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## **POVERTY IN SCOTLAND**

**This research note considers the definition and measurement of poverty, and looks at how its scale might be gauged in Scotland. It also looks at UK Government and Scottish Executive policies to alleviate poverty. A forthcoming research note will look at poverty in the broader context of social exclusion.**

### **DEFINING AND MEASURING POVERTY**

There is no common definition of poverty either in the UK or internationally. Some definitions compare incomes to the value of 'safety net' social security benefits, some define minimum income levels by reference to the cost of basic budgets for families of different types, and others compare income (or expenditure) levels to

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various proportions of the national average. In the context of less-developed countries, the World Bank has adopted a poverty threshold equivalent to the purchasing power of US\$1 per day at 1985 prices. Defining poverty is an area of considerable controversy and on which there is a large academic literature. Debates tend to be informed by value judgements and “the way we define poverty, to a large extent, depends on what we intend to do about it”<sup>1</sup>.

In Scotland, as in the rest of the United Kingdom, there is no official definition of poverty. The most common definition, however, is derived from low income statistics produced annually by the Department of Social Security in the *Households Below Average Income* (HBAI) publication. HBAI measures net household income<sup>2</sup>, both before and after housing costs. Income is equalised to account for differences in family size and composition<sup>3</sup>.

From these statistics, many commentators adopt a threshold of half the national average income after housing costs as an indicator of poverty. Through repeated use, this threshold has become generally accepted as the closest approximation to a poverty line in the UK.

#### The half average income poverty line: some issues

- It is a measure of relative poverty, not of absolute poverty. It compares a household's income to those of society as a whole rather than to an objective standard.
- The 50% threshold is arbitrary; why not 40% or 60%?
- The threshold changes each year as average incomes increase. Someone whose income stays the same from one year to the next could move into 'poverty' without any change in their living standards
- No allowance is made for regional variations in costs of living
- It is based on a snapshot of incomes and says nothing about the persistence of low income
- It says nothing about non-income aspects of poverty

## POVERTY IN SCOTLAND

Using the half average income poverty (after housing costs) line, some 1.2 million people in Scotland live in poor households, 25% of the population<sup>4</sup>. This compares with 24% of the population of Great Britain as a whole<sup>5</sup>. In Scotland, poverty is greatest among children (34% of all Scottish children, and 41% of those aged under 5, live in poverty) and pensioners (29% in poverty)<sup>4</sup>.

#### The value of half average income (in April 1998 prices)

Single person: £70 per week  
Lone parent with one child (aged 2-4): £100 per week  
Couple with two children (aged 2-4): £173 per week  
Couple with no children: £127 per week

The data available on incomes in Scotland are, however, too scarce to enable us to move beyond these bare facts. The Scottish Poverty Information Unit argue<sup>6</sup> that a strategy to measure and assess poverty should contain four key components:

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<sup>1</sup> Alcock P, *Understanding Poverty*

<sup>2</sup> Net income is income after the deduction of income tax, national insurance contributions and occupational pension contributions. The use of income at household level assumes that all individuals within a household share the same standard of living.

<sup>3</sup> For example, an income of £200 per week will buy a better standard of living for a single person than for a family of four. Equalization adjusts incomes to better reflect the balance between income and the number of people it has to support.

<sup>4</sup> The Scottish Office [Social Inclusion – Opening the Door to a Better Scotland](#) (para 2.9) Figures are for 1996/97

<sup>5</sup> DSS *Households Below Average Income 1979-1996/97* (table F1 AHC)

<sup>6</sup> [Poverty data, anti-poverty strategy and Scottish devolution](#)

- The development of an agreed poverty line, against which poverty can be assessed -
  - Geographically, to show variation between areas within Scotland
  - By personal characteristics, to show variations by, for example, age, gender, ethnicity
  - Over time, to show trends in the distribution of poverty and the effects of anti-poverty strategies

At present, none of these components is in place. There is no official poverty line and, hence, nothing against which progress in combating poverty in Scotland might be measured. There is, of course, the popular half average income poverty line, but the coverage of the surveys<sup>7</sup> used to generate the data is so poor in Scotland that it is impossible to generate comparisons between areas, between different social groups and over time.

A number of current initiatives aim, however, to improve the quality of Scottish income and poverty statistics. As part of its social inclusion strategy, the Scottish Office has launched an 'evaluation and indicators' action group<sup>8</sup>. The group is due to report by 1 July on, among other things, the development of a robust set of poverty indicators. The UK Government has also announced plans for an annual 'poverty audit'<sup>9</sup>. While these two initiatives should help to develop agreed poverty markers for Scotland, a third – the development of the *Scottish Household Survey* – should provide the data necessary for measurement. The *Scottish Household Survey* is large enough to provide analysis of poverty data across various areas and groups within Scotland, and the first results from the survey are expected later this year.

## TACKLING POVERTY

Government action against poverty contains a number of threads, with the ability to act divided between the UK Government and the Scottish Executive.

The UK Government's approach<sup>10</sup> focusses on improving work incentives, increasing Child Benefit, and guaranteeing minimum incomes for those unable to work. In particular, its policies seek to:

- Improve the availability of work, through the New Deals and through increasing support for childcare.
- Improve the rewards from work, through the introduction of Working Families Tax Credit and the national minimum wage, and through reforms of income tax and national insurance.
- Guarantee minimum incomes for pensioners and people with disabilities. The pensioners' minimum income guarantee offers £75 per week for single

<sup>7</sup> The HBAI statistics are derived from two surveys – the *Family Resources Survey* and the *Family Expenditure Survey*. The former covers Great Britain, the latter the UK. In both cases, the sample sizes in Scotland are too small to produce reliable figures at any level other than Scotland as a whole.

<sup>8</sup> See <http://www.scotland.gov.uk/inclusion/action-team4-intro.htm>

<sup>9</sup> See [http://www.scotland.gov.uk/news/releas99\\_2/pr0356.htm](http://www.scotland.gov.uk/news/releas99_2/pr0356.htm)

<sup>10</sup> See HM Treasury News Release 53/99 "Tackling poverty in Scotland"

pensioners and £116.60 for pensioner couples<sup>11</sup>. The disability income guarantee offers at least £128 week for a single disabled person and at least £169 per week for a couple where one or more is disabled.

With control of the main levers of the tax and benefit system reserved to Westminster, the Scottish Executive's policies focus on longer-term solutions to poverty. The Minister for Communities, Wendy Alexander, set out her vision for a longer-term solution to poverty in a recent speech<sup>12</sup>,

"Helping people transform their lives and those of their families is the key to tackling poverty..... We are committed to the regeneration of communities, giving tenants greater control, tackling rooflessness, improving children's attainment, promoting children's early development, improving health in deprived neighbourhoods, promoting opportunities for active citizenship and tackling problems of remote communities".

There are also numerous local initiatives which aim to alleviate poverty and its effects. These include food co-operatives, credit unions and local exchange and trading schemes (LETS). Typically operated by local community groups, such schemes are often supported by local authorities and integrated into authorities' anti-poverty strategies. The Poverty Alliance, a registered charity, offers support for community initiatives and seeks to disseminate best practice in local action against poverty. There is also a [local anti-poverty action group](#) within the Scottish Office's social inclusion strategy. The group is due to report in September 1999 on best practice and the future of support for local initiatives.

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<sup>11</sup> Older pensioners receive slightly higher rates

<sup>12</sup> See [http://www.scotland.gov.uk/news/releas99\\_5/pr1094.htm](http://www.scotland.gov.uk/news/releas99_5/pr1094.htm)

