

SPICe

The Information Centre
An t-Ionad Fiosrachaidh

Introduction

This is the second of two evidence sessions on the Scottish Child Payment (SCP).

The Committee will hear from:

- Jack Evans, Senior Policy Adviser, Joseph Rowntree Foundation
- Stephen Sinclair, Chair, Poverty and Inequality Commission
- Ruth Boyle, Policy and Campaigns Manager, Poverty Alliance
- Erica Young, Policy Officer, Citizens Advice Scotland

[Last week's paper](#) includes background on the SCP and a summary of written submissions.

Previous Consideration

Last week the Committee heard from academics from York, Loughborough and Oxford Universities, and the Institute of Fiscal Studies. Issues discussed included:

- The limitations of statistics, and the need to look beyond whether someone is above a specific poverty threshold and consider the entire income distribution. However, they considered it was still valuable to set targets in order to drive policy change.
- Witnesses gave suggestions for improving the quantitative evidence – for example, linking to administrative data, and emphasised the value of qualitative evidence – particularly of talking to recipients of the SCP.
- The UK has the biggest rise in child poverty in Europe, and research by the witnesses had concluded that UK welfare reforms such as the benefit cap and two child limit had had a detrimental effect. They are hoping to do comparative research on Scotland and England.
- The 'cliff-edge' in the SCP could have an impact on work incentives, and this was a topic two of the witnesses were hoping to research. Tapering the SCP while families were still getting Universal Credit (UC) was not supported.

However, the current 'cliff edge' was 'an extreme disincentive' for a small number of people.

- Although some families with children were getting UC who weren't in poverty, this did not cause concern – as they may be close to the poverty line. Of more concern were those not eligible for the SCP because they are either not eligible for UC (e.g. those with no recourse to public funds) or were eligible but not applying for UC.
- The SCP had a greater impact than one-off or temporary payments because the certainty that it would continue allowed families to plan their spending better.
- Witnesses were clear that the spending on the SCP was a good use of funds. Professor Dorling referred to it as an 'emergency response', which shouldn't distract from finding a long term solution.

Themes for discussion

Theme 1: Impact on poverty rate

[Scottish Government modelling](#) has suggested that the SCP could reduce relative child poverty by 6 percentage points, "meaning it will keep 60,000 children out of relative poverty" in 2024-25.

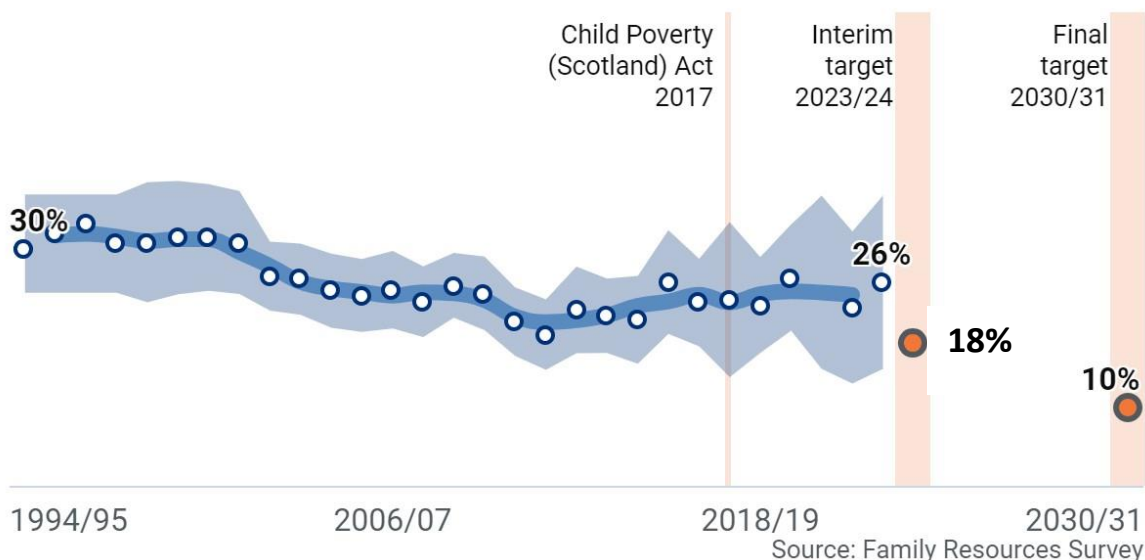
Latest statistics are for 2022-23. Due to sample sizes and disruption to the survey due to COVID-19, the Office for National Statistics advise combining three years of data.

Measured over 2020-23 child poverty is broadly stable at 24%.

The chart below shows both the trend and the single year data since the 1990s. In 2022-23 child poverty was 26%. Note the blue shaded area which is the 95% confidence interval – in other words the actual poverty rate is 95% certain to be within that shaded area.

Relative poverty

Measures low income relative to the rest of society



Other measures

Last week, witnesses emphasised the need to focus on a range of measures - not just the 'poverty line', but also the impact on severe poverty. The table below sets out the four different poverty measures used in the Child Poverty (Scotland) Act 2017.

Measure	2022-23 rate	Trend	2030 target
Relative poverty	26%	Broadly stable	10%
Absolute poverty	23%	Broadly stable	5%
Combined material deprivation and low income	12%	Broadly stable	5%
Persistent poverty	14%	Broadly stable	5%

Scottish Government [Child Poverty analysis 2024](#). All measures are after housing costs. Charts showing trends and single year measures are [published here](#).

Definitions

- Equivalised income is a way of weighting incomes to take account of family size.
- **Relative** child poverty is households below 60% median equivalised net household income for the year.
- **Absolute** child poverty is households below 60% median equivalised net household income for 2010/11, adjusted for general inflation.
- **Combined low income and material deprivation** is 70% median equivalised net household income and also cannot afford certain basic goods and activities that are seen as necessities in society.
- **Persistent** poverty is living in relative poverty in 3 of the last 4 years.

Deep poverty

The Scottish Government has [modelled the combined impact of several policies](#) on those in deep poverty. However, it has not published results for the specific impact of the SCP alone. Deep poverty is 50% below the median. Its cumulative impact assessment noted that:

“a recent report by the Joseph Rowntree Foundation (JRF) found that deep poverty has not reduced in Scotland since 1994-97, while very deep poverty (below 40% of median household income) has actually increased, even while relative poverty has fallen. They attribute this deepening of poverty to the failure of benefit income to keep up with earnings growth, which has also been slower for those on the lower end of the income distribution.”

The combined impact of several policies is to “keep 70,000 children out of deep poverty” which “shows that Scottish Government policies are not only supporting children who would otherwise be close to the relative poverty line.”

The policies included in the analysis were:

- Free School Meals
- School Clothing Grant
- Council Tax Reduction (including water and sewerage discount)
- Discretionary Housing Payments (under-occupancy deduction and benefit cap mitigation)
- Carers Allowance Supplement
- Best Start Grant
- Best Start Foods
- Scottish Child Payment
- Employability services.

Evaluation and monitoring

Last week the Committee heard how targets can be valuable, but it is also necessary to take a broader approach to assessing policy impact. Although a major outcome of the SCP is intended to be lower child poverty, other stated outcomes are set out below – as short term, medium term and long-term outcomes. An interim evaluation assessing the SCP against these outcomes was published in June 2022 (when the SCP was £10 for children under 6). [A further evaluation](#) is due to be published in summer 2025.

Short Term Outcomes

- Increased child-related spend
- Reduced pressure on household finances
- Reduced money-related stress
- Child able to participate in social and educational opportunities
- Improved position of main carers within households

Medium Term Outcomes

- Reduced incidence of debt
- Improved health and wellbeing

- Reduced incidence of material deprivation
- Reduced barriers to education and the labour market
- Positive impact on Scottish economy

Long term impact

- Reduced child poverty
- Reduced inequality of outcomes for children
- Reduced incidence of social exclusion

Submissions from witnesses

The [submission](#) from the Joseph Rowntree Foundation (JRF) discusses the time-lag in the poverty statistics which makes it difficult to assess the impact of the SCP. They note that the expected divergence in child poverty trends between Scotland and the rest of the UK is not yet evident, saying “it is not possible to explain this currently”. They emphasise the need to resolve any data quality issues and conclude:

“We should not rush to definitive conclusions about the policy at this point despite the extremely encouraging evidence we can see.”

The Poverty Alliance describe how the latest poverty statistics: “paint a troubling and somewhat confusing picture.” Their [submission](#) notes that:

“While this data does not capture the full impact of the SCP, we would have expected a more significant visible impact within this data release.”

In their [submission](#), the Poverty and Inequality Commission also comment on the finding that child poverty is ‘broadly stable’ in 2020-23, and suggest the following points should be considered:

- 2022-23 doesn’t include a full year of a £25 payment available to under 16s.
- Statistics are subject to uncertainty and error.
- Many factors influence poverty – the positive impact of the SCP can be difficult to discern from a straightforward reading of the headline national measures of poverty.

They suggest considering additional evidence including:

- Spending on the SCP. “We can be confident that a substantial investment is going to lower income households with children, which in turn leads to the conclusion that it will raise the income of households at the lower end of the income distribution, acting to reduce poverty.”
- Various modelling exercises that all suggest a significant impact. The submission refers to work by the Scottish Government, Fraser of Allander, and SPICe.

SPICe issues - Paper 2 Members may wish to discuss:

1. **What do we know so far about the effectiveness of the Scottish Child Payment in lifting children out of poverty?**
2. **What do we know about the impact of the Scottish Child Payment on those in deep and persistent poverty? Do we need a greater focus on this group?**
3. **To what extent do the limitations of poverty statistics limit our understanding of the Scottish Child Payment's impact? How might this be resolved?**

Theme 2: Impact on individual families

The [written submissions](#) and [Social Security Scotland's 2022-23 client survey](#) illustrate the positive impact that the SCP has had on individuals.

The JRF submission draws on their survey of 4,203 people in spring 2023 and discussions with three people with lived experience of poverty. The findings are consistent with other evidence (such as the client survey) in reporting that the SCP provided increased financial security, allowed for 'little extras' and so supported wellbeing. For some, the increased cost of living has meant that it is now being spent on essentials, and families are still struggling to make ends meet.

"It's annoying it's being used for food shops and bills instead of making sure the kids have a positive childhood, which is what it was intended for. It wasn't meant to be covering the basics." (Alex, Fife)

The CAS submission makes similar points, saying:

"Scottish Child Payment is providing a lifeline to many but in the context of the issues detailed relating to Universal Credit, the labour market and energy, it appears to be mitigating failure in other areas rather than fulfilling its intended purpose of truly tackling poverty."

Research by the Poverty Alliance again backs up this point. One mother wanted to transfer the SCP into her children's savings accounts, but the rising cost of living has meant the money has been needed for "food shopping and treats for the children."

The Poverty and Inequality Commission also describes the positive impact of the SCP and "has consistently heard these positive themes repeated on other occasions when we have engaged with individuals and households with experience of poverty." One individual at a recent workshop said:

"I still struggle, don't get me wrong but if it wasn't there, well I'd be in really bad debt."

Members may wish to discuss:

4. **How has the impact of the Scottish Child Payment been affected by the broader economic and social security context?**

5. To what extent does the Scottish Child Payment have an impact beyond the purely financial? How important are these wider impacts?

Theme 3: Extending eligibility

The Committee has heard various suggestions for extending the eligibility of the SCP. These include:

- **Extend qualifying benefits** to include, Maternity Allowance (CPAG, CAS) and carer benefits (National Carer Organisations)
- Extend eligibility to:
 - Those with **no recourse to public funds** (CAS, Poverty Alliance, CPAG, JRF)
 - **Student parents** (who may lose out on UC when their student income is taken into account) (Poverty Alliance, CPAG, CAS)
 - Those in **temporary/supported accommodation** whose only benefit is housing benefit (the Scotland Act does not allow top-up of housing benefit) (Poverty Alliance)
- Extend the **age limit** to include ‘qualifying young people’ i.e. (under 20yrs old and in full-time, non-advanced education) (CPAG), or a taper where the SCP reduces gradually from age 16 to 19 (CAS).

The Poverty Alliance is conducting a longitudinal survey of families working in the hospitality industry. This found that some families did not apply for UC, being unsure whether they were eligible. This meant they were ineligible for the SCP.

The Poverty Alliance consider the SCP could be a building block of a [Minimum Income Guarantee \(MIG\)](#). The full report of the [MIG steering group](#) is expected this year.

The Poverty Alliance emphasise the importance of keeping the application process for the SCP as simple as possible.

Members may wish to discuss:

- 6. Which changes to eligibility would have the greatest impact on reducing poverty? Are these the same as the ones that would be easiest to implement and simplest to administer?**
- 7. Can the Poverty Alliance explain how the Scottish Child Payment could be a building block of a Minimum Income Guarantee? In what ways would a Minimum Income Guarantee have a greater impact on child poverty than the Scottish Child Payment?**

Theme 4: Increasing the SCP weekly amount

The SCP is currently £26.70 per week. Annual uprating for inflation is forecast to increase this to £28.95 by 2028-29.

Increase of the value

Various stakeholders have called for further increases to the SCP, to £30 (CPAG, JRF) or £40 (Poverty Alliance, Save the Children).

[IPPR modelling in April 2023](#) suggested that:

- £30 per week payment would cost £87 million and lift 10,000 children out of poverty
- £40 per week payment would cost £261 million and lift 20,000 children out of poverty.

They suggested that it could be paid for by tax increases.

Supplements for certain groups

There are also suggestions for supplements for particular groups:

- Remote/rural supplement (Loughborough University)
- Families in deep and persistent poverty (Save the Children).

Taper to avoid ‘cliff-edge’

There is no taper in the SCP – once Universal Credit stops a family loses its entire SCP in one go. While this is likely to happen above the poverty line, last week the Committee discussed the potential impact on work incentives. Tom Wernham, Institute for Fiscal Studies told the Committee last week that:

- Tapering within UC will extend the ‘effective marginal tax rate that people face’ (people will have more benefit withdrawn as earnings rise).
- If you start tapering after leaving UC, that will come with additional cost, and would require income data.
- Introducing a taper would spread out the disincentive whereas now it is concentrated just on the edge of eligibility for UC.
- People at the UC threshold with volatile shifts or unpredictable earnings could ‘accidentally’ lose “quite a lot of money” because of the current cliff edge.

In their submission, the Poverty and Inequality Commission discuss how a ‘cliff edge’ can create a disincentive to working additional hours. This can particularly impact women who are often the lower earner in a household and take time out to care for children. A former member of their ‘experts by experience’ panel said they “tried to manage their income so they always had at least £1 Universal Credit so as not to lose their SCP entitlement.”

Members may wish to discuss:

- 8. What should be the weekly amount of Scottish Child Payment and why?**
- 9. How should any above inflation increases be funded?**
- 10. What are witnesses’ views of providing increases to particular groups – such as those in severe poverty or recognising the additional cost of living in rural areas?**
- 11. Should an earnings taper be introduced? What impact would this have?**

Theme 5: Cost and value for money

The SCP is forecast to cost £457m this year, rising to £492m in 2028-29. The written submissions and last week's witnesses were clear that it is money well spent.

An [Institute for Fiscal Studies' analysis of Scottish tax and spending policies](#) stated that:

“The poorest half of households have higher disposable incomes under the Scottish system than they would under that in England and Wales, driven almost entirely by more generous benefits for families with children.”

The Poverty and Inequality Commission state that:

“Given the range of policy options and powers currently available to the Scottish Government, the Commission believes that there is no current alternative policy to which the funding allocated to the SCP could be redirected to that would lead to the conclusion that it is being better spent there, rather than on the SCP.”

A similar point was made by CPAG who said; “We are not aware of any better use that could be made of the money”

The SCP is one of a package of measures designed to meet the statutory children poverty reduction targets. Other policies include an increased emphasis on parents in employability programmes and working towards increasing free childcare. Stakeholders have commented that the SCP is “doing all the heavy lifting” and recommended that more work is needed on complimentary policies in addition to increasing the value of the SCP.

The submission from JRF states that meeting the poverty targets requires “fundamental changes to the Scottish Government's budget and priorities.” They say:

“the level of payment is not currently sufficient to reach the interim or 2030 child poverty targets in the current context.”

[...]

“while policies such as employment support, better social and/or childcare or more affordable housing must also be part of the solution, a more adequate social security system still needs a great deal of attention.”

The Poverty Alliance also emphasise the need for scaled up action across a range of policy areas:

“These targets can only be met though a range of actions that work together and are transformative in scale. So, whilst we believe that the resource allocation to the payment is necessary, this must be coupled with scaled up and accelerated investment in all ‘Best Start Bright Futures’ commitments to close the policy implementation gap that is currently making the 2030 targets unachievable.”

This is a theme emphasised consistently by the Poverty and Inequality Commission in their annual reports on child poverty. Their next report is due before summer recess. The Scottish Government is due to publish its annual report on Best Start Bright Futures in June.

Targeting and coverage

Not all children in poverty are eligible for the SCP and not everyone who receives it is in poverty. However, the current rules have the major advantage of simplicity. Last week, witnesses were of the view that eligibility could be extended – referring to those with no recourse to public funds and take-up of Universal Credit. They were not concerned that the SCP was paid to some families with children who were not in poverty.

Members may wish to discuss:

- 12. Does the Scottish Child Payment's impact on child poverty justify its cost?**
- 13. The Scottish Child Payment is one of a range of policies designed to tackle child poverty. Given the constrained financial context, would it be better to scale up those other policies (for example on childcare, employability etc) or to increase the value of Scottish Child Payment?**
- 14. Does the Scottish Child Payment need to be more accurately targeted on children in poverty? If so, how could this be achieved?**

Theme 6: Process and administration

Evidence from the written submissions and Social Security Scotland's client survey suggests that, following some initial long waiting times in November 2022, the administration of the SCP is working well.

CAS note that the SCP represents just 2% of the CAB network's benefit advice caseload. They state that the major barriers to accessing the SCP are the "barriers to claiming UC and the administration of UC".

A range of evidence suggests that the SCP was promoted positively, and Social Security Scotland staff are generally supportive and helpful. For example, one parent told the Poverty Alliance that:

"It was interesting hearing about how the approach from government has been more modern to remove stigma."

The Poverty and Inequality Commission comment that while there have been some people who had difficulties, clients have told them that:

"They found the process smooth and straightforward and rated it highly, particularly in comparison to their experience applying for reserved benefits."

Suggestions for improvements to administration include:

- The DWP could inform people about the SCP when families apply for Universal Credit (JRF).
- Parents need to be aware of other payments and benefits after the age of 16, such as the Education Maintenance Allowance (JRF).
- A broader range of evidence should be accepted to show responsibility for a child such as “social work communications, school enrolment or GP practice confirmation” (CAS).

A major advantage of the SCP is its simplicity. Poverty Alliance caution that:

“It must be ensured that the application processes are kept as simple and accessible as possible.”

Links with other services and policies

CAS propose a “holistic no wrong door approach to integrating early years support”. They suggest using local delivery teams as a starting point to join up service provision:

“It is clear that with local delivery teams an infrastructure is in place that has the potential to be built upon at a key point of contact with parents to ensure that those who need it can be supported to access and be connected to a range of services via one roof. The links could include, for example, holistic debt advice through a CAB to childcare providers to health, employability and parenting services. The existing home visit capacity has the potential to be developed into a service able to provide the outreach provision that have been found to be so effective.”

Social Security Scotland’s [‘local delivery teams’](#) provide information and support with making applications for Social Security Scotland benefits. They are available by appointment, which can be a home visit, meeting at a local venue or over the phone/video link.

Members may wish to discuss:

- 15. To what extent has the administration of the Scottish Child Payment demonstrated ‘dignity and respect’?**
- 16. Citizens Advice Scotland suggest that a greater range of evidence should be accepted as showing responsibility for a child. What are the implications of doing so? Would it make it more likely that more than one person would be considered responsible for the same child?**
- 17. Can Citizens Advice Scotland explain further their proposal for a “holistic no wrong door approach” based on local delivery teams? How would this work for families not eligible for Social Security Scotland benefits?**

**Camilla Kidner
SPICe
May 2024**