent was older.

A recent survey commissioned by the Young Women's Trust asked young mothers about finances, employment, social networks and childcare. The report found 27% of mothers aged 16-24 were using foodbanks or had used them in the past. The same report found that, of more than 300 mothers aged under 25, 45 per cent said they refrain from eating proper meals in order to ensure their children are fed and 61 per cent said they were only just managing financially<sup>40</sup>.

## Costs of living

We have not found any evidence that the cost of living is significantly different for young mothers.

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<sup>37</sup> Young Woman's Trust (2017) *What Matters to Young Mums?*, available [here](#)

<sup>38</sup> Knudsen, L & Bradshaw, P (2017) *Growing up in Scotland: Patterns of maternal employment and barriers to paid work*, available [here](#)

<sup>39</sup> Data taken from the Scottish sample of the Annual Survey of Hours and Earnings, Jan 2018

<sup>40</sup> Young Woman's Trust (2017) *What Matters to Young Mums?*, available [here](#)

# What is the role of place in relation to poverty?

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The place where children live can create additional challenges. Here we focus on two particular geographies where there is evidence of these additional barriers: rural areas, and areas of high deprivation.

Not all people who live in these areas are at a greater risk of poverty. Indeed, quantitative analysis of large datasets have tended to conclude that 'neighbourhood effects' are marginal when compared to other factors in explaining poverty<sup>41</sup>. For that reason, we have not treated these areas as high risk 'priority' groups. Instead, we are exploring where there is evidence that place can have a small, but potentially significant, impact for some low income households. This is primarily through access (or lack of access) to employment and public services, and due to additional costs of living.

## Rural areas

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On average, rates of poverty tend to be lower in rural areas. However, there are 40,000 children in rural areas that are in poverty, and the barriers to leaving poverty may be greater for those in rural areas. For example, lack of access to employment can also be an issue in rural areas. Poor public transport networks mean that people may not have good access to opportunities for employment, particularly if they rely on bus networks<sup>42</sup>. Access to services and support can be difficult. It is suggested that poverty in rural areas may be more isolating in its impact, due to the greater visibility of individuals within rural communities and a rural ideal of self-reliance. Poor adults in remote rural areas have been found to have particular problems with low levels of support<sup>43</sup>.

There is widespread evidence that rural areas, and remote and island communities in particular, experience higher costs of living for some goods and services. Highlands and Islands Enterprise found that, typically, the minimum cost of living in remote rural Scotland ranged between 10% and 35% more than the equivalent in urban Britain in 2016. The cost of living in a rural town was found to be consistently more expensive in remote Scotland than in England, by up to 20% in 2016<sup>44</sup>. A 2017 Scottish Government<sup>45</sup> report looked at the evidence on this in some detail<sup>45</sup>. In

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<sup>41</sup> Matthews, P & Besemer, K (2014) *Poverty and social networks evidence review: a Report for the Joseph Rowntree Foundation Anti-Poverty Programme* available [here](#)

<sup>42</sup> Scottish Government (2017) *SIMD: Rural deprivation evidence summary*, available [here](#)

<sup>43</sup> Bailey, N, Bramley, G, Gannon, M (2016) *Poverty and social exclusion in urban and rural areas of Scotland*, available [here](#)

<sup>44</sup> Highlands and Islands Enterprise (2016) *A Minimum Income Standard for remote rural Scotland: a policy update*, available [here](#)

<sup>45</sup> Scottish Government (2017) *Cost of Living Analysis*, available [here](#)

summary, the main areas where there is evidence of additional costs are: shopping; broadband; delivery costs; transport; childcare; and fuel costs.

## Areas of high deprivation

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Not all children in deprived areas are in low income households, but we estimate that around 60,000 children in the 15% most deprived areas are in relative poverty.

There is evidence that the combination of a weak economic base and physical barriers to accessing employment may limit employment opportunities. This is not always the case – some deprived areas are situated in close proximity to areas of relatively high employment demand. There is some evidence that place matters particularly to those who are disadvantaged in the labour market, as they tend to have a more ‘localised’ orientation than the population as a whole. Relocation may not be an option, in particular where this may restrict access to support networks that enable working, especially for childcare<sup>46</sup>.

Urban areas of deprivation can also be poorly served by public transport which can limit access to employment<sup>47</sup>. This is exacerbated by the growth in part-time employment and employment during anti-social hours, with public transport not always responding to the changing needs of the workforce.

Evidence suggests that social networks, particularly having connections between people from diverse groups (‘bridging capital’), are important for ‘getting-on’ – accessing good quality jobs and influencing services. This bridging capital may be less available in more deprived areas. Also, a reliance on strong social networks within more homogeneous groups (‘bonding capital’) by people in low-skilled work, declining industries and young people could keep them in these industries, and act as a barrier to accessing better paid, higher skilled employment. However, there is no proven ‘contagion’ effect of living with other people experiencing poverty. There is also no demonstrable evidence of a culture of worklessness, or the existence of an underclass of people in poverty with different social norms<sup>48 49 50</sup>.

Conversely, there is evidence that people in more deprived areas receive more support from social networks - for example, childcare is more often provided by relatives rather than through formal providers. A study of long-term unemployed

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<sup>46</sup> Gibb, K, et al. (2016) *How does housing affect work incentives for people in poverty?*, available [here](#)

<sup>47</sup> Titheridge, H, et al. (2014) *Transport and poverty: a review of the evidence*, available [here](#)

<sup>48</sup> Nelson, J, Martin, K, Featherstone, G (2013) *What works in supporting children and young people to overcome persistent poverty? A review of UK and international literature*, available [here](#)

<sup>49</sup> Matthews, P & Besemer, K (2014) *Poverty and social networks evidence review: a Report for the Joseph Rowntree Foundation Anti-Poverty Programme*, available [here](#)

<sup>50</sup> H.M. Government (2014) *An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults*, available [here](#)

people in Glasgow found that people who cycle in and out of employment use temporary boosts in income to provide short-term lending to others who need it. And a study of ethnicity and social networks found that social contacts in the immediate neighbourhood were important for coping with financial crises, for accessing information on the welfare and benefit system, and as an exchange of services<sup>51</sup>. Therefore, there are assets, as well as barriers, in areas where there are concentrations of low income households, which may help households alleviate poverty. However, the services supplied by these social networks may in some instances be in response to poor provision or inability to access public services, and can place a heavy burden on individuals and households.

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<sup>51</sup> McCabe, A (2013) *Making the Links: poverty, ethnicity, and social networks*, available [here](#)

## Detailed definitions of income and material deprivation

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In order to calculate poverty, we use the following definition of income:

Earnings from employment and self-employment
Social security income (including Council Tax Reduction)
Cash value of certain benefits in kind (including Free School Meals and Healthy Start Vouchers)
Other cash income (including investment income, child maintenance, educational maintenance allowance)

Income is net of the following items:

Income tax and national insurance
Council Tax
Other payments (pension contributions, all maintenance and child support payments, parental contributions to students living away from home, student loan repayments)

And the definition of poverty used for the Child Poverty Act is also net of Housing Costs:

Rent, water rates, mortgage interest payments, structural insurance premiums, ground rent and service charges.
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For the purposes of the material deprivation measure, ability to afford the following goods and services are assessed:

#### Child items

- (1) Outdoor space or facilities nearby to play safely
- (2) Enough bedrooms for every child over 10 of different sex to have his or her own bedroom
- (3) Celebrations on special occasions such as birthdays, Christmas or other religious festivals
- (4) Leisure equipment (for example, sports equipment or a bicycle)
- (5) A holiday away from home at least one week a year with his or her family
- (6) A hobby or leisure activity
- (7) Friends round for tea or a snack once a fortnight
- (8) Going on a school trip at least once a term for school-aged children
- (9) Play group/nursery/toddler group at least once a week for children of pre-school age
- (10) Attends organised activity outside school each week
- (11) Fresh fruit and vegetables eaten by children every day
- (12) Warm winter coat for each child

#### Adult items

- (13) Enough money to keep home in a decent state of decoration
- (14) A holiday away from home for one week a year, not staying with relatives
- (15) Household contents insurance
- (16) Regular savings (of £10 a month) for rainy days or retirement
- (17) Replace any worn out furniture
- (18) Replace or repair broken electrical goods such as refrigerator or washing machine
- (19) A small amount of money to spend each week on yourself
- (20) In winter, able to keep accommodation warm enough
- (21) Keep up with bills and regular debt payments

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.

More information can be found in the Scottish Government's statistical publication on Poverty and Income Inequality in Scotland, available [here](#).



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