

Monitoring poverty and social exclusion in Scotland 2010

Findings
Informing change

September 2010

This is the 2010 edition of indicators of poverty and social exclusion in Scotland. It includes a broad review of relevant Scottish policy, using the framework of *Achieving our Potential*, the key Scottish policy document on poverty. Although Scotland entered the recession with lower unemployment and child poverty than England, it has fared worse since.

Key points

- By the first half of 2010, unemployment in Scotland had surpassed that in England, having been markedly lower at the start of the recession. Measured by employment, the recession had a bigger impact on men than women and caused a shift in employment from full- to part-time.
- The child poverty rate in Scotland rose during the recession, whereas it fell in England. Although this reverses the pattern of recent years, the rate in Scotland is still lower.
- Over the last decade, the fall in poverty among working-age adults with dependent children has been cancelled out by a rise in poverty among working-age adults without dependent children, both in and out of work.
- At the end of 2009, 18.2% of the working-age population was receiving an out-of-work benefit, up from 16.8% two years earlier. This rise has led to a slight increase in the degree of area-based inequality within Scotland.
- Gaps in the Scottish Government's anti-poverty programme concern:
 - standard of provision for essential services for low-income and other disadvantaged households;
 - whether there is sufficient focus on education outcomes for poor and other disadvantaged children and adults;
 - living standards of workless adults; and
 - the means to escape in-work poverty.

In some cases, these are matters over which the Scottish Government has little direct control. The challenge is how to exercise influence both upward to the UK Government and downwards to employers and service providers in Scotland.

The research

By a team at the New Policy Institute

Unemployment and worklessness

Scotland entered the recession with lower unemployment than both England and Wales: 3.7% in the first half of 2008 compared with 4.4% and 4.2% respectively. The reason why Scotland was in a better position was that the long period of falling unemployment had continued here for longer. Over the ten years from 1995 to 2005, unemployment remained higher in Scotland than in England or Wales. In 2006, the three countries had almost identical unemployment, while by 2007 the proportion in Scotland was almost 1% lower.

During the recession, all three countries experienced a similar rise in unemployment. But unlike England, where the rise in unemployment tailed off in the second half of 2009, unemployment continued to climb in Scotland (and Wales) after the recession ended. As a result, unemployment in Scotland in the first half of 2010 was once more a little higher than in England. The last time unemployment in Scotland was this high was 1996.

'Unemployment' is only one measure of individual worklessness, but whichever one is chosen, the overall pattern is the same: although Scotland went into the recession in a slightly better position than England, that advantage has now been lost.

Change in employment by age and full-/part-time work

Employment in Scotland over the year to September 2009 was about 50,000 lower than in the year to September 2008. More than 40,000 of that fall in employment was among men. In addition, there was also a shift from full-time employment, which went down by more than 60,000, towards part-time employment, which went up by more than 10,000 – mainly among men. While it remains the case that two-thirds of those with a part-time job report that they do not want a full-time job, the number indicating that they could not find a full-time job rose over the year by 19,000.

There were also perceptible shifts in the mix of employment by age. Employment among those aged under 25 fell by nearly 20,000, or about 5% of all of those in that age group employed. Employment also fell among those aged 25 to 49, by more than 30,000. It rose, however, slightly among those aged 50 and above. This age group also includes those above the state retirement age.

The fall of 50,000 still only takes employment back to levels last seen just three years earlier. In addition, the shifts in the age composition of employment have been ongoing for some years with no sign of any recent change in speed.

Figure 1: the proportion of the working-age population who are unemployed: England, Wales, Scotland



Source: Labour Market Statistics, ONS, June 2010

'Unemployment' comprises those with no paid work who are available to start work in the next fortnight and who either have been looking for work in the last month or who are waiting to start a job already obtained. It differs from the 'claimant count' which measures the numbers receiving Job Seeker's Allowance. The statistic shown here also differs from the headline unemployment 'rate' which expresses unemployment in relation to the number employed rather than, as here, in relation to the whole working-age population.

Low income

Year-on-year changes in low-income statistics must always be treated with caution. However, the fact that the latest year (2008/09) corresponds closely to the recession means that for once a narrow focus can be justified.

During the recession, the proportion of children in low-income households – the ‘child poverty rate’ – went up in Scotland by 2%, whereas it went down in England by 1%. In the deepest recession in decades, both changes are remarkably mild. The April 2008 increase, of nearly £5 per child per week, in Child Tax Credit and Child Benefit combined, is a major part of the explanation.

That child poverty went up in Scotland but not in England reverses the pattern of the past few years during which Scotland had been doing better than other parts of the UK. It remains to be seen whether this reversal is just a blip. The rise takes the Scottish child poverty rate back to 26%, corresponding to around 260,000 children. Even so, the Scottish rate is still comfortably below that for England and some 100,000 fewer than in the mid-1990s.

The breakdown between working and non-working households offers insight into why this might be so. Over the last decade, the proportion of children in low-income workless households remained high but has drifted down, as in England. In working households, by contrast, a gap has opened up, the proportion of children in low-income working households continuing downwards in Scotland, but rising in England from 2004/05. Though the in-work proportion in Scotland increased in 2008/09 while remaining constant in England, a child in a working household in Scotland is only three-quarters as likely to be in poverty as a child in a similar household in England.

There was no change during the recession in the numbers of working-age adults in low-income households in Scotland. However, in-work poverty did increase over the year, indicating a shift in the composition of low-income households from workless to in-work poverty.

Regarding pensioners in low-income households, the proportion in Scotland appeared to fall very sharply during the recession, by five percentage points to 11%. Although the rate fell in England too (by two percentage

Table 1: Changes in the proportion of people in low-income households over one year (2008/09) and four years (2004/05 to 2008/09); Scotland and England

		2004/05	2008/09	Change in last four years	Change in last year
Children	Scotland	25%	26%	+1%	+2%
	England	29%	31%	+2%	- 1%
Working-age	Scotland	18%	19%	+1%	No change
	England	19%	22%	+3%	+1%
All in working families	Scotland	10%	12%	+2%	+1%
	England	13%	16%	+3%	No change
Pensioners	Scotland	16%	11%	-5%	-5%
	England	18%	16%	-1%	-2%

Source: Households Below Average Income, DWP, 2008/09

A household is counted as having a ‘low income’ (‘poverty’ for short) if its income is less than 60% of the median UK household income for the year in question. The value of this 60% threshold in pounds per week varies according to how many adults and children live in the household. For example, in 2008/09, it was worth £119 for a single adult with no dependent children, £202 for a lone parent with two children under 14 and £288 for a couple with two children under 14. These sums are measured after income tax, Council Tax and housing costs (including rent, mortgage interest, buildings insurance and water charges) have been paid. They represent what the household has available to spend on everything else it needs.

Calculated in relation to average income, this measure is self-evidently relative. But that does not mean that it is only something called ‘relative poverty’ that is being measured. Rather, it reflects the view that poverty is inherently relative; it is when someone is short of the resources needed to attain the minimum norms of the society in which they live.

points), there must be some doubt about this result, at least until it is confirmed by another year of data. Even so, the longer-term picture on pensioner poverty is one of huge improvement, with the number of pensioners in poverty down by at least half from its level of around 270,000 in the middle years of the 1990s. In this, Scotland's impressive record is similar to that of England.

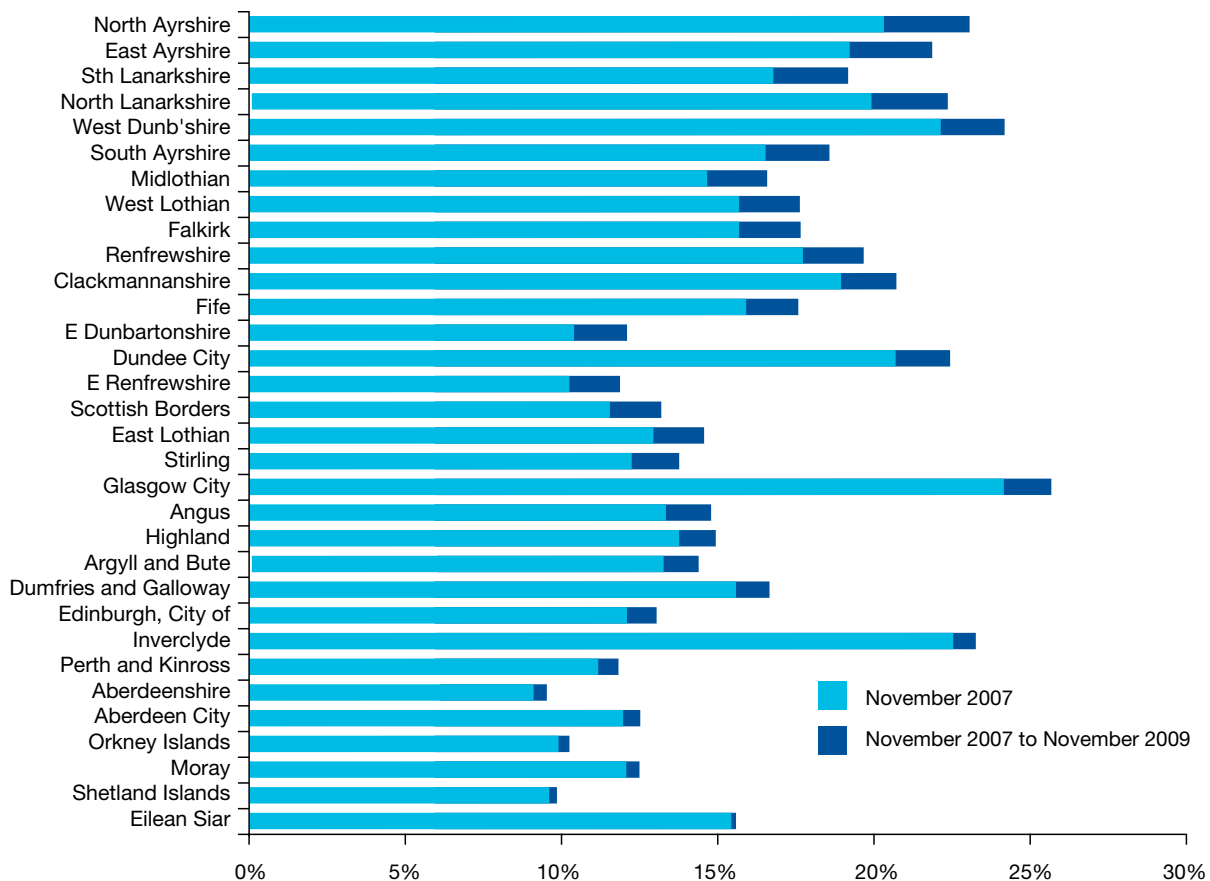
Working-age adults in receipt of out-of-work benefits

In the two years from November 2007 to November 2009, the number of working-age adults in Scotland in receipt of out-of-work social security benefits rose from 539,000 to 589,000. The November 2009 figure represented 18.2% of all working-age adults in Scotland, up from 16.8% two years earlier. As

a proportion of the total working-age population, these recipients ranged (in November 2007) from just below 10% (Aberdeenshire, Orkney, Shetland) to 24% in Glasgow City.

In general, the increase in an area's recipients over the two years was closely linked to the proportion in 2007: in other words, those areas with higher proportions to start usually saw bigger proportional increases, and vice-versa. North and East Ayrshire saw increases in excess of two-and-a-half percentage points while South Ayrshire, West Dunbartonshire and North and South Lanarkshire saw increases in excess of two percentage points. Conversely, Orkney, Shetland and Aberdeenshire, as well as Aberdeen City, Moray and Eilean Siar only saw small increases. There are exceptions to this pattern. Glasgow City, with the highest proportion, saw only an average increase, as did Dundee. The

Figure 2: The proportion of the working-age population by local authority area receiving out-of work benefits, ranked according to the size of the increase: November 2007 and November 2009



Source: DWP Longitudinal Study, November 2009, Scotland

The data is shown for November 2007 and November 2009 with the local authorities ranked according to the size of the increase between those two years. The out-of-work benefits covered here are JSA, ESA and incapacity benefits, lone parents on Income Support, carers on Income Support, Disability Living Allowance and bereavement benefits. ESA and incapacity benefit claimants make up 51% of all claimants, followed by JSA claimants at 22%.

previous *MPSE Scotland* report highlighted how patterns of low pay across Scotland do not match those of worklessness. This is still true. In fact, low-paid jobs are spread quite evenly throughout Scotland.

The Scottish Government's anti-poverty programme

Background

Monitoring poverty and social exclusion in Scotland 2010 also assesses the range of the Scottish Government's anti-poverty programme as presented in the four policy documents *Achieving our Potential*, *Equally Well*, *Early Years* and the *Economic Recovery Plan*. Drawing on the *Monitoring poverty and social exclusion* framework, a table in the report presents 41 indicators, which are divided into groups according to how they fit best within *Achieving our Potential*.

The evidence in this table is then analysed in two ways in order to identify weaknesses and gaps in the programme. The first is based on statistics alone while the second looks at statistics and policies together. It is noted that Scotland's outcomes in some key areas (like the risk of low income for different population groups) are better than England's, but better outcomes do not, of course, preclude the possibility of gaps in policy.

Lack of progress over ten years

The recession and its aftermath have already had a big effect on some measures, turning what had previously been stories of slow but steady progress into ones marked by regression. The main ones that are now worse than a decade ago are:

- the proportion of the working-age population who are unemployed;
- the unemployment rate among adults aged under 25;
- the proportion of people in the retail and wholesale sector who are low paid; and
- the poverty rate for workless adults without dependent children.

Several indicators show no real change on the level a decade ago. These include:

- a lack of access to job-related training among those who lack qualifications;
- the proportion of babies with a low birth-weight;
- household overcrowding; and
- the proportion dissatisfied with their council services.

In other cases lack of data means that it is not possible to measure change, although it can be tracked in the future. These include:

- debt, notably households with unsecured debt and those in arrears with bills;
- children in working families who are getting tax credit but are still in low income; children in working families who are not getting tax credits despite being in low income;
- non-take-up of Pension Credit and Council Tax Benefit by pensioners in Scotland; and
- exclusion and isolation, for example, the proportion of people feeling unsafe while walking in their neighbourhood after dark.

Poorer outcomes than England

While the uncertain basis for some of these comparisons rules out a definitive conclusion, they are enough to pose the question as to why Scotland might be doing worse. They include:

- the proportion of working-age people dependent on out-of-work benefits;
- the rates of premature death among both men and women, not just in the most deprived areas of Scotland but also on average;
- the difference in infant mortality rates between social classes 1–4 and 5–8 (as compared with the rest of Great Britain);
- fuel poverty;
- the proportion of 16- to 19-year-olds not in education, employment or training;
- households without a current bank account; and
- the level of dissatisfaction with council services.

Gaps and weaknesses in the programme

The gaps and weaknesses identified in the Scottish Government programme relate to four broad groups of issues.

- *The standard of provision of essential services to low-income and other disadvantaged households, by both the private and public sectors.* These include: low-income households without a current bank account; low-income households without home internet access; low-income working-age households without any private pension provision; access to key services; dissatisfaction with council services; overcrowding and sub-standard housing.
- *The attention paid by education and training institutions to outcomes for those from poor and disadvantaged backgrounds, and for those with low levels of attainment.* These include: educational attainment at age 11; pupils age 16 not getting five awards at SCQF level 3 at S4; grades for the lowest-attaining pupils; lack of access to job-related training among those with few/no qualifications.
- *The living standards and prospects of workless, working-age adults.* This includes: the wider group of working-age people lacking but wanting work; young adult unemployment; and working-age people dependent on out-of-work benefits.
- *The means by which working households can escape poverty.* This includes: 'in-work poverty', among both those with and without dependent children; low hourly pay, especially for those doing part-time work and (for both full-and part-time) in specific sectors such as retail and wholesale; and 'involuntary' part-time work.

Conclusion

Most of the subjects where there are gaps in the Scottish Government's anti-poverty programme are to do with matters over which it has little direct control. Obviously this includes the UK Government's tax and benefit system. But it also includes employment practices and the provision of essential services which are in the hands of private and public sector bodies.

One clear conclusion is that the Scottish Government needs to have explicit policy positions on those crucial reserved matters that address the particular needs of the lowest-income 30% of the population, especially benefits and taxes. It also needs policies relating to matters where the decisions are taken by employers and service providers in Scotland. The political challenge is how such policies can be pursued.

For further information

The full report, **Monitoring poverty and social exclusion in Scotland 2010** by Anushree Parekh, Peter Kenway and Tom MacInnes, is published by the Joseph Rowntree Foundation. It is available as a free download at www.jrf.org.uk

Complementary studies monitoring poverty and social exclusion in the UK, Northern Ireland and Wales are also available.

All the indicators and graphs from these reports can also be viewed at www.poverty.org.uk: these graphs are updated as new data becomes available.

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