

Statistical Publication

A National Statistics Publication for Scotland

Poverty and income inequality in Scotland: 2010-11 14 June 2012



This publication presents annual estimates of the proportion and number of children, working age adults and pensioners living in low income households in Scotland, and the distribution of household income across Scotland. The estimates are used to monitor progress towards UK and Scottish Government targets to reduce poverty and income inequality. The data published for the first time here are for the financial year April 2010 to March 2011. The latest figures cover a period where the Scottish economy and wider UK economy were both showing little GDP growth and average earnings fell in real terms. These figures precede the impact of changes to benefits resulting from welfare reform.

Key points:

- In 2010/11, there were **780 thousand individuals** living in relative poverty in Scotland. Relative poverty has shown a statistically significant drop from 2009/10, with the number of **individuals** living in poverty falling from **17 per cent to 15 per cent** between 2009/10 and 2010/11. This follows a 5 year period of little change in poverty levels.
- The percentage of **children** living in relative poverty fell from **20 per cent to 17 per cent** between 2009/10 and 2010/11, this represents a reduction of 20 thousand children to **170 thousand children**. This change is not statistically significant.
- The percentage of **working age adults** living in relative poverty fell in 2010/11 from **16 per cent to 14 per cent**, which represents a reduction of 70 thousand, to **440 thousand adults**. This change is statistically significant.
- **160 thousand pensioners** were living in relative poverty in 2010/11. This is a reduction from **17 per cent to 16 per cent** between 2009/10 and 2010/11. This change is not statistically significant.
- In terms of income inequality, the proportion of income received by the lowest 3 income deciles increased from **13 per cent to 14 per cent** between 2009/10 and 2010/11. This proportion has remained at between 13 and 14 per cent since 1998/99.
- The equivalised median income fell in real terms from **£439 to £416** in Scotland between 2009/10 and 2010/11
- No statistically significant changes were observed between 2009/10 and 2010/11 to the **absolute poverty** levels.

Please Note:

The figures above are based on income 'before housing costs' (**BHC**); changes in income 'after housing costs' (**AHC**) are given later in the publication. All figures in this publication are rounded to the nearest 10,000 individuals or whole percentage point. In some cases calculations based on the unrounded figures do not match those based on the rounded ones.

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Chapter 1: Introduction

Figures presented here are taken from the Department for Work and Pensions' Family Resources Survey Households Below Average Income dataset. Comparable UK income and poverty figures are published on the same day by DWP. See the DWP website for further details.

<http://statistics.dwp.gov.uk/asd/index.php?page=hbai>

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

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty>

1.1 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 section 1.2 below. Thus, all members of any one household will appear at the same point in the income distribution.

See [Annex 2](#) for a detailed definition of net disposable household income.

1.2 Equivalisation

Income is adjusted, or equivalised, 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 say 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.

More detail on the equivalisation factors used can be found in [Annex 2](#).

1.3 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. A definition of housing costs can be found in [Annex 2](#).

1.4 Sampling Error and Confidence Intervals

The poverty 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 and longer term trends often gives a clearer picture. More information on the confidence intervals that surround the estimates in this publication can be found on the income and poverty website via the following link: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Methodology#a6>

Chapter 2: Poverty

Low-Income Poverty Indicators

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

Relative poverty:

Individuals living in households whose equivalised income is below 60% of UK 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 population as a whole. In 2010/11 the relative poverty threshold for a couple with no children was an income of £251 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.

Absolute poverty:

Individuals living in households whose equivalised income is below 60% of the (inflation adjusted) median income in 1998/99. This is a measure of whether those in the lowest income households are seeing their incomes rise in real terms. In 2010/11 the absolute poverty threshold for a couple with no children was an income of £220 per week ([BHC](#)) from all sources (see [Annex 2](#) for further information on income definitions).

2.1 Individuals in poverty

The Scottish Government's National Indicator 35 is to "decrease the proportion of individuals living in poverty". This is measured using relative poverty [before housing costs](#). Charts 1a and 1b below show Scottish trends for relative and absolute poverty between 1998/99 and 2010/11.

Chart 1a: Relative Poverty: 1998/99 - 2010/11

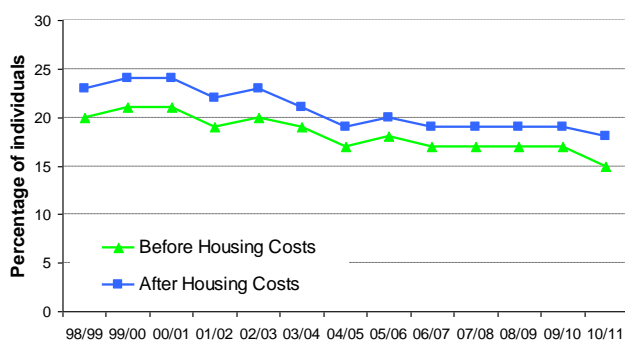
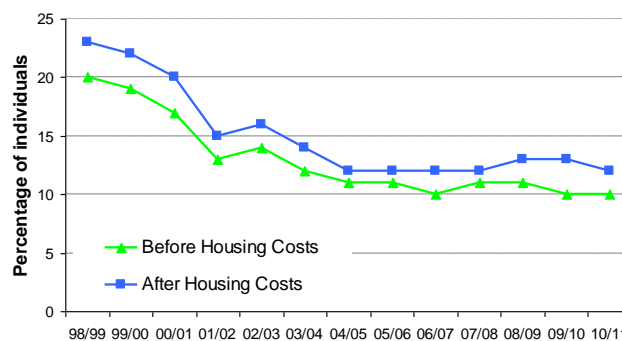


Chart 1b: Absolute Poverty: 1998/99 - 2010/11



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

Charts with confidence intervals for relative and absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#)

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Main points:

- In 2010/11 there were 780, 000 people (15 per cent of the population) in relative poverty ([BHC](#)) and 490, 000 people (10 per cent of the population) in absolute poverty ([BHC](#)) in Scotland.
- Relative poverty ([BHC](#)) has fallen by a statistically significant amount in a single year period for the first time since between 2003/04 and 2004/05 from 17 per cent in 2009/10 to 15 per cent in 2010/11, a reduction of 90,000 individuals.
- The following factors have influenced the reduction in relative poverty in 2010/11:
 - Median equivalised household income decreased in real terms (down from £439 to £416 in 2010/11), which in turn decreased the relative poverty thresholds.
 - Individual earnings fell in real terms in 2010/11 and this was one of the main factors in the reduction in median incomes.
 - Benefit and tax credit income grew in cash terms and fell only slightly in real terms. This meant that low-income benefit-dependent households saw their income fall less in 2010/11 than households at the median, tending to decrease the overall rate of relative poverty, Before and After Housing Costs
- Between 2009/10 and 2010/11, the proportion of people in absolute poverty ([BHC](#)) remained around 10 per cent. There has been very little change in absolute poverty since 2004/05. There was a small reduction in absolute poverty ([AHC](#)) to 12 per cent, but this change is not statistically significant.
- For a reduction in the number of individuals living in households in absolute poverty over the period, incomes at the lower end of the income distribution in 2010/11 would have had to increase by more than inflation. Instead, household incomes of low-income households increased by about the same level as inflation, meaning there was no statistically significant change in absolute poverty levels in 2010/11.
- Between 2002/03 and 2004/05 relative and absolute poverty rates fell in Scotland, with absolute poverty falling more steeply. The poverty rates remained broadly the same between 2004/05 and 2009/10.

2.2 Child poverty

Child poverty is commonly measured using the following indicators:

- relative poverty,
- absolute poverty,
- material deprivation and low income combined.

These are three of the four poverty indicators which the UK parliament is required to report on by the 2010 Child Poverty Act. There is also a persistent poverty indicator in the Act but the precise target is yet to be defined. Information on the targets for the Child Poverty Act can be found in [Annex 1](#).

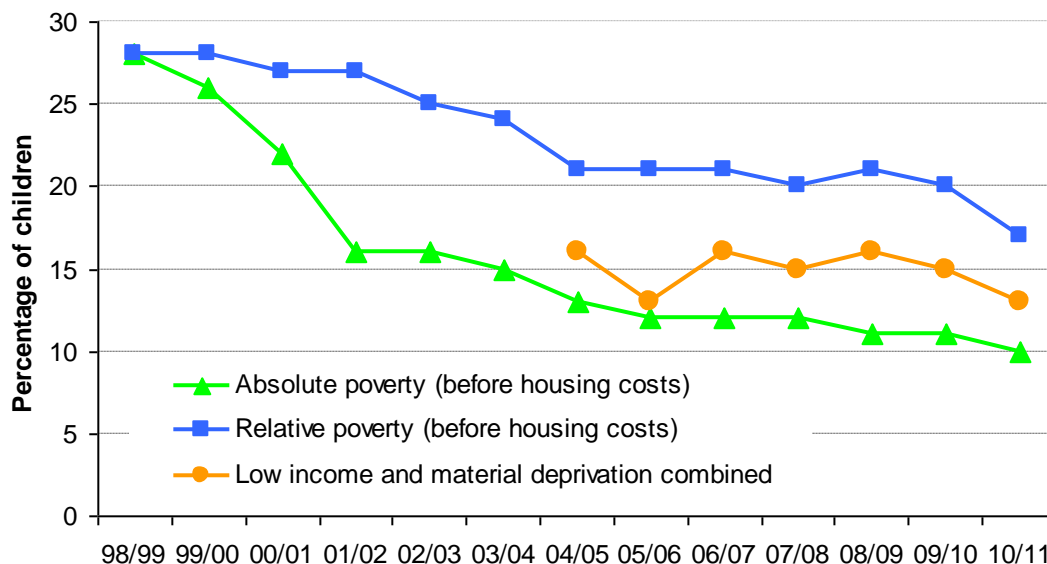
The Scottish Government's National Indicator 36 is to "reduce children's deprivation". This is measured using the material deprivation and low-income combined poverty indicator.

Material Deprivation and Low-Income Combined Poverty Indicator:

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% of median income 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](#).

Chart 2 below presents recent Scottish poverty trends for these three child poverty indicators.

Chart 2: Child Poverty in Scotland: 1998/99 - 2010/11



Source: HBAI dataset, DWP. See Annex 1 (Tables [A1](#), [A2](#) and [A3](#)) for the figures behind these charts.

Note: A version of this chart showing the Child Poverty Act targets can be found in Annex 1, Charts A8 and A9. Charts with confidence intervals for relative and absolute child poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

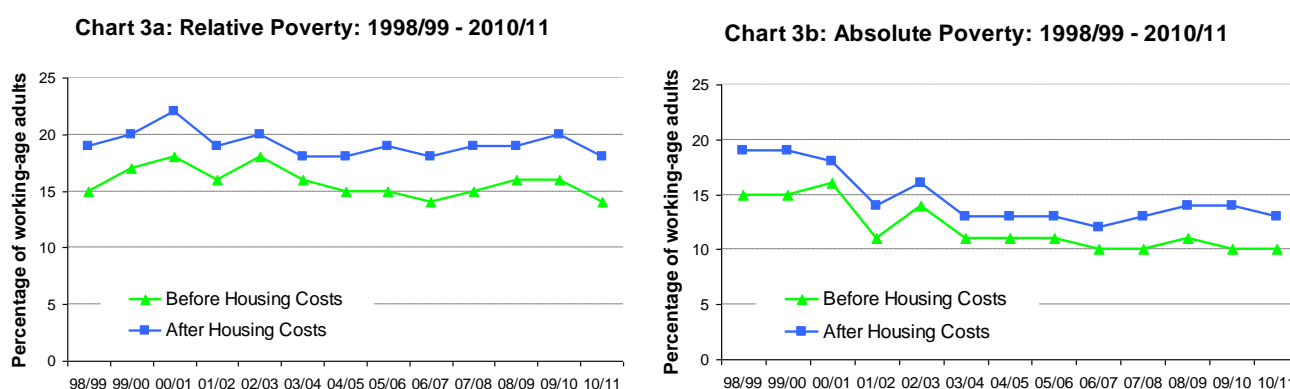
Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Main points:

- Between 2009/10 and 2010/11, all three child poverty indicators reported a decrease in the child poverty rate, following a period of little change and only slight decreases.
- The percentage of children in relative poverty ([BHC](#)) decreased from 20 per cent to 17 per cent, a reduction of 20,000 children.
- The proportion of children in absolute poverty ([BHC](#)) decreased from 11 per cent to 10 per cent, a reduction of 10,000 children.
- The percentage of children in material deprivation and low income combined decreased from 15 per cent to 13 per cent, a reduction of 20,000 children.
- Although not all of the decreases in poverty rates observed for children are statistically significant, it is reasonable to assume that similar factors to those mentioned in section 2.1 above are driving the decline. Families with children in the lower income deciles generally receive a greater proportion of their income from benefits and a smaller proportion from earnings than households just containing working age families.
- Between 2004/05 and 2009/10 there was a slight decrease in absolute child poverty levels, however the rate of decrease was slower compared to the overall rate of decrease observed between 1998/99 and 2004/05.

2.3 Working age adult poverty

Charts 3a and 3b below present recent relative and absolute poverty trends for working age people in Scotland.



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Tables [A1](#) and [A2](#)).

Charts with confidence intervals for relative and absolute working age adult poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#)

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Main points:

- In 2010/11 the proportion of working age adults in relative poverty ([BHC](#)) dropped from 16 per cent to 14 per cent. This represents a reduction of 70,000 individuals.
- The proportion of working age adults in relative poverty ([AHC](#)) dropped from 20 per cent to 18 per cent between 2009/10 and 2010/11. This represents a reduction of 40,000 individuals.
- Factors influencing the drop in poverty observed here are outlined in Section 2.1 above.

- The proportion in absolute poverty ([BHC](#)) remained unchanged at 10 per cent, while the ([AHC](#)) figure dropped from 14 per cent to 13 per cent between 2009/10 and 2010/11.
- Since around 2003/04, working age poverty has remained fairly stable and has not shown the same extent of early decreases observed in child and pensioner poverty.

2.4 Pensioner poverty

Pensioner Material Deprivation Indicator:

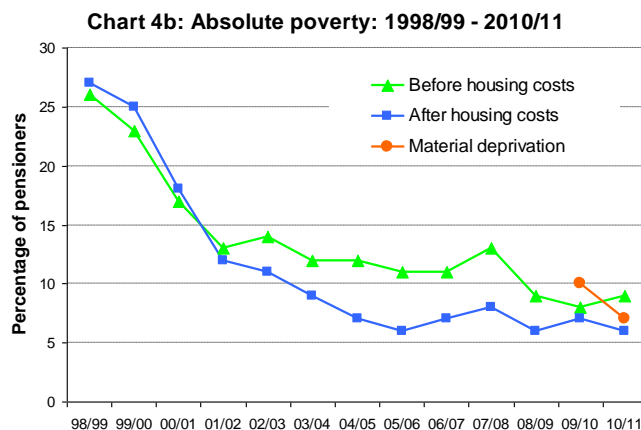
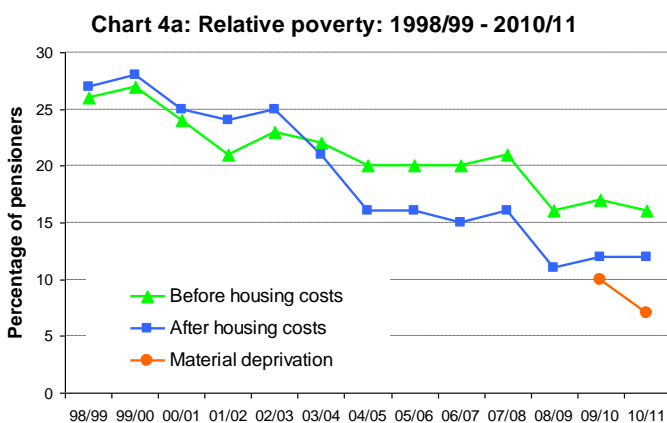
This is an additional way to measure the living standards of pensioners. This measure is based on a set of goods, services and experiences, judged using academic research to be the best discriminators of deprivation. Pensioners are asked if they have an item (or access to a service) and to give a reason 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 Chart 2 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 families 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 these figures 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: http://research.dwp.gov.uk/asd/hbai/technical_note_20110307.pdf

Charts 4a and 4b present recent trends for the three main pensioner poverty indicators: Relative poverty, absolute poverty and the material deprivation indicator. Note that poverty based on income [after housing costs](#) is a more commonly used measure for pensioner households as many of them have low housing costs. Further discussion on whether it is better to use before or after housing costs can be found in the [Introduction](#).



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Tables [A1](#) and [A2](#) and [A4](#)).

Note: The material deprivation figure is calculated as a percentage of all over 65s whereas the relative and absolute poverty rates are calculated as a percentage of all pensioners (including women aged 60 to 65).

Charts with confidence intervals for relative and absolute pensioner poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Main points:

- Pensioner relative poverty [BHC](#) decreased slightly from 17 per cent in 2010/11 to 16 per cent in 2010/11. The pensioner relative poverty measure [AHC](#) remained at 12 per cent in 2010/11.
- The changes in the latest year in the absolute pensioner poverty rates were small and not statistically significant.
- Seven per cent of over 65s were materially deprived in 2010/11, this is a decrease from 10 per cent in 2009/10.
- The fall in pensioner poverty since 1998/99 has been steeper than comparable falls for children and working age adults.
- 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. So because benefit income grew more than earned income, households with pensioners saw their overall income fall less in real terms in 2010/11 than other households with more income from earnings. In addition, many benefits and tax credit elements were uprated in 2010/11 by 1.5 per cent or 1.8 per cent, but the Basic State Pension increased by 2.5 per cent, while Pension Credit rates increased by 2 per cent.

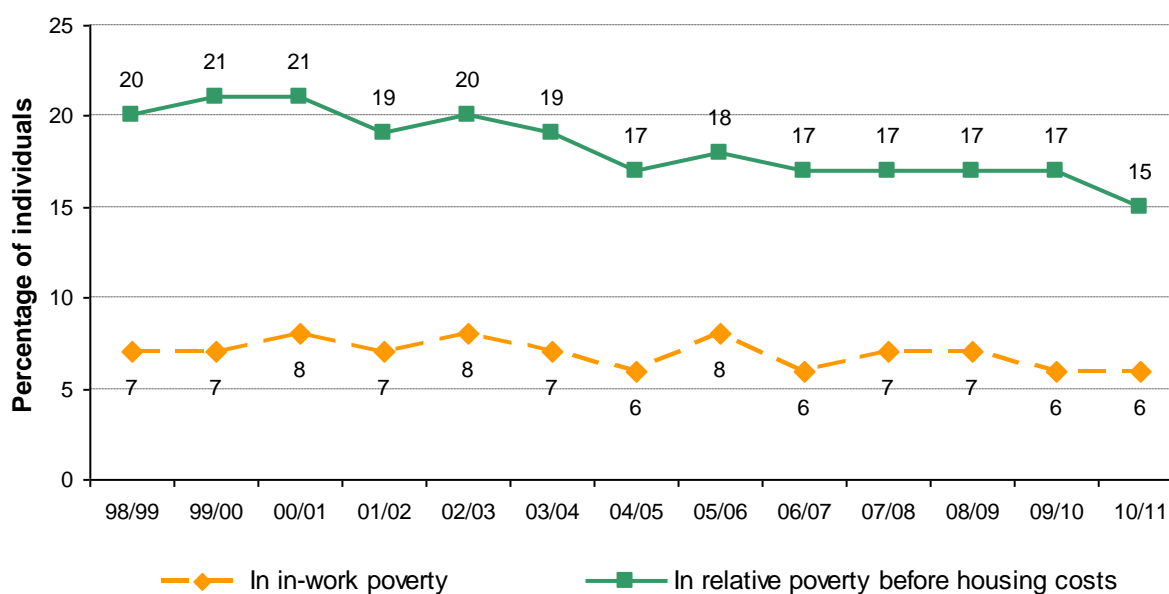
2.5 In-work poverty

In-work poverty:

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 poverty threshold. This group contains non-working household members such as children and non-working partners.

Chart 5 compares recent Scottish in-work poverty trends with the relative poverty trends.

Chart 5: Proportion of individuals in in-work poverty (relative poverty before housing costs): 1998/99 - 2010/11



Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table A5).

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Main points:

- During 2010/11, 6 per cent of people in Scotland were in in-work poverty. This represents 320,000 people living in households in relative poverty ([BHC](#)) despite the fact that these households contain a working member.
- In-work poverty trends have remained flat over the years since 1998/99, at between 6 and 8 per cent of the population. The latest year's figures do not show a decline in the way that many of the other poverty indicators do and this is likely to be related to the fact that earnings have gone down in real terms in 2010/11 and gone down by a greater extent in real terms when compared with income from benefits.

Chapter 3: Income Inequality and the distribution of income

The tables and charts in this section provide information about income inequality, the distribution of income and the types of families which are most common at the top and bottom of the income distribution.

Deciles / decile points:

Deciles (or decile points) are the income values which divide the Scotland 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.

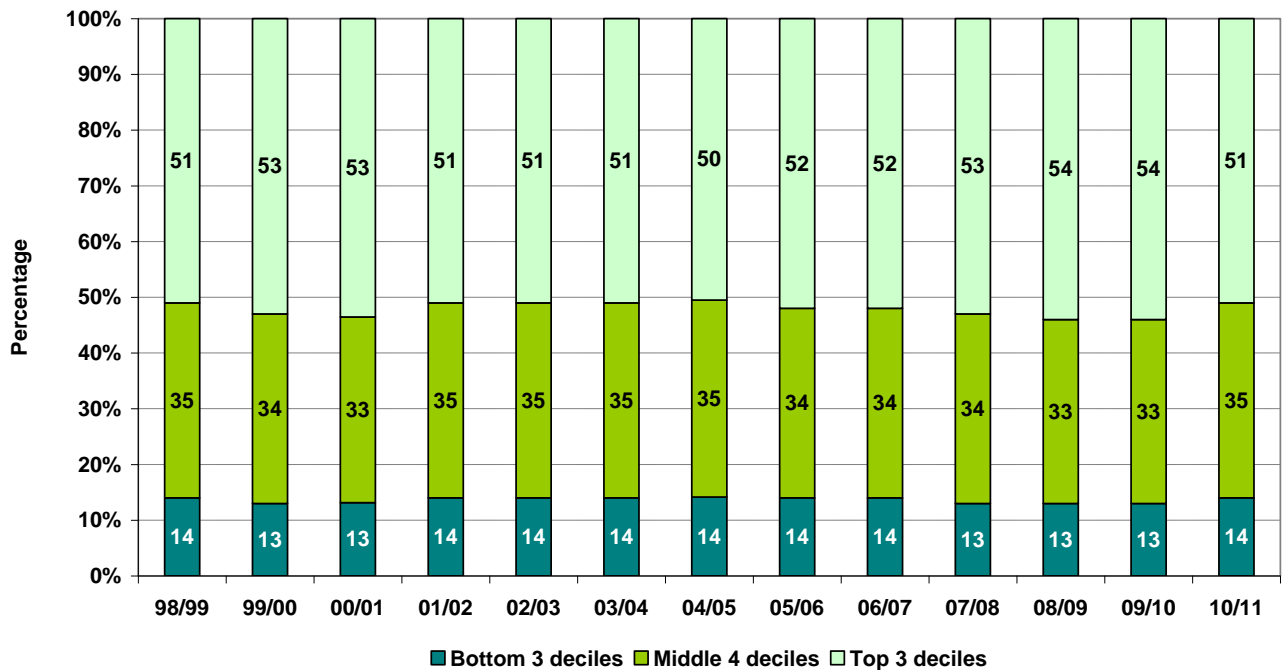
Decile groups:

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.

The following chart and table present figures that relate to the Scottish Government's Solidarity Purpose Target which is "to increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017".

Chart 6 shows the proportion of total income received by the three lowest income deciles (the thirty per cent of the population with the lowest incomes), from 1998/99 to 2010/11. It also shows the proportion of total income received by the three highest income deciles. This is a measure of how equally income is distributed across the population.

Chart 6. Percentage of total equivalised income going to the bottom and three income deciles, 1998-99 - 2010/11



Source: HBAI dataset, DWP. Note: The sum of all parts may not equal the total due to rounding.

Main points:

- In 2010/11 the proportion of income received by those in the bottom 3 deciles increased slightly to 14%.
- Between 2009/10 and 2010/11 the proportion of income received by those in the top three income deciles fell from 54 per cent to 51 per cent
- The factors outlined in Section 2.1 above explain possible drivers behind this reduction in income inequality observed in 2010/11.
- Over the longer term it can be seen that there has been very little change in income inequality since 1998/99 with the proportion of income received by the bottom 3 deciles remaining at between 13 and 14 per cent.

3.1 Income thresholds

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, the following table presents some commonly used income thresholds, before equivalisation, for families of different sizes.

Table 1 - Income thresholds for different family types (income after tax and [BHC](#))

| | 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) | 281 | 14,600 | 419 | 21,800 | 502 | 26,200 | 641 | 33,400 |
| Scottish median income (before housing costs) | 279 | 14,500 | 416 | 21,700 | 499 | 26,000 | 636 | 33,200 |
| 60% of UK median income (before housing costs) - relative poverty threshold | 168 | 8,800 | 251 | 13,100 | 301 | 15,700 | 384 | 20,000 |
| 60% of inflation adjusted 1998/99 GB median income (before housing costs) - absolute poverty threshold | 147 | 7,700 | 220 | 11,500 | 264 | 13,800 | 337 | 17,600 |
| Scottish 1st income decile | 149 | 7,800 | 223 | 11,600 | 267 | 13,900 | 341 | 17,800 |
| Scottish 2nd income decile | 185 | 9,700 | 277 | 14,400 | 332 | 17,300 | 423 | 22,100 |
| Scottish 3rd income decile | 217 | 11,300 | 323 | 16,900 | 388 | 20,200 | 495 | 25,800 |
| Scottish 4th income decile | 248 | 12,900 | 370 | 19,300 | 443 | 23,100 | 565 | 29,500 |
| Scottish 5th income decile | 279 | 14,500 | 416 | 21,700 | 499 | 26,000 | 636 | 33,200 |
| Scottish 6th income decile | 319 | 16,600 | 476 | 24,800 | 571 | 29,800 | 728 | 38,000 |
| Scottish 7th income decile | 364 | 19,000 | 544 | 28,300 | 652 | 34,000 | 832 | 43,400 |
| Scottish 8th income decile | 425 | 22,100 | 634 | 33,000 | 760 | 39,700 | 969 | 50,600 |
| Scottish 9th income decile | 528 | 27,500 | 788 | 41,100 | 945 | 49,300 | 1205 | 62,800 |

Source: HBAI dataset, DWP. Note: To create ten decile groups only nine decile points are needed to split the population.

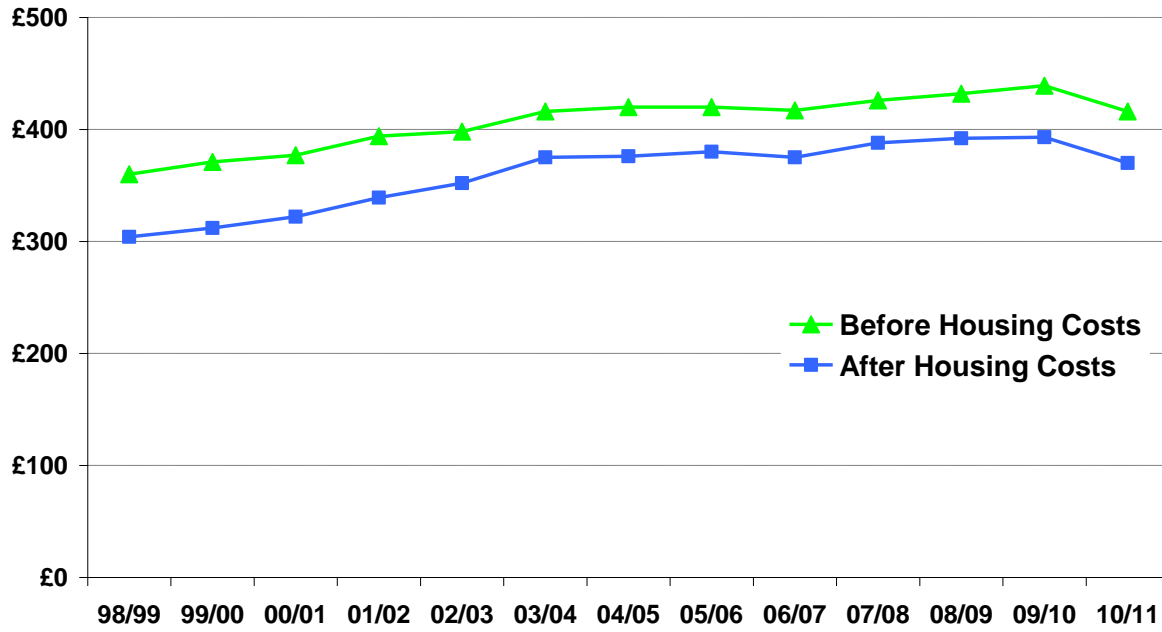
Main points:

- The relative poverty ([BHC](#)) threshold in 2010/11 is equivalent to £168 per week for a single person with no children; £251 for a couple with no children; or £384 per week for a couple with one young and one older child.
- A couple with no children with a combined income of over £33,000 (after tax) would be in the highest income 20 per cent of the population.

3.2 Trends in income distributions

Chart 7 shows how the median equivalised household income in Scotland has changed from 1998/99 to 2010/11.

**Chart 7. Median equivalised weekly household income in Scotland:
1998/99 to 2010/11 (in 2010/11 prices)**



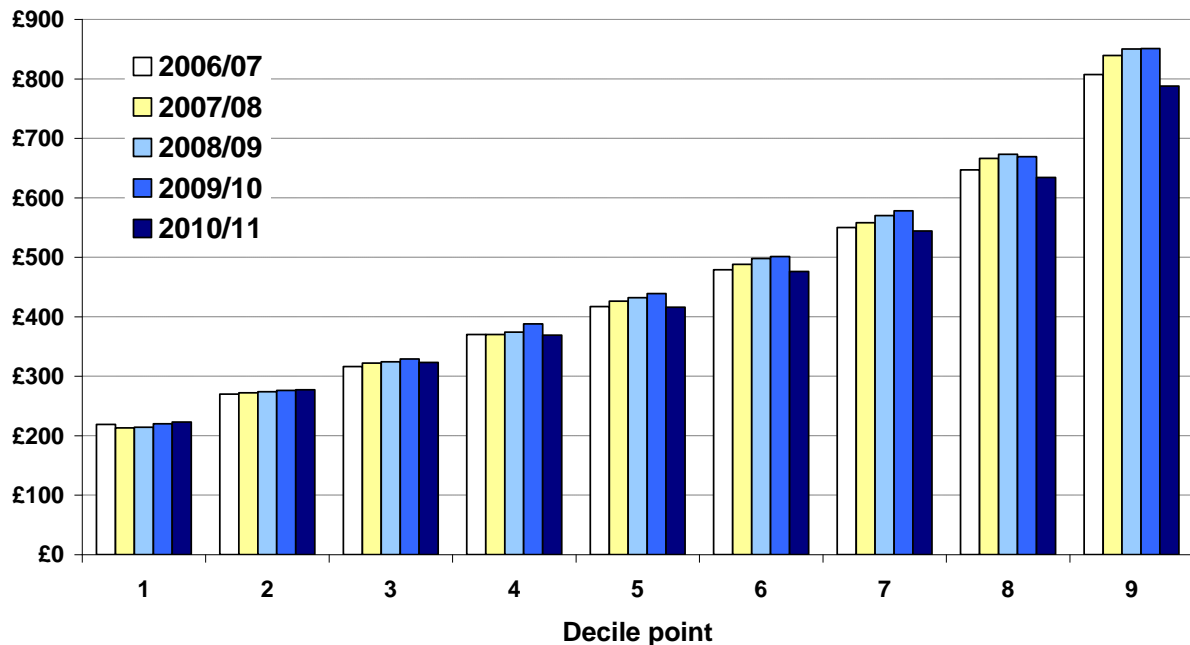
Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table [A6](#)).

Main points:

- There has been a gradual increase in median equivalised weekly household income ([BHC](#)) in Scotland from £360 in 1998/99 to £439 in 2009/10 followed by a drop to £416 in 2010/11. All incomes are quoted in 2010/11 prices.
- The pattern is similar for median equivalised weekly household income (AHC) in Scotland, which was £304 in 1998/99 to £393 in 2009/10, followed by a drop to £370 in 2010/11.

Chart 8 shows how the weekly equivalised incomes have changed from 2006/07 to 2010/11 across the different income decile points.

Chart 8. Equivalised weekly household incomes (Before Housing Costs) for each decile point from 2006/07 to 2010/11 (in 2010/11 prices) - Scotland

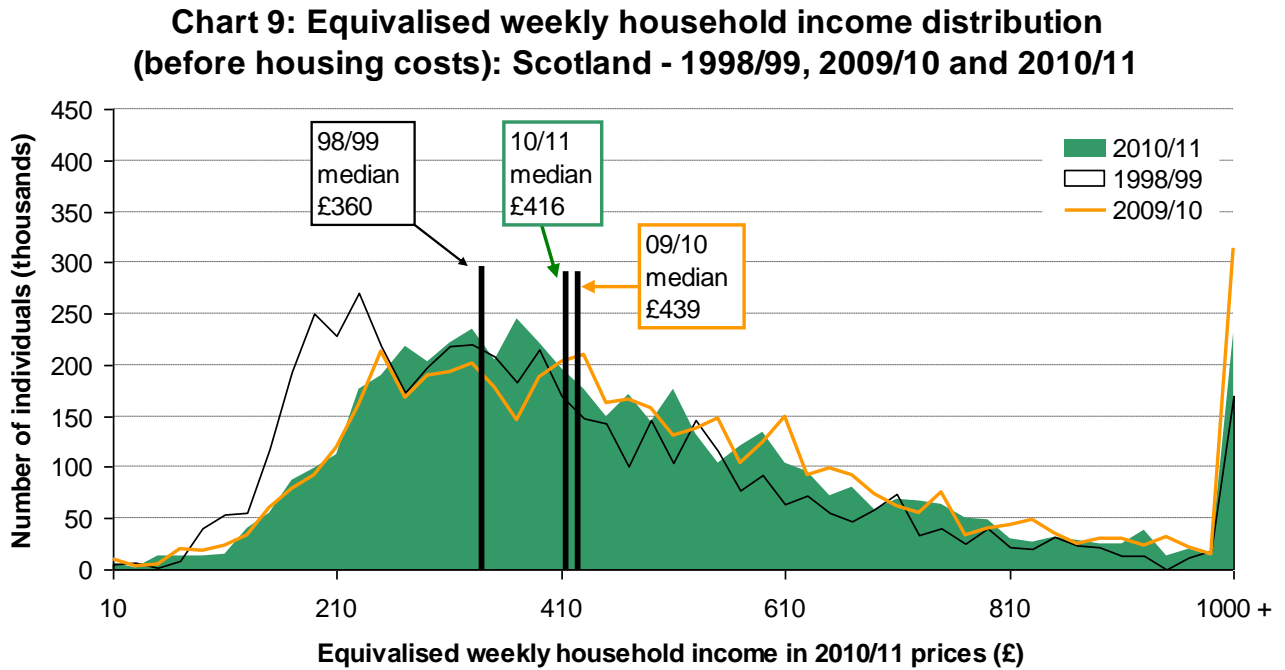


Source: HBAI dataset, DWP. These figures are also presented in Annex 1 (Table [A7](#)).

Main points:

- Between 2006/07 and 2009/10, equivalised weekly household income in Scotland has been broadly increasing in real terms across all the income decile points.
- In 2010/11, there was a drop in equivalised weekly household incomes in all but the bottom two income decile points. This is linked to the drop in average earnings.
- Households in the bottom two deciles receive a greater proportion of their income from benefits and a smaller proportion from earnings. Since benefits are uprated annually by inflation they have not seen the same drop in income as those households who are dependent on earnings.

Chart 9 below shows how the distribution of income across Scotland changed between 1998/99 and 2010/11. The shaded area shows the shape of the 2010/11 income distribution, the continuous orange line for 2009/10 and the black line for 1998/99. The 1998/99 and 2009/10 figures are adjusted for inflation and are in 2010/11 prices.



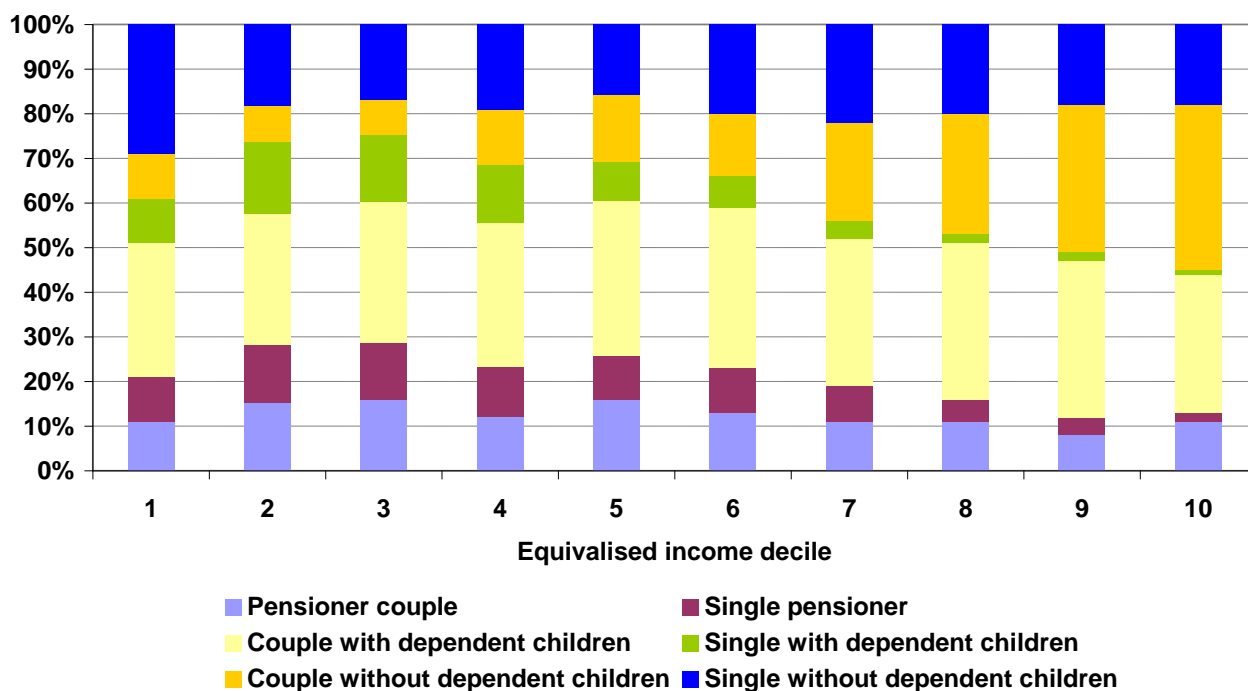
Source: HBAI dataset, DWP.

Main points:

- The median equivalised household income fell in real terms from £439 per week to £416 between 2009/10 and 2010/11.
- The relative poverty threshold is based on the median and therefore also fell. (The UK median (£419) is used to calculate the poverty threshold, which is £251 per week for a couple with no children).

Chart 10 below shows the composition of family types by equivalised income decile.

Chart 10. Family type by equivalised income decile, 2010/11



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

Main points:

- There are higher proportions of single people with dependent children towards the lower end of the income distribution.
- Single people without dependent children make up almost 30 per cent of those in the lowest decile, and around 20 per cent in the other deciles.
- There are also more pensioners towards the lower end of the income distribution – the second, third and fifth income deciles contain the highest proportions.
- There are more couples without children towards the top end of the income distribution.

Chart 11 below shows the composition of the economic status of families by equivalised income decile.

Chart 11. Economic status of family by equivalised income decile: 2010/11



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

Notes: 1. The 'workless, other inactive category' would include, for example, non-working single parents, or those who cannot work due to long-term sickness or disability.

Main points:

- Families where no-one is working either through unemployment, retirement or economic inactivity (those who are neither in work, nor looking for work) are more common towards the bottom of the income distribution. 55 per cent of people in the bottom three income deciles are in families of these types compared to 10 per cent in the top three deciles.
- People in families where at least one adult is working full-time (including those who are self-employed) make up 85 per cent of those in the top three deciles. Such families make up 33 per cent of those in the bottom three deciles.

Annexes

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Annex 1: Tables from the Family Resources Survey

Table A1: Relative poverty (below 60% of UK median income in the same year) in Scottish households: 1994/95 to 2010/11

| | 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 | 23 | 1,120 | 25 | 260 | 27 | 280 | 18 | 530 | 20 | 620 | 23 | 210 | 25 | 220 |
| 2003/04 | 19 | 920 | 21 | 1,020 | 24 | 250 | 27 | 280 | 16 | 480 | 18 | 560 | 22 | 190 | 21 | 180 |
| 2004/05 | 17 | 860 | 19 | 960 | 21 | 210 | 25 | 250 | 15 | 460 | 18 | 560 | 20 | 190 | 16 | 150 |
| 2005/06 | 18 | 880 | 20 | 990 | 21 | 210 | 24 | 250 | 15 | 470 | 19 | 590 | 20 | 190 | 16 | 150 |
| 2006/07 | 17 | 840 | 19 | 950 | 21 | 210 | 25 | 250 | 14 | 440 | 18 | 550 | 20 | 180 | 15 | 140 |
| 2007/08 | 17 | 860 | 19 | 970 | 20 | 200 | 24 | 240 | 15 | 460 | 19 | 580 | 21 | 200 | 16 | 150 |
| 2008/09 | 17 | 860 | 19 | 970 | 21 | 210 | 26 | 260 | 16 | 500 | 19 | 600 | 16 | 150 | 11 | 110 |
| 2009/10 | 17 | 870 | 19 | 980 | 20 | 200 | 25 | 250 | 16 | 510 | 20 | 610 | 17 | 160 | 12 | 120 |
| 2010/11 | 15 | 780 | 18 | 910 | 17 | 170 | 21 | 220 | 14 | 440 | 18 | 570 | 16 | 160 | 12 | 120 |

Source: HBAI dataset, DWP.

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Table A2: Absolute poverty (below 60% of inflation adjusted 1998/99 GB median income) in Scottish households: 1994/95 to 2010/11

| | 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 | 25 | 1,240 | 28 | 1,380 | 32 | 350 | 34 | 380 | 19 | 590 | 22 | 660 | 35 | 300 | 39 | 340 |
| 1995/96 | 25 | 1,230 | 27 | 1,340 | 33 | 370 | 36 | 400 | 18 | 550 | 20 | 610 | 37 | 320 | 37 | 330 |
| 1996/97 | 24 | 1,220 | 27 | 1,360 | 34 | 370 | 36 | 400 | 18 | 540 | 21 | 650 | 35 | 310 | 36 | 320 |
| 1997/98 | 21 | 1,060 | 23 | 1,170 | 31 | 340 | 32 | 350 | 16 | 490 | 19 | 560 | 26 | 230 | 30 | 260 |
| 1998/99 | 20 | 980 | 23 | 1,130 | 28 | 300 | 31 | 330 | 15 | 450 | 19 | 570 | 26 | 230 | 27 | 230 |
| 1999/00 | 19 | 950 | 22 | 1,120 | 26 | 280 | 30 | 320 | 15 | 470 | 19 | 580 | 23 | 200 | 25 | 220 |
| 2000/01 | 17 | 850 | 20 | 990 | 22 | 230 | 25 | 270 | 16 | 470 | 18 | 550 | 17 | 150 | 18 | 160 |
| 2001/02 | 13 | 640 | 15 | 740 | 16 | 170 | 20 | 210 | 11 | 350 | 14 | 430 | 13 | 120 | 12 | 100 |
| 2002/03 | 14 | 710 | 16 | 770 | 16 | 170 | 19 | 200 | 14 | 410 | 16 | 480 | 14 | 130 | 11 | 100 |
| 2003/04 | 12 | 610 | 14 | 670 | 15 | 160 | 18 | 180 | 11 | 350 | 13 | 410 | 12 | 110 | 9 | 80 |
| 2004/05 | 11 | 560 | 12 | 620 | 13 | 130 | 15 | 160 | 11 | 320 | 13 | 390 | 12 | 110 | 7 | 70 |
| 2005/06 | 11 | 550 | 12 | 600 | 12 | 130 | 14 | 140 | 11 | 330 | 13 | 400 | 11 | 100 | 6 | 60 |
| 2006/07 | 10 | 510 | 12 | 600 | 12 | 120 | 15 | 150 | 10 | 300 | 12 | 390 | 11 | 100 | 7 | 60 |
| 2007/08 | 11 | 560 | 12 | 590 | 12 | 120 | 13 | 130 | 10 | 310 | 13 | 390 | 13 | 120 | 8 | 70 |
| 2008/09 | 11 | 540 | 13 | 640 | 11 | 110 | 15 | 150 | 11 | 340 | 14 | 440 | 9 | 90 | 6 | 50 |
| 2009/10 | 10 | 510 | 13 | 650 | 11 | 110 | 15 | 150 | 10 | 320 | 14 | 440 | 8 | 80 | 7 | 60 |
| 2010/11 | 10 | 490 | 12 | 610 | 10 | 100 | 13 | 130 | 10 | 300 | 13 | 410 | 9 | 90 | 6 | 60 |

Source: HBAI dataset, DWP.

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Table A3: Children in combined material deprivation and low income (below 70% of UK median income in the same year) in Scottish households: 2004/05 to 2010/11

| | % | 000s |
|---------|----|------|
| 2004/05 | 16 | 170 |
| 2005/06 | 13 | 130 |
| 2006/07 | 16 | 160 |
| 2007/08 | 15 | 150 |
| 2008/09 | 16 | 160 |
| 2009/10 | 15 | 150 |
| 2010/11 | 13 | 130 |

Source: HBAI dataset, DWP.

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Table A4: Pensioners in material deprivation: 2009/10 to 2010/11 (based on pensioners aged 65 and over)

| | % | 000s |
|---------|----|------|
| 2009/10 | 10 | 80 |
| 2010/11 | 7 | 60 |

Source: HBAI dataset, DWP.

Table A5: Individuals in in-work poverty (relative poverty [BHC](#)) in Scotland: 1998/99 to 2010/11

| | In in-work poverty | | In relative poverty before housing costs | |
|-------|--------------------|---|---|----|
| | 000s | % | 000s | % |
| 98/99 | 360 | 7 | 980 | 20 |
| 99/00 | 350 | 7 | 1,050 | 21 |
| 00/01 | 390 | 8 | 1,040 | 21 |
| 01/02 | 370 | 7 | 960 | 19 |
| 02/03 | 400 | 8 | 1,000 | 20 |
| 03/04 | 340 | 7 | 920 | 19 |
| 04/05 | 310 | 6 | 860 | 17 |
| 05/06 | 380 | 8 | 880 | 18 |
| 06/07 | 320 | 6 | 840 | 17 |
| 07/08 | 340 | 7 | 860 | 17 |
| 08/09 | 340 | 7 | 860 | 17 |
| 09/10 | 330 | 6 | 870 | 17 |
| 10/11 | 320 | 6 | 780 | 15 |

Source: HBAI dataset, DWP.

Note that the poverty estimates for 2008/09 and 2009/10 have been revised from the previous year's publication "Poverty and income inequality in Scotland: 2009/10". This is due to a slight revision to the UK dataset due to changes in the direct tax system in Northern Ireland and new tenure data from CLG.

Table A6: Median equivalised weekly household income in Scotland: 1994/95 to 2010/11 (2010/11 prices)

| | Before Housing Costs | After Housing Costs |
|-------|----------------------------|---------------------------|
| 94/95 | 336 | 284 |
| 95/96 | 333 | 277 |
| 96/97 | 345 | 287 |
| 97/98 | 358 | 300 |
| 98/99 | 360 | 304 |
| 99/00 | 371 | 312 |
| 00/01 | 377 | 322 |
| 01/02 | 394 | 339 |
| 02/03 | 398 | 352 |
| 03/04 | 416 | 375 |
| 04/05 | 420 | 376 |
| 05/06 | 420 | 380 |
| 06/07 | 417 | 375 |
| 07/08 | 426 | 388 |
| 08/09 | 432 | 392 |
| 09/10 | 439 | 393 |
| 10/11 | 416 | 370 |

Source: HBAI dataset, DWP.

Table A7: Equivalised weekly household income ([BHC](#)) in Scotland: 1994/95 to 2010/11 (2010/11 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 |
|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 94/95 | 167 | 201 | 242 | 290 | 336 | 392 | 445 | 534 | 649 |
| 95/96 | 172 | 206 | 241 | 288 | 333 | 381 | 446 | 525 | 654 |
| 96/97 | 172 | 206 | 247 | 291 | 345 | 398 | 456 | 541 | 663 |
| 97/98 | 176 | 216 | 258 | 304 | 358 | 408 | 475 | 559 | 701 |
| 98/99 | 180 | 221 | 264 | 313 | 360 | 412 | 486 | 565 | 716 |
| 99/00 | 184 | 223 | 267 | 314 | 371 | 426 | 493 | 591 | 737 |
| 00/01 | 191 | 231 | 276 | 322 | 377 | 425 | 493 | 588 | 737 |
| 01/02 | 205 | 247 | 293 | 342 | 394 | 452 | 517 | 604 | 798 |
| 02/03 | 197 | 249 | 296 | 347 | 398 | 456 | 526 | 611 | 770 |
| 03/04 | 208 | 259 | 316 | 368 | 416 | 473 | 541 | 632 | 770 |
| 04/05 | 213 | 268 | 316 | 365 | 420 | 477 | 548 | 643 | 780 |
| 05/06 | 212 | 266 | 318 | 369 | 420 | 480 | 550 | 651 | 807 |
| 06/07 | 219 | 270 | 316 | 370 | 417 | 479 | 550 | 647 | 807 |
| 07/08 | 213 | 272 | 322 | 370 | 426 | 488 | 558 | 666 | 839 |
| 08/09 | 214 | 274 | 324 | 374 | 432 | 498 | 570 | 673 | 850 |
| 09/10 | 220 | 276 | 329 | 388 | 439 | 501 | 578 | 669 | 851 |
| 10/11 | 223 | 277 | 323 | 369 | 416 | 476 | 544 | 634 | 788 |

Source: HBAI dataset, DWP.

Table A8: Family type by equivalised income decile: Scotland 2010/11

| 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 | 60 | 11 | 50 | 10 | 150 | 30 | 50 | 10 | 50 | 10 | 150 | 29 |
| 2 | 80 | 15 | 70 | 13 | 150 | 29 | 80 | 16 | 40 | 8 | 90 | 18 |
| 3 | 80 | 16 | 60 | 13 | 160 | 32 | 70 | 15 | 40 | 8 | 90 | 17 |
| 4 | 60 | 12 | 60 | 11 | 160 | 32 | 70 | 13 | 60 | 12 | 100 | 19 |
| 5 | 80 | 16 | 50 | 10 | 180 | 35 | 40 | 9 | 80 | 15 | 80 | 16 |
| 6 | 60 | 13 | 50 | 10 | 190 | 36 | 30 | 7 | 70 | 14 | 100 | 20 |
| 7 | 60 | 11 | 40 | 8 | 170 | 33 | 20 | 4 | 110 | 22 | 110 | 22 |
| 8 | 60 | 11 | 20 | 5 | 180 | 35 | 10 | 2 | 140 | 27 | 100 | 20 |
| 9 | 40 | 8 | 20 | 4 | 180 | 35 | 10 | 2 | 170 | 33 | 90 | 18 |
| 10 | 60 | 11 | 10 | 2 | 160 | 31 | 0 | 1 | 190 | 37 | 90 | 18 |
| Total | 640 | | 440 | | 1,680 | | 400 | | 950 | | 1,000 | |

Source: HBAI dataset, DWP.

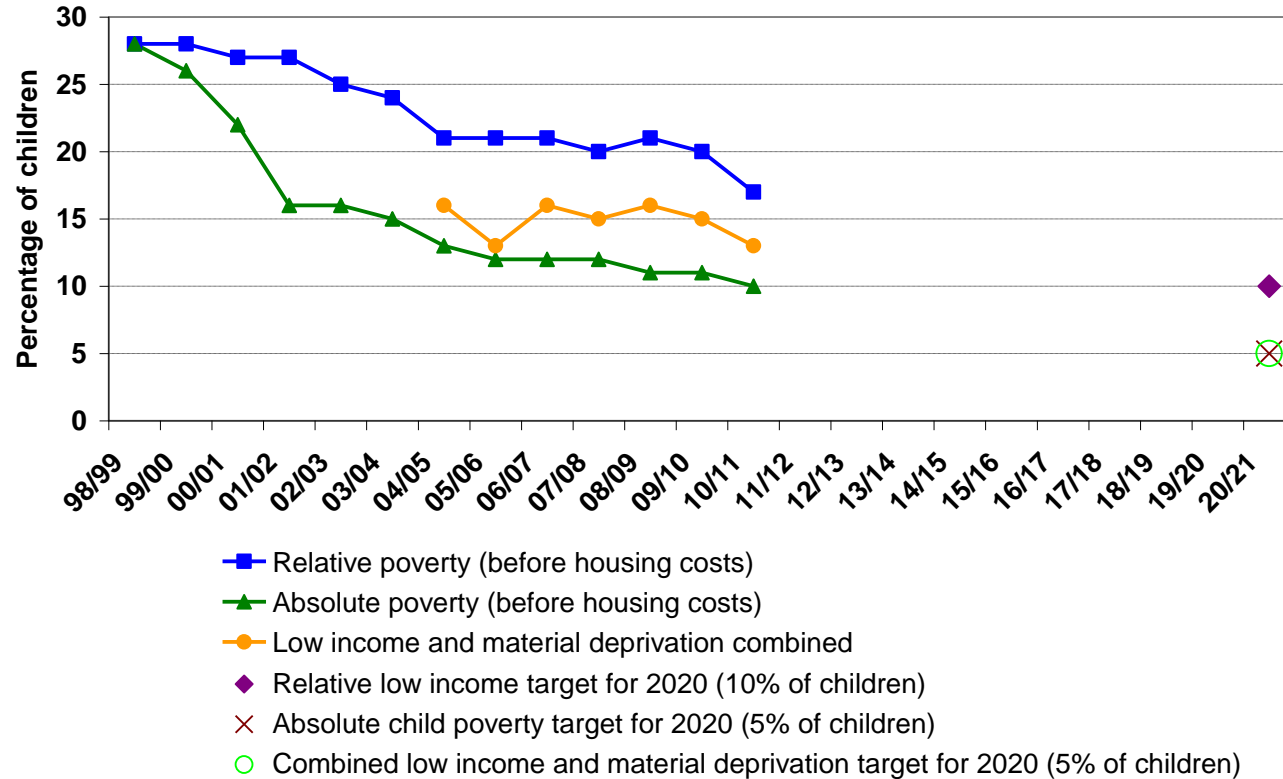
Table A9: Economic status of families by equivalised income decile: Scotland 2010/11

| 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 | | Workless, head or spouse aged 60 or over | | Workless head or spouse unemployed | | Workless, other inactive | |
|---------------|---------------------------|----|-------------------------------------|----|--|----|---------------------------------------|----|-------------------------------------|----|--|----|------------------------------------|----|--------------------------|----|
| | 000s | % | 000s | % | 000s | % | 000s | % | 000s | % | 000s | % | 000s | % | 000s | % |
| 1 | 50 | 10 | 30 | 5 | 10 | 1 | 50 | 10 | 60 | 12 | 100 | 21 | 80 | 16 | 130 | 25 |
| 2 | 40 | 8 | 30 | 7 | 20 | 5 | 70 | 13 | 60 | 12 | 140 | 28 | 30 | 6 | 110 | 22 |
| 3 | 20 | 4 | 50 | 10 | 80 | 15 | 50 | 11 | 70 | 14 | 130 | 25 | 20 | 4 | 90 | 17 |
| 4 | 40 | 8 | 80 | 16 | 70 | 14 | 70 | 13 | 70 | 13 | 110 | 22 | 10 | 2 | 50 | 11 |
| 5 | 30 | 6 | 110 | 22 | 90 | 17 | 60 | 12 | 50 | 11 | 120 | 24 | 10 | 1 | 40 | 8 |
| 6 | 30 | 5 | 170 | 33 | 110 | 22 | 50 | 9 | 50 | 9 | 90 | 18 | 10 | 1 | 10 | 2 |
| 7 | 30 | 6 | 190 | 38 | 100 | 19 | 40 | 9 | 30 | 6 | 80 | 16 | 10 | 2 | 30 | 5 |
| 8 | 30 | 7 | 240 | 48 | 110 | 21 | 30 | 7 | 30 | 6 | 50 | 10 | 0 | 0 | 10 | 2 |
| 9 | 30 | 6 | 270 | 52 | 110 | 21 | 40 | 7 | 20 | 5 | 30 | 7 | 0 | 1 | 10 | 1 |
| 10 | 70 | 13 | 260 | 51 | 60 | 11 | 60 | 11 | 20 | 5 | 30 | 6 | 0 | 1 | 10 | 2 |
| Total | 370 | | 1,440 | | 760 | | 510 | | 470 | | 900 | | 170 | | 490 | |

Source: HBAI dataset, DWP.

Chart A10: Child Poverty Act Targets:

Child Poverty Act Targets



- Note (1) that the absolute low income target for 2020 is based on children in households whose equivalised income is below 60% of the (inflation adjusted) median income in 2010/11. At present, absolute child poverty is measured by individuals living in households whose equivalised income is below 60% of the (inflation adjusted) median income in 1998/99. The absolute child poverty measure will be rebased to 2010/11 prices from 2011/12 onwards.
- Note (2) that the combined low income and material deprivation poverty indicator is partly based on a suite of questions from the Family Resources Survey about whether people can afford to buy certain items and participate in leisure activities. The goods and services included in the survey are updated periodically and will be updated for next year’s publication. This means that the target for 2020 will be based on a different set of goods and services from what is used in these calculations.

Annex 2: 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: 2010/11' on the same day as 'Poverty and income inequality in Scotland'. For the UK figures, as well as more detail about the way these figures are collected and calculated, see the DWP website: <http://research.dwp.gov.uk/asd/index.php?page=hbai>.

Future plans for updating persistent poverty figures

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

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Publications>. The BHPS has been subsumed into the larger Understanding Society survey from the start of 2009. These figures will be updated when the new data becomes available during 2012. For more detail see www.understandingsociety.org.uk.

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 and [section 1.2](#) 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.

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 say 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 ² | 0.33 |
| Third Adult | 0.33 |
| Subsequent Adults | 0.33 |
| Children aged under 14yrs ³ | 0.20 |
| Children aged 14yrs and over ³ | 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.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/equivalence-scales-paper>

Poverty measurement from the Family Resources Survey

Individuals are defined as being in poverty if their equivalised net disposable household income is below 60% 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 2010/11 was £419 per week, this is a real terms increase of £52 (14%) since 1998/99 (the inflation adjusted median income in 1998/99 was £367). [After housing costs](#) the increase was from £304 per week in 1998/99 (inflation adjusted) to £359 in 2010/11. This is an increase of 18% or £55.

Consequently, the 60% low income threshold, which is used to derive the low income household figures, has increased by £31 per week ([BHC](#)) in real terms, from £220 in 1998/99 (inflation adjusted) to £251 in 2010/11. [After housing costs](#) the 60% low income threshold has increased by £33 per week in real terms, from £182 to £215.

Relative and absolute poverty:

- **Absolute poverty:** individuals living in households whose equivalised income is below 60% of inflation adjusted median income in 1998/99. 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% 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 families 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). *Developing deprivation questions for the Family Resources Survey*, Department for Work and Pensions Working Paper Number 13 available at <http://research.dwp.gov.uk/asd/asd5/WP13.pdf>. Together, these questions form the best discriminator between those families 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 families.

A prevalence weighted approach has been used, in combination with a relative low income threshold. Prevalence weighting is a technique of scoring deprivation in which more weight in the deprivation measure is given to families lacking those items that most families 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.

For further information about material deprivation see Appendix 2 of the DWP 'Households below average income' publication. A discussion considering the implications of the changes to the material deprivation goods and services is given in Appendix 3 of this publication.

Material Deprivation for Pensioners

A suite of questions designed to capture the material deprivation experienced by pensioner families has been included in the Family Resources Survey since May 2008. 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://research.dwp.gov.uk/asd/asd5/WP55.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://research.dwp.gov.uk/asd/asd5/WP54.pdf>. Together, these questions form the best discriminator between those pensioner families that are deprived and those that are not.

Where they do not have a good or service, they 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; other. 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; other, they are counted as being deprived for that item.

The exception to this is for the unexpected expense question, where the follow up question was asked to explore how those who responded 'yes' would pay. 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; other. 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 families lacking those items that most pensioner families 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 http://research.dwp.gov.uk/asd/index.php?page=hbai_arc.

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.

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.

The Family Resources Survey publication at <http://research.dwp.gov.uk/asd/frs/index.php?page=intro> 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 Appendix 1 and 2 of DWP's publication:

<http://statistics.dwp.gov.uk/asd/index.php?page=hbai>

Annex 3: Where to find more information

Scottish Government websites:

Income and Poverty statistics website

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/incomepoverty>

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

<http://www.scotland.gov.uk/About/scotPerforms>

Uses of the data: In response to the UK Statistics Authority's (UKSA) report

<http://www.statisticsauthority.gov.uk/assessment/assessment/assessment-reports/index.html>

the Scottish Government were required to identify and document the ways in which these statistics are used. More information on this can be found via the following link:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/income-data-sources>

Scottish Government Tackling Poverty website includes information about what the Scottish Government is doing to reduce poverty and income inequality.

<http://www.scotland.gov.uk/Topics/People/tackling-poverty>

Confidence limits surrounding Scotland poverty estimates:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Methodology#a6>

High Level Summary of Statistics (Social and Welfare)

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

For further information on all Scottish Government statistics

<http://www.scotland.gov.uk/topics/statistics/>

UK Government websites:

Family Resources Survey, Department for Work and Pensions

<http://statistics.dwp.gov.uk/asd/frs/>

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

<http://statistics.dwp.gov.uk/asd/index.php?page=hbai>

UK Government action on child poverty

<http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty>

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 and in deprived areas), however it is **not** possible to produce reliable estimates at Local Authority level from this source. Estimates of poverty in rural and urban areas and in deprived areas will be updated on the income and poverty statistics website soon after publication of this report.

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/CoreAnalysis>

The Scottish Government are aware of the demand for Local Authority (LA) level poverty figures and are carrying out work to improve the quality of income information recorded by the Scottish Household Survey with the aim of producing LA level estimates. Initial estimates were published from this work in August 2010 and are classified as “data being developed” because they are undergoing quality assurance work and are published for the purpose of helping in this QA work and should **not** be treated as official statistics. For further detail and to comment on these data, see the [Relative poverty across Scottish local authorities](#) publication or contact the income and poverty statistics team on 0131 244 0794 or social-justice-analysis@scotland.gsi.gov.uk.

On the income and poverty website there is also a [data sources and suitability](#) page which discusses some of the main data sources available to researchers interested in income and poverty in Scotland and their strengths and weaknesses. This discusses some of the indicators which are currently available at local authority level to find out about income and poverty in Scotland.

A National Statistics Publication for Scotland

This is a National Statistics publication. National Statistics are produced to high professional standards as set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from political interference.

Further information about National Statistics can be viewed on the Scottish Government Statistics website at: <http://www.scotland.gov.uk/topics/statistics/about>.

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Release date and next update

These figures were published on the 14th June 2012. They are due to be updated in May/June 2013.

Feedback

The Scottish Government Social Justice Analysis team produced this publication and would be delighted to hear your comments or suggestions about how these figures could be made more useful to you. Please email social-justice-analysis@scotland.gsi.gov.uk or phone 0131 244 0794.

Complaints and suggestions

If you are not satisfied with our service, please write to the Chief Statistician, Mr Roger Halliday, 4N05, St Andrews House, Edinburgh, EH1 3DG, Telephone: (0131) 244 0302, e-mail Roger.Halliday@scotland.gsi.gov.uk. We also welcome any comments or suggestions that would help us to improve our standards of service.

ScotStat

Scotstat is the Scottish Government network for consulting on, and notifying users about, official statistics. If you would like to be consulted about new or existing statistical collections or receive notification of statistical releases, please register your interest on the Scottish Government ScotStat website at www.scotland.gov.uk/scotstat.

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