

Poverty in Scotland

Poverty is measured by household income.

The Scottish Government reports on poverty in a range of ways

- **Two main measures:** relative and absolute poverty
- We report on poverty for all individuals and for specific population subgroups: children, pensioners, working age adults
- **Housing:** before and after housing costs
- **Living standards:** Low income and material deprivation measure
- **Employment:** we report on in-work poverty levels
- **Inequality:** measures of income inequality are also included in our reporting each year

Statistics report the number of people in poverty

These are reflected in the:

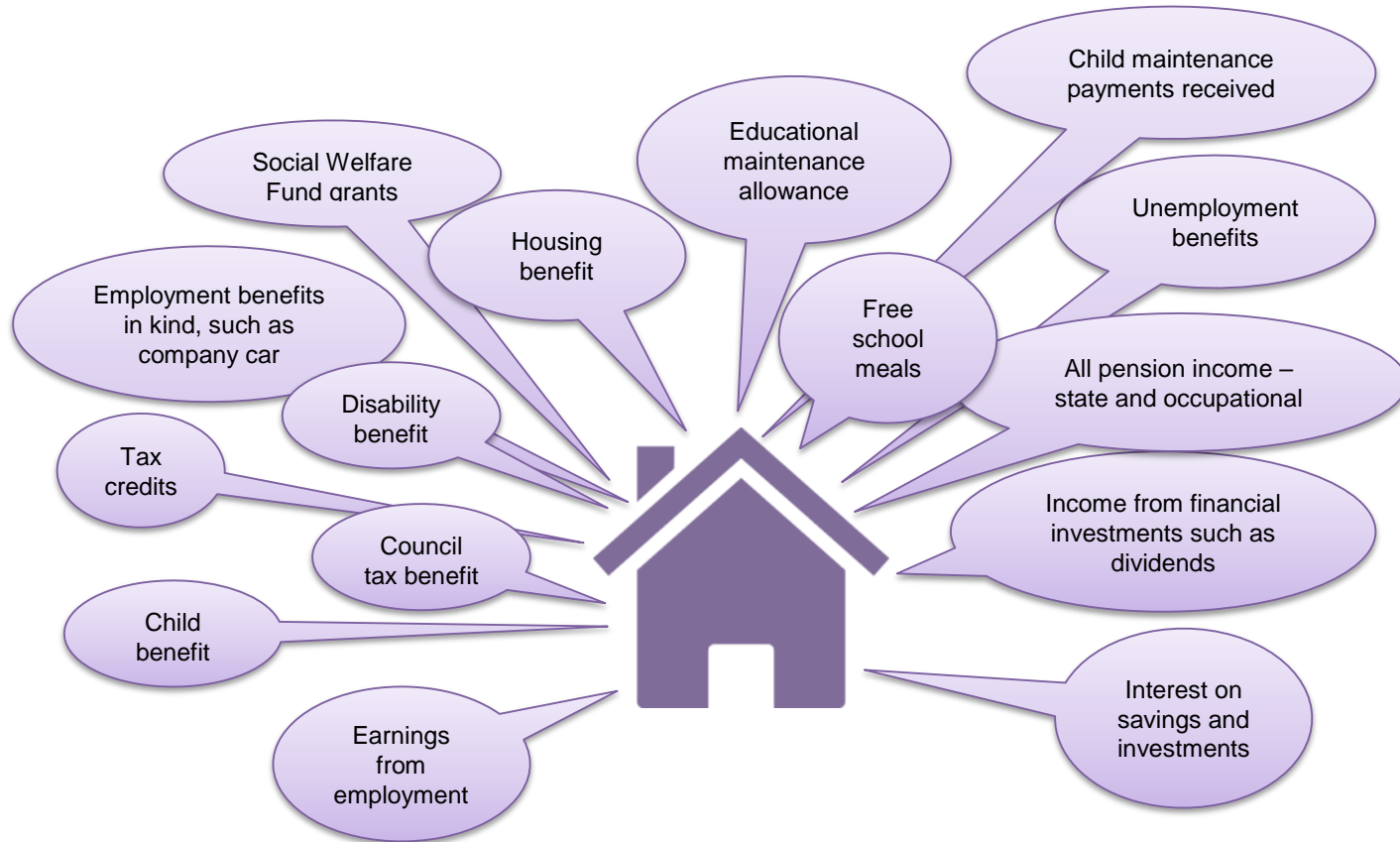
- Solidarity Target
- National Indicator 35: Decrease the proportion of individuals living in poverty.
- National Indicator 36: Reduce children's deprivation

The Child Poverty Act 2010 sets out the goal of ending child poverty in the UK by 2020. The targets are:

- Relative child poverty: less than 10%
- Absolute child poverty: less than 5%
- Child low income and material deprivation: less than 5%
- Child persistent poverty: less than 7%

Poverty is measured at the household level

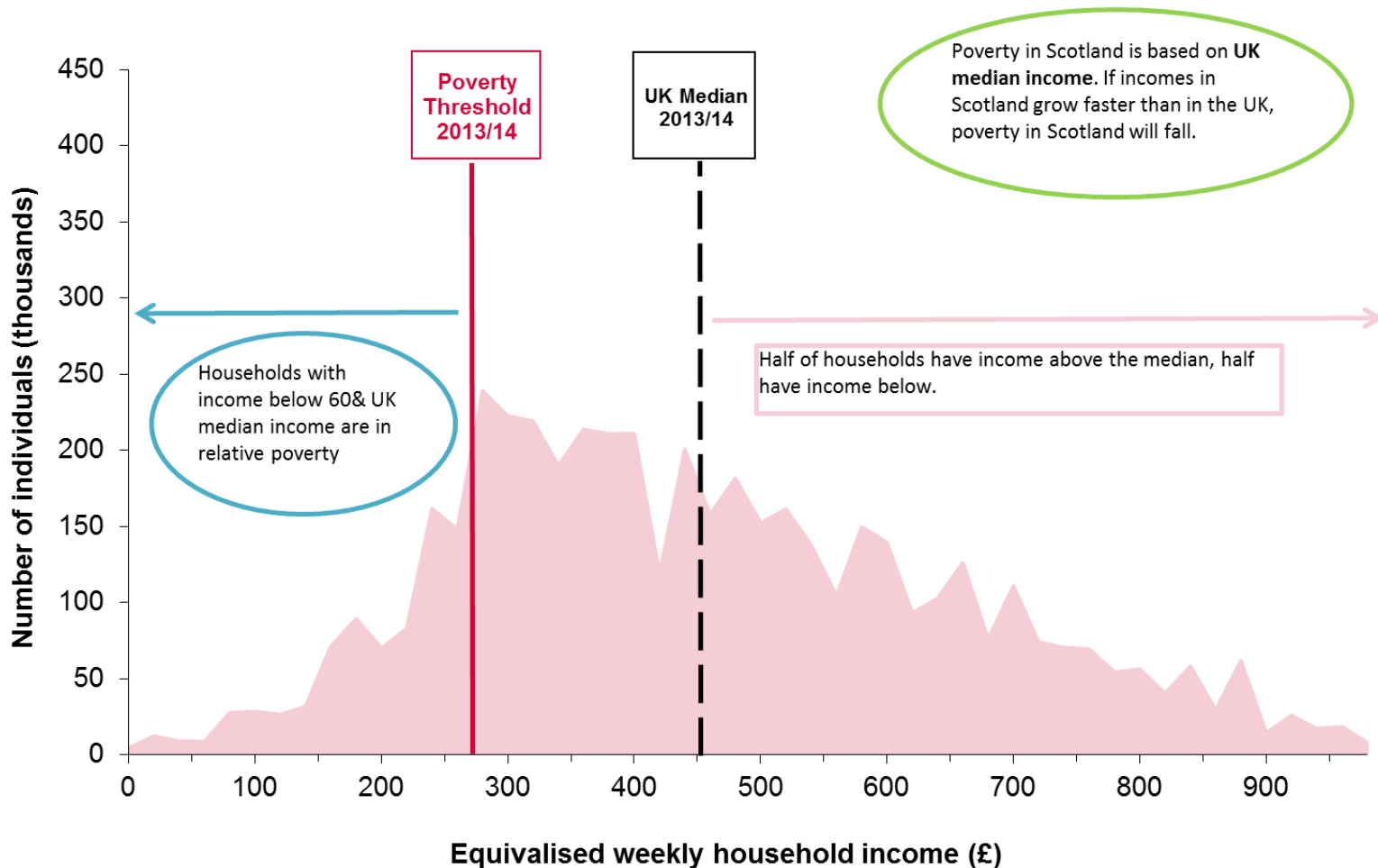
Income from all sources is included:



Poverty assumes all income coming into a household benefits all family members equally. If household income is below the poverty threshold, all members of the household are considered to be in poverty. This differs from measures of earnings, which are for individuals, irrespective of their family size and type.

The median household income is used to find the number of people in low-income households

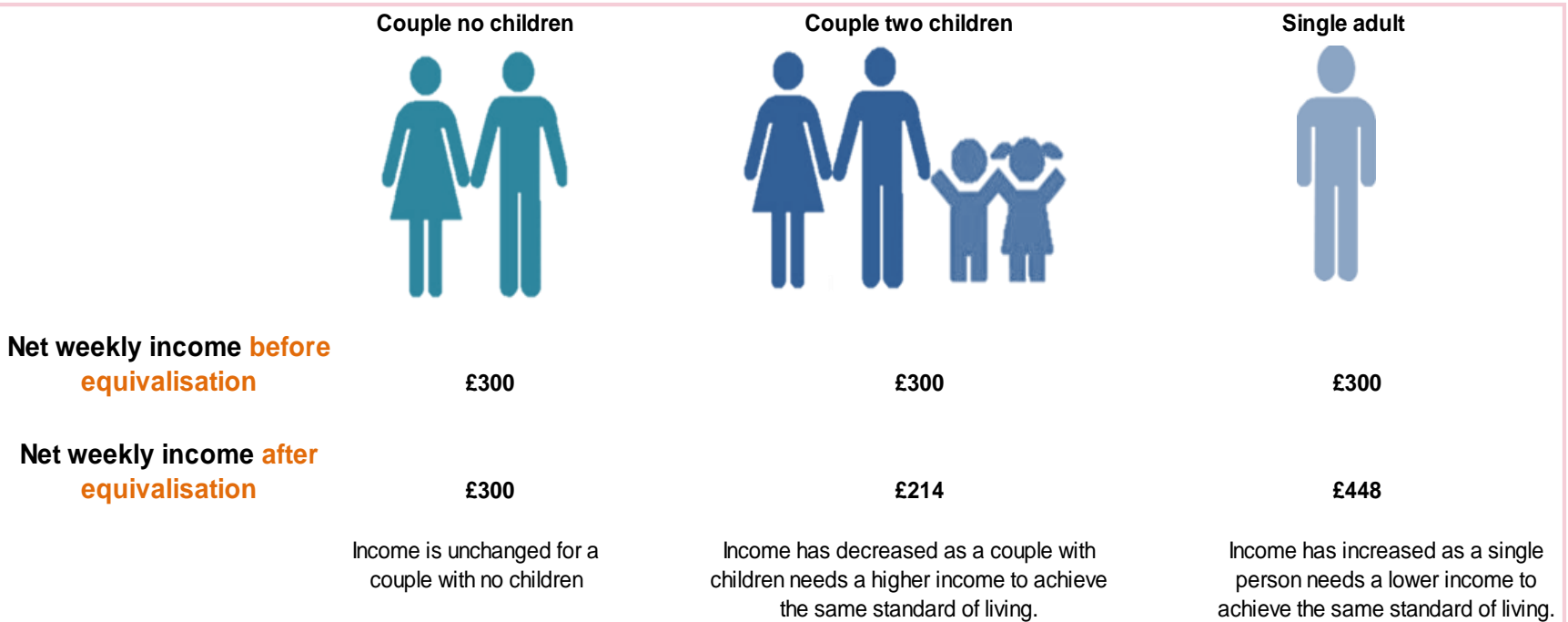
The poverty threshold is set at 60 per cent of median UK income



Poverty measures use equivalised household income to compare different households

Equivalisation adjusts household income to take into account of differences in the size and composition of households. This means households of different sizes can be compared.

‘Equivalisation’ reflects the idea that, in order to enjoy a comparable standard of living, a household of two adults and two children will need a higher income than a single person living alone to reach the same standard of living.



Poverty can be measured in different ways - different measures tell us different things.

Poverty can be measured by:

Income only – net household income (poverty before housing costs)

Disposable income - net household income after housing costs (poverty after housing costs)

Standard of living – whether households in low income can afford basic necessities (low income and material deprivation)

Income is one of the most commonly used indicators of living standards, but does not measure standard of living itself. The material deprivation measure focuses on particular goods and services that someone is unable to afford.

Relative poverty compares living standards of the poorest against the rest of the population.

Relative poverty

Relative poverty: measures whether the poorest are keeping up with growth in average income



An individual is living in relative poverty if the total income of the household s/he lives in is less than 60% of the UK median income **in the most recent year**.

The relative poverty threshold could change every year. It is not fixed in time.

Relative poverty will increase if household income for the poorest increases more slowly than that for 'middle income' households. For example if wages increase faster than benefits.

It does not tell us anything about whether standards of living are being maintained over time.

Absolute poverty compares living standards over time.

Absolute poverty

Absolute poverty measures whether income is growing in line with inflation.

An individual is living in absolute poverty if the total income of the household s/he lives in is less than 60% of the UK median income **in 2010/11**.

If wages and benefits increase faster than inflation, absolute poverty will fall.

If wages and benefits increase more slowly than inflation, absolute poverty will increase.

Poverty is measured before and after housing costs

Household income

Poverty before housing costs (BHC): total disposable income.

Poverty after housing costs (AHC): disposable income after housing has been paid for.

Housing is essential. Housing is a significant part of household expenses particularly for those on low incomes.

Housing costs are lower in Scotland than the UK. In 2013/14 22% of children were in relative poverty AHC, compared with 28% across the UK.

Poverty is about more than money

Material deprivation is a measure of what items a household can afford.

Combined low income and material deprivation measures whether children are going without the basic goods and services which are considered essential to maintain an acceptable standard of living.

A child **in a low income household** that lacks four or more basic necessities is in **material deprivation**.

Not all individuals with low wages live in poverty, and not all people in poverty have low wages.

Household income is about more than the hourly pay rate for an individual.



A single adult working full time on national minimum wage would not be in relative poverty BHC.



A family with two children, one adult working full time on national minimum wage would be in relative poverty BHC (based on earnings).

Quick notes

- Poverty is measured at the household level
- The poverty threshold is set at 60 per cent of median UK income.
- **Relative poverty:** measures whether the poorest are keeping up with growth in average income
- **Absolute poverty** measures whether income is growing in line with inflation.
- **Material deprivation** measures whether children [in low income households] are going without the basic goods and services.
- Household income is about more than the hourly pay rate for an individual
- It is the interaction between policies, particularly earnings and the welfare system, which has the biggest impact on poverty