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Scottish Affairs Committee

Child Poverty in Scotland

Third Report of Session 2007–08

*Report, together with formal minutes and
written evidence*

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The Scottish Affairs Committee

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Summary

Since 1997, rates of child poverty in Scotland have reduced significantly as a result of unprecedented levels of investment and a strong political will that now appears to be shared by all. We welcome this success, but are concerned that the rate of reduction may now be slowing. In order to reach the target of halving child poverty by 2010, the Government will need to match, if not surpass the level of resources and of commitment of the past decade.

Poverty is often passed from generation to generation. The reduction of child poverty therefore offers the opportunity to break the cycle of deprivation. Child poverty can be tackled through many of the same strategies as poverty in general. By maximising the incomes of parents (and parents-to-be), children will no longer be born into poverty. Our previous Report on *Poverty in Scotland* emphasised the need for an integrated strategy, working co-operatively with the Scottish Executive and local authorities. Inconsistencies and administrative complexities remain in some areas of the welfare system. Throughout this Report, we have emphasised the importance of simplifying the tax and benefits system.

The Government has focused on work as a route out of poverty, yet a significant proportion of those children living in poverty come from households where at least one parent is working. In order to continue to reduce child poverty, the problems of low pay, job retention and career advancement must be tackled. Access to affordable and suitable childcare is key, both for working parents and for those who wish to undertake training to improve their skills and employability. Parents of disabled children face a particular challenge in securing appropriate childcare. Equally, the Government must be cautious in suggesting that all parents are now expected to enter paid work. The contribution to society made by full-time carers must not be undervalued.

Child Tax Credits have been a key factor in reducing levels of child poverty, but given the complexity of the tax credit system, we are concerned that the Government should do its utmost to improve awareness of entitlements. The balance of such targeted programmes of support also needs to be kept under review. It is possible that, once some groups have been helped out of poverty, others may be left behind. The tax and benefits system must be flexible enough to respond to these changing needs.

1 Introduction

1. The past decade has seen unprecedented investment in policies aimed at reducing child poverty as well as the emergence of a political consensus which regards the UK's rate of child poverty as unacceptable in such a wealthy country. The Government has established high profile and ambitious targets for the reduction and eventual abolition of child poverty. Since 1997, rates of child poverty have reduced significantly as a result of this action, but there is some evidence to suggest that the rate of reduction is now slowing. In March 1999, the then Prime Minister announced a UK-wide target of eliminating child poverty by 2020, with interim targets of reducing rates by a quarter by 2004–05 and by a half in 2010–11. The Government failed to meet its national targets of reducing child poverty by a quarter by 2004–05 and 250,000 children are still living in poverty in Scotland today.

2. This Report on child poverty is the second and final Report to emerge from our long-running inquiry into *Poverty in Scotland*, which began gathering evidence in December 2006. In December 2007, we published a general Report on issues relating to the definition and measurement of poverty and the effectiveness of Government policy.¹ In that Report we stated:

In the course of the inquiry, the Committee received considerable evidence on the subject of child poverty. Time and again, we heard evidence that “In our supposedly meritocratic society, the most reliable predictor of living in poverty is to be born in poverty”.² The reduction of child poverty is the aim of high-profile Government targets, whose success or failure will affect not only those currently living in poverty, but generations to come. We have therefore decided to produce a separate Report on this important subject.³

3. In this Report, we look in detail at factors crucial to the success or failure of Government policy on child poverty, including the extent to which work can offer families a route out of poverty; the tax and benefits system; the availability of childcare and the status of young people. Although this Report focuses on child poverty in Scotland, it should be read alongside our earlier, more general Report on poverty issues. Many of the issues we raised and the conclusions we drew in that Report are relevant to the fight against child poverty, for example, the need for a coherent national strategy and the effectiveness and consequences of the Government's focus on work as the main route out of poverty.

4. Child poverty arises from the family circumstances in which children live. In Scotland today, severe poverty is often generational in nature, and poverty is handed down from parents to children. We welcome the Government's recognition of the need to tackle child poverty as a means of breaking this cycle. The main means by which the Government can improve the lives of poor children is through the context of their family—principally their parents or guardians. However, the situation of young single adults can also be considered

¹ Scottish Affairs Committee, Second Report of Session 2007–08, *Poverty in Scotland*, HC 128-I. The evidence gathered during this inquiry was published in a separate volume as HC 128-II (2007–08). All references in this Report refer to that volume unless otherwise specified

² Ev 326

³ HC 128-I (2007–08), pp 5–6

relevant to the problem of child poverty. This group comprises the parents of tomorrow and any failure to raise income levels amongst this population may significantly endanger the long-term sustainability of current reductions in the levels of child poverty.

5. We have experienced some difficulty in the course of this inquiry in obtaining poverty statistics disaggregated for Scotland. In some cases, only UK-wide figures were available. We urge Government and others to publish a breakdown of statistics wherever possible.

2 Child poverty in Scotland

The extent of child poverty

6. In 1997, child poverty levels in the UK were at a historically high level. In Scotland, 30% of children were living in families whose income fell below the commonly-used poverty line of 60% of median household income.⁴ Government figures submitted to the inquiry show that the number of Scottish children in poverty has fallen by well over 100,000 since that time and that in 2004–05, 23% of children were living in poverty in Scotland.⁵

7. Our witnesses were unanimous in welcoming the reduction in child poverty in Scotland, which many of them attributed to government policies and a significant increase in resources. Since 1999 it is estimated that state financial support for children in the UK has grown by 52% in real terms.⁶ Written evidence submitted by the Joseph Rowntree Foundation stated that “There can be no doubt that government policy has played a major part in the reductions in child poverty in Scotland”.⁷ Giving oral evidence to the Committee, the Head of the Child Poverty Action Group Scotland, Mr John Dickie, said that “the progress in child poverty has reflected the political will and investment that has gone into tackling it”.⁸

8. Despite the significant reduction in child poverty in Scotland over the past decade, levels remain high by international standards. The Child Poverty Action Group told us that “Scotland’s children are more than twice as likely to be poor than their peers in Scandinavian countries”.⁹ Although it is difficult to compare poverty rates internationally as the cost of living may vary significantly between countries, there is evidence to show that the UK performs relatively poorly. A 2005 UNICEF study using a poverty line of 50% of national median income, found a UK child poverty rate of 15.4%, far behind Denmark and Finland (2.4% and 2.8% respectively) and with only a few countries including Italy (16.6%), the USA (21.9%) and Mexico (27.7%) with higher rates.¹⁰ In addition, evidence from the

4 Our previous report on *Poverty in Scotland* questioned the accuracy of this measure as an indicator of poverty. See HC 128-I (2007–08), pp 7–8

5 Ev 291

6 Ev 123 from the Joseph Rowntree Foundation.

7 Ev 123

8 Q 482

9 Ev 154

10 Cited in Ev 326 from Barnardo’s Scotland. UNICEF, Innocenti Research Centre (2000) *A league table of child poverty in rich nations*. See <http://www.unicef.ca/press/childpoverty/>

Joseph Rowntree Foundation submitted to our inquiry noted that poverty disproportionately affects children in Scotland: “Whilst poverty among children has fallen significantly there can be no room for complacency, since Scottish children are still far more likely to be poor than Scottish adults.”¹¹

9. In 2005–06, the last year for which figures are available, the Government recorded an unexpected rise of 100,000 in the number of children living in poverty across the UK, although they were unable to give us figures for Scotland, which has performed relatively better in reducing child poverty. Some have argued that this represents a slowing, or even a reversal in the trend of reduction in child poverty rates since 1997. The Treasury told us that the figures needed to be interpreted with caution. Mr Jonathan Athow, Team Leader, Work Incentives and Poverty Analysis Team, HM Treasury said:

What happened in 2005–06, which are the latest figures we have available, was the number of children in poverty in the country as a whole rose from 2.7 million to 2.8 million, a rise of 100,000 which, as has been remarked, is actually a very small change considering the margins of error within the statistics. That is the most recent.¹²

10. Although the UK as a whole failed to meet the interim target for the reduction of child poverty by a quarter, Scotland has performed relatively better. The Joseph Rowntree Foundation told us that the proportion of children in low income households in Scotland fell from 30 per cent in 2000–01 to 25 per cent in 2004–05, compared to a fall from 30 per cent to 28 per cent in England and from 33 per cent to 28 per cent in Wales.¹³ Mr Jonathan Portes, Director of the Child and Poverty Directorate, Department for Work and Pensions, explained that this was due to particular problems in London and the West Midlands: “If the whole country had done as well as Scotland we would have met the target”.¹⁴

11. The reasons why Scotland has outperformed the UK as a whole in reducing child poverty are not fully understood. In their evidence, Save the Children recognised that there were proportionally fewer children living in poverty in Scotland than elsewhere in the UK and said that “It is as yet unclear why this might be so as analysis is limited and constricted by lack of transparent information”.¹⁵

12. In oral evidence, Ministers said that progress in Scotland had been faster than that in the UK as a whole partly because rates of poverty had originally been higher in Scotland, but also because of successful local strategies. Caroline Flint MP said:

...if you have a community that is higher than average in that group they are going to be disproportionately affected because there are more of them. That is absolutely right and why those targeted policies are important. That has had an effect. In Scotland too, and I am not saying this has not happened elsewhere in England, that combination of those overarching UK-wide policies, along with initiatives at a more local level, which I think the Scottish Executive has contributed to in the last five

11 Ev 122

12 Q 876

13 Ev 122

14 Q 875

15 Ev 138

years, has been helpful as well. Not just in terms of looking at regeneration of employment but the healthier initiatives they have embarked on and so forth. A lot of these issues mesh into an overarching narrative which is about opportunity, aspirations for people, supporting people. That is one of the reasons why Scotland has moved ahead quicker than other parts of the UK.¹⁶

13. We are concerned by the recent apparent slowdown in the reduction of child poverty in the UK but are pleased to note that Scotland is doing better at reducing child poverty than the UK as a whole. The Government should analyse the reasons for this relatively good performance so that successful strategies can be identified and deployed more widely.

Generational poverty

14. As our previous Report stated, it is an unfortunate truth that “In our supposedly meritocratic society, the most reliable predictor of living in poverty is to be born in poverty”.¹⁷ Poverty is often generational in nature, particularly for those children living in the lowest income families. Evidence submitted by Barnardo’s Scotland showed that most people remain in the same quartile of income distribution as their parents and that people’s chance of being better off than their parents has been declining for those born from the 1970s onwards.¹⁸

15. Living in poverty can have an impact on children from a very early age. Ms Myra Mackenzie, Secretary of the Dundee Anti Poverty Forum, said that “Disadvantage in Dundee may start at birth. In the more deprived areas, Dundee has a higher incidence of low-weight babies and the ongoing effects of a poorer start in life.”¹⁹ Disadvantage early in life can lead to lower educational achievement, which can itself mean lower wages as an adult and eventually a lower pension. In this way, poverty can persist through a lifetime.

16. The importance of tackling child poverty as a way to break the generational cycle of poverty was emphasised by many of our witnesses. The memorandum from Children 1st stated “it is important that the Government does all that it can to lift this generation out of poverty to bring positive consequences for many years to come”²⁰ and One Plus told us:

Today’s high level of child poverty is likely to have continuing negative effects on families as the present generation grows up. Equally, any measures that successfully address child poverty, especially by giving more households access to employment, are likely to have wide-ranging effects in the years ahead, that go beyond the improvement of the immediate welfare of children living in poverty.²¹

17. Poverty runs in families. If levels of child poverty can be reduced, there is an opportunity to break the cycle of generational poverty. We therefore welcome the

16 Q 873

17 HC 128-I (2007–08), pp 5–6

18 Ev 326

19 Q 264

20 Ev 331

21 Ev 358

Government’s focus on the reduction of child poverty. The success or failure of policies in this area will affect not only those currently living in poverty, but generations to come.

The parents of tomorrow

18. The position of single working adults may not at first seem relevant to the fight against child poverty. However, the generational nature of poverty, described above, makes the financial status of prospective parents one key to preventing child poverty in future years. In the words of Ms Carol Young, Research Officer at the Scottish Low Pay Unit, “the working age adults of today are the parents of tomorrow [...] if you want to tackle poverty in the future look at the children. But if you want to make a difference today, you need to look at adults who do not have children as well”.²²

19. As we noted in our previous report on *Poverty In Scotland*, poverty amongst single adults of working age (many of whom are in work) is where least progress has been made. Many young adults living in poverty today are drawn from the same population as the large number of children living in poverty in 1997. Mr John Dickie, Head of the Child Poverty Action Group Scotland, commented:

...we have seen no improvement in the overall number of adults without children experiencing poverty. [...] What we would also add is that you cannot disassociate child poverty from the wider poverty experience in Scotland and across the UK. The policy levers that have been used to tackle child poverty in terms of child tax credit and child benefit and all the rest of it, to some extent the value of them is undermined by the fact that we have seen working age adult benefits fall quite considerably behind average earnings so that the driver of poverty for adults without children is also contributing to and undermining the additional benefits that families have received.²³

20. As we noted in our previous Report, the introduction of the national minimum wage has raised income levels for working adults, although the reduction in poverty rates has not been as fast for this group as for some others²⁴

21. Dr Paul Dornan, Head of Policy at the Child Poverty Action Group Scotland agreed that efforts to raise income levels amongst young working adults now could have a preventative effect on child poverty in the future:

I think it is right to stress that child poverty is extremely high. Adult working age poverty is much lower but it has not fallen. I think the issue that we would see is that although our focus is on child poverty, there are links, poverty is poverty, and if you are looking at conditions of single working age adults, many of those become parents and, therefore, if you are dealing with a situation where those individuals have been living on, for whatever reason, unacceptably low levels of income and that has had an effect either on their ability to pick up skills and therefore progress, or if it has had an

22 Q 220

23 Q 482

24 HC 128-I (2007-08), p 15

impact on their health, their housing and all those sorts of things, there is also an impact particularly on children which that may also have, so I would not want us to get into the position of picking up poverty here and poverty there.²⁵

22. Our evidence also suggests that part of the reason why poverty levels have not reduced amongst single adults of working age is because those aged from 25 to 35 have the lowest take-up rates of the benefits and tax credits to which they are entitled, meaning that they are not being reached by the Government's anti-poverty policies. We asked Ministers what was being done to increase take-up of entitlements amongst this group. Caroline Flint MP said:

What Her Majesty's Revenue and Customs are undertaking as we speak is a targeted campaign. We judged that the groups that would benefit most from working tax credit who are not claiming it at the minute are single people in the younger age group, 25 to 35. There is an advertising campaign under way as we speak using local radio stations and commercial radio stations in particular, where we are advised that we will get the greatest hit at those groups. There are other advertising campaigns going on in magazines that that particular age group we know reads. We are trying to use the advertising resources in a very highly targeted way to see what impact we can bring to that take-up. I agree it is an area that I am disappointed in and we are working hard to try and improve that.²⁶

In supplementary evidence, the Treasury gave us details of this campaign, which was targeted in Scotland at the regions of Greater Glasgow, Dumfries & Galloway, Dundee City, Clackmannanshire and Eilean Siar.²⁷ They told us that an evaluation of the campaign would be undertaken shortly. We look forward to seeing the results of this evaluation.

23. Action to tackle child poverty necessarily targets parents, attempting to lift children out of poverty by raising family incomes. This action would be more effective if the position of young single adults—the parents of tomorrow—were also improved. As we noted in our previous Report, very poor progress has been made in reducing poverty amongst this group. The strategies we recommended in that Report, namely, the provision of a decent minimum income level as well as stable career paths enabling progression, should not be seen in isolation from the problem of child poverty. The Government also needs to work to increase the take-up of benefits and tax credits entitlements. Maximising the incomes of young adults will have a preventative effect on child poverty that is sustainable for years to come.

The poorest children

24. The Government's success in lifting children out of poverty over the past decade is commendable. Nevertheless, it is important that progress should be made in improving the living standards of all children, including the very poorest. This does not mean meeting targets only by lifting those just beneath the poverty line above it. It is clearly a harder task,

25 Q 486

26 Q 891

27 Ev 1 printed with this Report

requiring more resources, to raise the incomes of those families whose current income falls far below the poverty line than to help those whose income falls just below the 60% boundary. However, some of our witnesses were concerned that the current focus of government policies missed out the poorest families, allowing them to fall even further behind.

25. When we asked Ministers what action they were taking to reduce the inequalities between the richest and the very poorest in our society, Rt Hon Jane Kennedy MP, Financial Secretary to the Treasury, said:

...it is very useful for us as ministers to remind the Committee and the public where we were when we came into Government, particularly in terms of child poverty. We had the highest rate of relative poverty in the EU and between 1979 and 1997, when we came into Government, the proportion of children in relative poverty had more than doubled, so we were inheriting a problem that was not only a very great problem but had got worse over a period and the trends were all in the wrong direction. The efforts that we have made since 1997 to date have seen, again, the biggest child poverty reduction in Europe with over 600,000 children having been lifted out of poverty and the number of children living in absolute poverty²⁸ has more than halved from 3.4 to 1.6 million; it is a fall of 1.8 million.²⁹

26. We asked witnesses who had been the main beneficiaries of the recent falls in child poverty. Evidence from Save the Children highlighted their recent study, *Britain's Poorest Children*, which showed that “while UK and Scottish Government policies have succeeded in lifting many children out of poverty, current policies are having no effect on the very poorest children and their families”.³⁰ Mr Douglas Hamilton, Head of Policy and Research, explained why he thought that current policies did not reach those with the lowest incomes:

At one level if you are taking very topline measures, you are saying 60 per cent median income as being that kind of barrier there and if we only ever look at that we are ignoring the reality of the different levels of poverty that exist beneath that. What our evidence has shown [...] is that the group living below 40 per cent of median income, to use the income measure, has not actually changed very much [...] I think there is a general recognition that this group exists, is that current policies are not reaching the very poorest. The success that has been achieved has been maybe with those who are closest to the poverty line, if you like, sort of lifting them over that threshold, the ones who were maybe closest to getting back to work or those who had an income level just below the poverty line. For just under ten per cent of children in Scotland who we describe as living in severe poverty the policies are just not reaching them, so we really need to look at how we can refocus attention now. We need to carry on with the current policies that we have because they seem to be having an

28 i.e. whose equivalised income is below 60% of inflation adjusted GB median income in 1996–97.

29 Q 868

30 Ev 137

impact on a large number of children, and we are pleased with that, but there is a big group that it is missing out.³¹

27. Save the Children told us that, despite reductions in child poverty rates since 1999, the extent of severe poverty in Scotland had not changed between 1999 and 2002. They estimated that “approximately 80,000 children in Scotland (1 million across Britain) live in severe and persistent poverty and that there has been no change in this number in recent years”.³² Kathleen Marshall, Scotland’s Commissioner for Children and Young People agreed that Government action was only changing the living standards for the families and therefore the children who are on the margins of living in poverty, rather than those living in households whose income fell well below 60% of the median level.³³

28. Some of those who gave evidence to our inquiry argued that the current focus of government programmes such as tax credits and Welfare to Work (considered in sections 3 and 4 of this Report) was more likely to benefit those just below the poverty line and was much harder to access for those families in the severest poverty. Evidence submitted by Barnardo’s Scotland argued that “while tax credits have helped, they do not reach children in families where the parents are unable to work through sickness or disability, or lack of affordable child care”.³⁴ A 2007 report from Save the Children found that the poorest families were distinguished by exclusion from the labour market, low levels of take-up of benefits entitlements and poor educational achievement.³⁵ They recommended that that resources needed to be focused on those in the most acute poverty, supported by additional targets for the reduction of severe and persistent child poverty.³⁶

29. Our evidence has suggested that the efforts made since 1997 will need to at least be matched if the 2010 target of halving child poverty is to be achieved.³⁷ The total eradication of child poverty will require the incomes of the very poorest families to be raised significantly. In the words of Mr Hamilton, “unless we do something about that now then these longer term targets are never going to be met because it is going to be even harder in future years because the gap is going to increase even more”.³⁸

30. We are concerned by the evidence we have received that those children living in the severest poverty in Scotland may not have fully benefited from the recent reductions in child poverty rates. The poorest children are not helped if the Government meets its targets only by reaching those just below the poverty line—a strategy that also endangers the Government’s longer term targets for the total eradication of child poverty.

31 Q 422

32 Ev 137

33 Ev 356

34 Ev 327

35 Save the Children, *Severe Child Poverty in the UK*, June 2007, www.savethechildren.org.uk/en/docs/sevchildpovuk.pdf

36 Ev 140

37 Ev 124 from the Joseph Rowntree Foundation

38 Q 422

31. **The Government needs to do more to assess what progress has been made in raising the incomes of the poorest families. The current child poverty targets are based on a single poverty line of 60% of median income. This is not sensitive to variations in standards of living that fall below this line and we therefore recommend that additional research should be undertaken to assess the standard of living of the poorest children.**

3 Work

32. Getting people into work is a major focus of the Government's poverty policy. As we recognised in our previous Report on poverty, "The rise in employment levels over the past ten years has played an important part in reducing poverty. The New Deal, the minimum wage and an increase in in-work support through working tax credits and child tax credit were key measures in delivering this reduction".³⁹

33. Rt Hon Jane Kennedy MP told us that work was an equally effective way to reduce child poverty:

...our efforts have been very carefully focused on looking at what are the key factors that make the difference for families, particularly families with children, and what are the key factors that lift families out of poverty. All the research tells us that work is the significant factor that makes that difference, so a huge amount of the work that we have been doing has been focused upon enabling people to work.⁴⁰

And Caroline Flint MP argued that work could have social as well as financial benefits:

...what they have got with that is pay and actually it is important that people are seen to be better off in work, even in the lowest paid jobs. Also what they have got as well is more confidence back about being in control of their own lives. All the evidence suggests to us that actually things around health, confidence, even children's attainment in school are benefited by having someone in the household in work.⁴¹

34. In our previous Report, we examined the Government's focus on work as the primary means of lifting people out of poverty and concluded that it had been responsible for a significant reduction in the number of people in poverty over the last ten years. We were concerned, however, that many of the jobs were poorly paid and did not offer decent prospects of advancement for those seeking a genuine career path and a sustainable route out of poverty. In this Report, we consider how the Government's focus on work has affected families and the particular barriers faced by parents wishing to enter the workplace.

39 HC 128-I (2007-08), p 15

40 Q 868

41 Q 894

Making work pay

35. Child poverty can, in part, be addressed by the same policies as general poverty. By maximising the earnings of parents and reducing worklessness, children can be lifted out of poverty through an increase in family income. As we concluded in our previous Report on *Poverty in Scotland*, although positive steps that have been taken to make work pay for many, in-work poverty is still a real prospect for some. Despite the introduction of the national minimum wage and tax credits, many poor children live in households where at least one adult is employed. Evidence from the Child Poverty Action Group Scotland stated that “Nearly a quarter of children living in poverty are in households where an adult is working full time”.⁴²

36. We found that particular difficulties were experienced by families who moved in and out of employment, enduring a ‘low pay, no pay’ cycle, with associated transitional costs. Ms Sue Middleton, Research Director at the Centre for Research in Social Policy, Loughborough University, and Adviser to the Joseph Rowntree Foundation Poverty and Disadvantage Committee described the effect this had on children:

...the children who experience the worst forms of poverty are not those whose parents sit on benefits year in year out, they are the children who are in families whose parents seek to get out of work but move between work and no work. That seems to propel those families into a much more severe sort of poverty; so we need to be looking at a flexible benefit system. Whilst there has been lots of progress made on shooting people into work from benefits, there has not been as much attention given to, shall we say, the parachutes to protect people as they fall out of work, bearing in mind that most people actually do get back into work.⁴³

37. A significant proportion of those children living in poverty come from households where at least one parent is working. In order to continue to reduce child poverty, the problems of low pay, job retention and career advancement must be tackled. We refer the Government to the findings of our previous Report, *Poverty in Scotland*, on these issues. As we stated in that Report, “the tax and benefits system must, at a minimum, ensure that no-one in full time work is living in poverty”.⁴⁴

38. Our last Report found that in general, policy on poverty was not ‘joined-up’ either nationally or with the devolved administration in Scotland and Scottish local authorities. We recommended that the Government needed to do more to ensure that policies did not conflict with each other and to establish rigorous ‘poverty proofing’ across the board. The effects of this lack of coherence can be seen in the child poverty statistics. The Scottish Low Pay Unit told us that “The extra income generated by work is quickly negated by [...] ‘hidden costs’ and drop-off in benefit entitlement that results in the extra expense of council tax, rent, prescription charges and school meals.”⁴⁵ **The high transitional costs experienced by parents entering the workplace, as well as the loss of key benefits,**

42 Ev 155

43 Q 352

44 HC 128-I (2007-08), p 18

45 Ev 75

undermines the Government’s efforts to raise incomes through making work pay. There is a need for the Government to introduce a simplified benefits system that allows an individual to move from unemployment to work without losing income.

Barriers to employment

39. Even where there is a real prospect of increasing family income through work, parents may be prevented from taking a job due to inadequate childcare, lack of provision for disabilities or adverse employer attitudes. Evidence from the Child Poverty Action Group Scotland indicated that “there are dangers in over-focussing on work as the solution to child poverty [...] low pay (combined with job insecurity, lack of flexibility for working parents and sparse in-work support for those with disability or long term illness) continues to undermine work as a route out of poverty”.⁴⁶

40. The Government has acknowledged that “childcare is by far the biggest barrier to improving parents’ employability”.⁴⁷ Working parents in receipt of Working Tax Credit can claim support with the cost of registered childcare, but even where childcare is affordable, our evidence suggests that there are significant problems with a lack of local provision (particularly in rural areas), opening hours that do not match the working day and insufficient places in affordable nurseries.⁴⁸ Support for childcare would also be of benefit to parents who are not in work, but wish to improve their employability. As evidence from One Plus argued, “Childcare should also be available for lone parents who wish to take up training or continue their education before returning to work.”⁴⁹

41. Our witnesses said that the inability to secure suitable childcare was a significant barrier to entering employment. Evidence submitted by Oxfam stated that “The lack of affordable, accessible childcare, even with the advent of tax credits, still remains one of the principal barriers faced by women to accessing and sustaining employment.”⁵⁰ Mr John Dickie, Head of the Child Poverty Action Group Scotland, agreed:

For far too many parents in far too many parts of the country childcare is still unaffordable and inaccessible, particularly in some of the most disadvantaged areas and particularly in terms of being accessible to the most disadvantaged families. The current system, despite investment in childcare tax credit, in Sure Start, in Working for Families in Scotland, is still far too patchy a system for the supply of childcare and that is going to be a critical thing that needs to be got right if parents are going to overcome that barrier to employment.⁵¹

42. Barriers to entering the workplace may also be associated with disability, both for adults with disabilities and for parents of disabled children. The Equalities Co-ordinating Group told us that Scottish households with one or more disabled people are twice as likely to live

46 Ev 154

47 Ev 282

48 Ev 335 [Equal Opportunities Commission] and Ev 363 [One plus]

49 Ev 366

50 Ev 344

51 Q 481

in poverty than those with no disabled people.⁵² Evidence from Capability Scotland suggested that “families with disabled children are among the poorest in Scottish society. Our research, conducted through the unique 1 in 4 poll, shows that social injustice impacts on families living with disability in many ways. They experience poverty of income, poverty of choice and poverty of opportunity.”⁵³ **The Scottish Executive should do more to ensure that resources reach disabled families, who are disproportionately affected by poverty.**

43. Parents of disabled children may face an even greater struggle to secure appropriate childcare in their locality, preventing them from entering the workplace. We were told that the unemployment rate amongst mothers of a disabled child runs at 80%.⁵⁴ Capability Scotland described the problem as primarily one of childcare:

Many parents do not have the choice of work available to them because of a lack of suitable, affordable childcare. The 1 in 4 poll found that nearly 70% of working parents with a disabled child relied on family members to care for their disabled child and half of them said they did so because of a lack of suitable or affordable childcare. Having a disabled child means that the decision about whether or not to go back to work is very complicated. Mainstream childcare provision is often unable to accommodate disabled children: inaccessible premises, a lack of trained staff and cost combine to mean that parents of a disabled child rely on informal childcare. This in itself minimizes the financial appeal of working as they are then unable to access childcare tax credits. The cost of suitable childcare can also be prohibitive.⁵⁵

44. We asked Ministers what was being done to help families overcome these barriers. Caroline Flint MP said:

...we have introduced other measures to support families where we have made it a legal right to request flexible time if your child is under six and, if you have a disabled child, up to 18, and you are looking after an adult who is dependent. We are also now looking to consult on extending that right to flexible working for parents of older children which I am pleased we are discussing. There is a whole load of factors here that are about pay but also about the support you give to manage that work/life balance to enable people to be in work.⁵⁶

45. The Government has succeeded in increasing the incomes of many working parents through the minimum wage and tax credits, but it must now recognise that future progress will depend not only on financial rewards, but also on removing the current barriers to entering work. In order to continue to reduce child poverty, the Government’s focus on getting people into work needs to be responsive to the needs of families. Access to affordable and suitable childcare is key, both for working parents and for those who wish to undertake training to improve their skills and employability.

52 Ev 371

53 Ev 331

54 Q 313 [Mr Andrew Girvan, Director, Children’s Services, NCH Scotland]

55 Ev 331

56 Q 896

Parents of disabled children face a significant challenge in accessing suitable childcare and support for these families should be reviewed as a priority. We are aware of successful local childcare projects, but the Committee believes that more needs to be done to support these groups.

46. Even if the Government does tackle these barriers, some parents will remain out of work, either because it is impossible to combine the extent of their caring responsibilities with the demands of a job, or because they choose to devote themselves to raising a family full-time. Evidence submitted by One Plus cautions that the focus on work should not devalue the choice to be a full-time parent:

While many [lone parents] combine paid and unpaid work, the alternative of specialising in the unpaid work of caring for children and others should be a viable and valued option. Any vision for the future should provide genuine choice to parents as to whether to stay at home with their children or take up employment with the guarantee of affordable high quality childcare.⁵⁷

47. The Government has focused on work as a route out of poverty. We welcome the recent increases in employment for those seeking work. However, Ministers must be cautious in suggesting that all parents are now expected to enter paid work. The contribution to society made by full-time carers must not be undervalued.

Action in Scotland

48. The Scottish Executive currently shares the UK Government's target to eradicate child poverty by 2020. Although some of the main levers for the reduction of poverty, such as the tax and benefits system, are reserved powers, many services aimed at increasing employment are delivered locally through the Scottish Executive and local authorities in Scotland. The Scottish Executive has responsibility for Sure Start Scotland, which provides support for families with very young children, focusing on deprived communities and vulnerable families. It also runs the Working for Families (WFF) programme, aimed at improving employability by tackling family and household disadvantage and exclusion. Money is allocated to local authorities based on the numbers of children in households dependent on key benefits. WFF has been given funding of £50 million between 2004–2008.⁵⁸

49. As noted earlier in this Report, Scotland has performed better than the UK average in reducing child poverty. Witnesses suggested that this was due to the combination of UK-wide policy with effectively targeted local support for parents wishing to enter employment. Caroline Flint MP said “that combination of those overarching UK-wide policies, along with initiatives at a more local level, which I think the Scottish Executive has contributed to in the last five years, has been helpful”.⁵⁹ Mr Neil Langhorn, Head of the Antipoverty Strategy Team in the Social Inclusion Division at the Scottish Executive agreed:

57 Ev 367

58 Ev 282

59 Q 873

As to why we have been more successful at getting people into work, I think it is partly a case of both our efforts, the efforts of Jobcentre Plus have combined well with things like Working for Families and other Scottish Executive support programmes around employability. Essentially, it is partly a case of where we started from, we started from a worse position, therefore more families were eligible, but we have also been better at getting people into work.”⁶⁰

50. The role of local government in providing key services such as education and childcare and in co-ordinating the efforts of different bodies and agencies is clearly of great importance. Mr Jim McCrossan, Community Learning and Regeneration Manager at Argyll and Bute Council emphasised the benefits of a holistic approach:

What we find, though, that has worked, and this has been a theme through the session today, is partnership, working between agencies with child poverty or issues which are more directly concerned with literacy and numeracy. There is rarely one problem operating in isolation, so that is often the key to taking a more holistic approach.⁶¹

51. In the course the inquiry we also heard of other efforts to spread good practice and to work co-operatively with counterparts. Mr Mike Palmer, of the Social Inclusion Division of the Scottish Executive, described the work of the British-Irish Council in this area:

For example, through the British-Irish Council, Scotland joint leads on the social inclusion strand of that. We are actually looking in the British–Irish Council at the moment at child poverty. I jointly chair the official level group of the British–Irish Council on that strand. Each time we meet, which is about three or four times a year, we look at various things that are going on across not only the UK administrations, but also Southern Ireland and the smaller islands in the British Isles,⁶²

52. During our inquiry, there was a change in administration at the Scottish Executive. We asked witnesses from the UK Government and the Scottish Executive whether this would affect working relationships. They said that efforts to tackle child poverty in Scotland would not be adversely affected by political differences. Mr Stewart Maxwell MSP, Minister for Communities and Sport at the Scottish Executive said, “we work as closely as we can with the UK Government because there is a determination to try and tackle child poverty and poverty in general. That is something which both of us surely can work together on”.⁶³

53. Our previous Report on Poverty in Scotland concluded that the best way of tackling poverty was through a joined up approach, integrating services provided by the UK Government, the Scottish Executive and local authorities. Although there is clearly more to be done, we are pleased that co-operation between these bodies appears to have helped to reduce child poverty in Scotland. Tackling child poverty requires combined effort and a genuine political will. We hope that the historically close collaboration between the UK Government and the Scottish Executive in this area will continue.

60 Q 837

61 Q 796

62 Q 832

63 Q 827

4 Tax and Benefits

54. In addition to its focus on work, the Government has used the tax and benefits system as a second plank of its anti-poverty policies. The level of universal Child Benefit has been increased and targeted support has been provided in the form of Working Tax Credits and Child Tax Credits. Both Child Benefit and tax credits are administered by HM Revenue and Customs. In the course of our inquiry, we considered whether the support provided through the tax and benefits system was having the desired effect of lifting children out of poverty. We also examined the balance between targeted support and universal benefits.

Tax credits

55. Since 1999, the Government has developed a targeted system of income support and tax credits linked to its focus on increasing levels of employment. This aims to tackle poverty by “keeping people in work and supporting families”.⁶⁴ Working Tax Credit (WTC) is available to those aged over 25 working over 30 hours a week and on a low income. For those on the lowest incomes, WTC can provide assistance of up to 80% of approved childcare costs. Child Tax Credit (CTC) is made up of two elements: a family element paid to any family with at least one child and worth up to £545, and a child element paid to each child in the family and worth up to £1,845. The credit is means-tested and is not restricted to those in work. At the end of 2006, over 400,000 families and nearly 600,000 children in Scotland were receiving support through tax credits.⁶⁵

56. In oral evidence, Rt Hon Jane Kennedy MP described the most recent investment in tax credits in the 2007 budget:

Budget 2007 this year announced that the child element of child tax credit will rise by £150 per annum above the standard earnings indexation. That represents an investment by the government of about £1 billion and we estimate it will lift 200,000 children out of poverty, that one measure alone. The PBR announcement last month announced that the child element of child tax credit will rise by a further £25 a year above earnings indexation in April and again in April 2010 by a further £25. The PBR also announced that the child maintenance disregard will quadruple by April 2010. We think that package taken together will lift 100,000 further children out of poverty. That is the estimate that we make of the impact of those measures. Taken together, those two measures around tax credit will help lift 300,000 children.⁶⁶

57. Our witnesses welcomed the creation of tax credits, particularly Child Tax Credit, and agreed that it had been one of the key measures in reducing child poverty over the last ten years. The Joseph Rowntree Foundation commented that “The Child Tax Credit, payable for children irrespective of the work status of their parents, despite its administrative difficulties, has provided a secure source of income for children”.⁶⁷ However, serious

64 Ev 284

65 Ev 284

66 Q 889

67 Ev 123

concerns were expressed surrounding the lower take-up of tax credits, compared to universal support such as Child Benefit.

58. Our evidence suggests that the complex nature of tax credits is preventing some families from claiming full support, particularly in the case of Working Tax Credits. This may mean that help is not reaching those in most need. Mr Jim Milne, Project Leader at Dundee Anti Poverty Forum cautioned against relying on targeted support such as tax credits to help the poorest families:

...when you look at where we have got universal benefits, they are the most successful benefits we provide. In Scotland we provide free travel for the elderly, free care for the elderly, child benefit on a UK basis, all these things are very, very successful and the point I made yesterday was that we have £900 million of benefit fraud in this country but that is only the tip of the iceberg compared with the level of benefits people do not get because they are either ignorant of the benefit levels they are entitled to or they just do not know how to go about applying for them. We can see that universality is quite important because everybody gets them whereas we have got a situation at the moment where people are not getting what they are entitled to.⁶⁸

59. We asked Ministers what was being done to improve take-up amongst families. Rt Hon Jane Kennedy MP told us that overall take-up of tax credits in Scotland was 82%, matching the UK average.⁶⁹ For families on the lowest incomes (under £10,000 per annum) take up of Child Tax Credit was high, standing at 97%.⁷⁰ In contrast, take-up of Working Tax Credit was much less successful. The Minister commented “Working tax credit is an area that we want to see greater take-up in. We have been aware of this ourselves. Other select committees have also expressed concern about it.”⁷¹

60. Other witnesses suggested that, even with improvements in take-up, more resources need to be invested in the tax credits system if the Government is to reach its targets for the reduction of child poverty. Research cited by the Joseph Rowntree Foundation estimates that “the total cost of a policy package that could achieve the 2010 target [to halve child poverty], by increasing the Child Tax Credit for poorer families and those with more children, would be around £4–5 billion”.⁷²

61. A recent Report from the Treasury Select Committee on the 2007 Comprehensive Spending Review evaluated the Government’s plans for the 2010 child poverty target and found that, given the current level of resources devoted to programmes such as Child Tax Credits, the target was in danger of being missed. The Committee concluded that the Government’s spending plans appeared to prioritise “longer term social investments” such as increasing the employment rate and improving skills, which, whilst important, would not produce results within the period of less than three years that remains before 2010. The

68 Q 308

69 Q 888

70 Q 887

71 Q 891

72 Ev 123–24

Committee stated that it was not clear from the Treasury's plans how the target would be met and thought that this gave the impression that the Government had "drawn back from a whole-hearted commitment to meeting this target".⁷³

62. Child Tax Credits have been a key factor in reducing levels of child poverty, but given the complexity of the tax credit system, we are concerned that the Government should do its utmost to ensure that families are aware of their entitlements and that they can access the full range of support that is available. Even if the take-up of tax credits improves, significantly more resources will be needed in order to reach the 2010 target of lifting half of children out of poverty from the 1997 baseline.

63. Tax credits have been used to target particular groups at risk of poverty and to help make work pay. Whilst this has been successful in lifting some children in targeted families out of poverty, we are concerned that progress has not been even. We heard evidence that the tax credit system has successfully helped to pull lone parent families out of poverty, but that relatively slower progress has been made for couple families. Mr Guy Palmer, Director of the New Policy Institute said, "the tax credit system helps lone parents more. For example, if you are a lone parent working at the minimum wage 16 hours a week, the tax credit system will more than double your take-home pay".⁷⁴

64. Ministers acknowledged that Government policy had targeted certain groups, such as lone parent families, but argued that this was the result of greater need within those families rather than unequal treatment within the tax and benefits system. Rt Hon Jane Kennedy MP said:

At the moment, tax credits do treat couple and lone parent households equally rather than favouring any one arrangement. The levels of financial support that the household gets are determined upon the need of that particular household, based on the number of children and the overall household income. Children of lone parents are twice as likely to be in poverty as those in couples. That is a fact that we cannot get away from. Children in lone parent families continue to have a 35 per cent higher risk of poverty than those in couples, which we estimate is about 18 per cent. There are reasons why the support is targeted in the way that it is. Those reasons are very sound reasons. I am aware that there are representations being made. We have about six million families who receive tax credits. Of those, 3.6 million couples receive working tax credit and child tax credit and 3.5 million couples with children receive child tax credit as well. Most recipients of tax credits are actually couples. In terms of expenditure, lone parents account for about 54 per cent of expenditure overall. In terms of the range of support that is available, you can see that the heaviest focus is upon those that we perceive to be at the greatest risk of poverty.⁷⁵

65. The Government needs to keep the balance of its targeted programmes of support under review. It is possible that, once some groups have been helped out of poverty,

73 Treasury Committee First Report of Session 2007–08, *The 2007 Comprehensive Spending Review*, HC 55, p 30

74 Q 383

75 Q 906

others may be left behind. The tax and benefits system must be flexible enough to respond to these changing needs.

Child Benefit

66. Child Benefit is perhaps the best known universal benefit. In contrast to means-tested tax credits, it is available to anyone bringing up a child or young person and take-up is estimated at around 98%. In Scotland, it provides support for 600,000 families and 1 million children.⁷⁶ As part of the 2007 Budget, the Chancellor of the Exchequer announced an increase in the weekly rate of Child Benefit for the eldest child to £20 in April 2010.⁷⁷ At the time of writing, the rate of Child Benefit was £18.10 a week for the eldest child and £12.10 a week for each additional child.⁷⁸

67. Some of our witnesses argued that increases in the rate of Child Benefit would represent the greatest contribution to reducing child poverty. Professor Adrian Sinfield of the University of Edinburgh said:

There is a strong argument for saying that the amount of resources going to children should be increased. There is also a strong case for saying that the element which goes to child benefit should be increased because that goes to people without any of the problems of claiming and reclaiming which have beset tax credits.⁷⁹

He went on to suggest that the increased cost of administering a means-tested system might better be spent in a higher level of universal benefit: “If you think of the cost of Child Tax Credit and you add on all the overtime and all the additional problems which came from trying to introduce it in a cheap way, you would come up with a very big figure. You could then ask how much of it [could have] been given out in child benefit”.⁸⁰

68. The Child Poverty Action Group Scotland supported this view. They cited research in support of a higher level of universal benefits:

The limitations of targeted approaches to tackling child poverty are also becoming apparent. Far too many families in poverty miss out on, or have to repay, vital tax credits; parents are still unable to access affordable childcare because they fall outwith current targeted initiatives; and tens of thousands of poor children don't receive free school meals. A 2005 UNICEF report on *Child Poverty in Rich Countries* highlighted the problem targeted social expenditure creates across the developed world and concluded that benefits universally provided, though apparently more expensive, can avoid the poverty traps targeting creates.⁸¹

69. An argument against increasing the level of universal Child Benefit is the fact that the well-off would gain as much money as the poor. Nevertheless, some witnesses defended a

76 Ev 284

77 Ev 298

78 www.direct.gov.uk/en/Parents/Moneyandworkentitlements/YourMoney

79 Q 185

80 Q 192

81 Ev 156

rise in child benefit on the grounds of “social justice”. Dr Paul Dornan, Head of Policy at the Child Poverty Action Group said that an extra £5 a week might make a significant difference to a poor family:

In a numeric way, if you are looking at the benefit that reaches the most children in poverty it is child benefit. It is not means tested. If you looked at income support or child tax credit, though they are more redistributive in the way in which it is described in pure financial terms, they miss out a number of children. If you are looking at getting it, you might argue that it is more efficient in a financial sense to go down a selective route; but it is more effective in social justice terms at reaching them to have an element of universality in there. [...] Obviously it is a balance in terms of how you are looking at these things. We are not suggesting that we would argue for the replacement of child tax credit with child benefit. We are however arguing for a rebalancing of that financial support towards child benefit.⁸²

Professor John Veit-Wilson of Newcastle University agreed:

...objectors to income maintenance policies which appear to benefit all citizens, even those “who don’t need them”, should keep in mind that all political parties accept fiscal welfare expenditure as unproblematic, even though tax allowances go to people with the highest incomes and are in fact worth even more to them than to people with lower ones. If the so-called universal benefits such as tax allowances or Child Benefit are more effective in targeting, and more efficient in administration, than are means-tested benefits which people find demeaning, then they should be preferred.⁸³

70. The UK welfare system today is a mixture of universal and targeted programmes, embodied in the different forms of support provided by Child Benefit and tax credits. Our inquiry has found evidence that children in the poorest families may not be reached by some of the current government policies, which focus on means-tested benefits and employment. In this context, increases in Child Benefit, which has a high take-up and is universally available, seem attractive. It is undeniable, however, that increases in Child Benefit would also go to rich families. The Government needs to consider carefully whether there is a way to reach the poorest families through a targeted benefit, or if universal support is the only reliable method of raising incomes amongst this group.

71. Other witnesses suggested that the rate of Child Benefit for second and subsequent children should be brought up to that for the first child. Mr John Dickie, Head of the Child Poverty Action Group Scotland told us that that larger families were at greater risk of poverty.⁸⁴ He thought that an equalisation of the rate of child benefit “would make a significant contribution to lifting significant numbers of children out of poverty and would also be very straightforward and simple. There is a high take-up and it reaches those children we want it to reach.”⁸⁵ In addition, some witnesses viewed an unequal level of

82 Q 498

83 Ev 52

84 Q 497

85 Q 496, see also Q 186

benefit as inequitable. Save the Children argued that there was “a case in its own right for equity in the treatment of different children in our financial support system.”⁸⁶ They estimated that the cost of equalising Child Benefit for second and subsequent children would be £1.7bn in the UK as a whole and that this would lift 250,000 children out of poverty.⁸⁷

72. It could be argued that equalising the rate of child benefit for second and subsequent children might create an incentive encouraging larger families, meaning that more children would be born into poverty. We put this argument to our witnesses. Mr Jason Strelitz, UK Policy Advisor on Poverty at Save the Children thought that the amount of money involved was not enough to create such an incentive. He said, “We are talking about £5.70 extra per child per week. It is not very much money to incentivise someone to go out and have another baby”.⁸⁸

73. We asked Ministers whether they would consider equalising the rate for second and subsequent children. Rt Hon Jane Kennedy MP said:

We do recognise the greater risk of poverty for children in larger families. We accept that there is a risk. We estimate that 19 per cent of one child families, 18 per cent of two child families and 26 per cent of three child families and 40 per cent of four child families is the measure of risk. The risk of poverty for families with four or more children has fallen the most quickly of any of those groups, by 30 per cent since 1997 compared to the risk for all children which fell by 18 per cent. When we committed in 2004 to the child poverty review, we undertook that we would look to improve this position further. It is possible to say now that the risk of poverty has fallen most quickly for large families, largely due to the increasing generosity of the per child element of child tax credit. I know that there are representations being made. We keep all of these matters under review. I know that is a stock phrase but it is nonetheless true.⁸⁹

74. Children in larger families are at greater risk of poverty. Our evidence suggests that equalising the rate of Child Benefit would help many of the poorest families. We are attracted to this idea but consider that further research is needed to establish whether this is the most practical way of reducing poverty in large families.

75. In order to provide further help for the poorest families, Save the Children have argued for a new seasonal benefit in the form of lump sum payments to families in summer and winter, which would be payable to those in receipt of income support, Jobseeker’s Allowance or the maximum Working Tax Credit. They estimated that this would lift 45,000 children in Scotland out of poverty and benefit 300,000 Scottish children in total.⁹⁰ Mr Jason Strelitz said:

86 Ev 141

87 Ev 141

88 Q 465

89 Q 905

90 Q 448

...having a lump sum payment allows low income families the freedom that week-to-week payments do not, so when you are subsisting on a low income from week to week there is a whole range of elastic items that small increases in your weekly income can be spent on, whether it is a bit more food, money for activities such as swimming or a trip to the launderette or whatever. There is a whole range of things that it can go on. Families in poverty, specifically families in severe poverty, find it almost impossible to save any money, and therefore they do not have the lump sum payments to pay for the large one-off items to make some choices about how they use their resources. We think there is a strong case, based on that, for a lump sum payment, specifically at the two times of year that our research has identified are the times when low income families struggle.⁹¹

76. We have had representations to consider seriously the option of establishing a twice-yearly seasonal grant for families in receipt of Income Support, Jobseeker's Allowance or the maximum Working Tax Credit. Throughout this Report we have emphasised the importance of simplifying the benefits system. We are concerned that establishing a new seasonal grant might increase the bureaucracy involved. We do believe that resources should be devoted to helping low income families to cope with large items of one-off expenditure which might otherwise push them into poverty. It might be possible to achieve this by allocating additional resources to the Social Fund, as recommended in our previous Report.

5 Young people

77. The final section of this Report deals with young adults, who must be effectively supported in their transition to the workplace in order to remain out of poverty in the long term. A successful strategy to break the generational cycle of poverty must not allow children to slip below the poverty line once they become young adults, yet the Government has applied age-related criteria to both the national minimum wage and to programmes of support such as Jobseeker's Allowance and Working Tax Credits. In our previous Report on *Poverty in Scotland*, we recommended that age-based discrimination should end. We concluded that young people, including those on apprenticeships and work-based trainees, should be able to support themselves to a decent standard and should not become a source of cheap labour for unscrupulous employers.

78. Written evidence from Barnardo's Scotland described the importance of support at the moment when young people first enter the job market, particularly for those who are living independently:

While there have been some changes in this system to allow easier access, many young people still find it difficult to obtain benefits when they are unable to live with their families. It is particularly important that such young people have an adequate income and are able to afford somewhere decent to live. The government places great emphasis on getting young people into work, but it is difficult to think about

further education or employment when you do not have a settled home or sufficient money for basic needs. Young people who are living independently should get the same rates of income support and JSA as those aged over 25.⁹²

79. Many young adults can rely on the support of a family when starting out on a career or when undertaking training that will allow them to obtain the skills necessary for a life free from poverty. Others, including children leaving care, will need state support to make the transition successfully. Evidence from the Prince's Trust Scotland suggests that the most vulnerable young people suffer from multiple forms of deprivation:

The effects of low income are compounded by concentrations of inequality into areas of disadvantage which increases the effects of social exclusion. For example, 25 per cent of 16 to 19 year olds in the 15 per cent most deprived areas are not in education, employment or training compared to 11 per cent of 16 to 19 year olds in the rest of Scotland. Over 40 per cent of children in the 15 per cent most deprived areas are dependent on a recipient of income support, compared with 10 per cent of children in the rest of Scotland. Young people in poor areas are also more likely to be registered for free school meals, absent from school, less likely to achieve national attainment standards, they reach lower levels of educational attainment and are less likely to continue into further and higher education. All these factors make it more likely that poverty and social exclusion will continue into the next generation.⁹³

The Trust goes on to describe the difficulties experienced young people who are dependent on benefits in accessing training courses. In order to retain eligibility for Jobseeker's Allowance, only a limited number of hours can be spent in training each week:

Rigid application of eligibility criteria for JSA and other benefits can work to the disadvantage of our clients and prevents them participating on Prince's Trust courses as they can be faced with the withdrawal of benefits (the 16 hour rule). Sometimes we reluctantly have to advise young people that their interest would not be best served by participating on one of our courses as their principal means of support would be withdrawn.⁹⁴

80. Our evidence indicates that those young people who stand to gain the most from training courses experience the greatest difficulties in securing access and financial support. The generational cycle of poverty will not be broken unless the Government ensures that young adults are supported to gain the skills necessary for a life free from poverty. Age-based discrimination in the tax and benefits system undermines progress in this area and we therefore recommend that it should end.

92 Ev 327

93 Ev 323

94 Ev 324

6 Conclusions

81. We welcome the progress that has been made in reducing child poverty since 1997, which has been achieved as a result of unprecedented levels of investment and a strong political will that now appears to be shared by all. Poverty is often passed from generation to generation. The reduction of child poverty therefore offers the opportunity to break the cycle of deprivation. Nonetheless, the levels of child poverty in Scotland are still high by international standards and there is some evidence to suggest that progress is slowing down. In order to reach the target of halving child poverty by 2010, the Government will need to match, if not surpass the level of resources and of commitment of the past decade.

82. We recommend that the targeted nature of welfare support should be reviewed to ensure that help is reaching those most in need. Throughout this Report, we have emphasised the importance of a simplified tax and benefits system.

83. Child poverty can be tackled through many of the same strategies as poverty in general. By maximising the incomes of parents (and parents-to-be), children will no longer be born into poverty. Our previous Report on *Poverty in Scotland* emphasised the need for an integrated strategy, working co-operatively with the Scottish Executive and local authorities. There is evidence to suggest that this approach has led to a relatively greater reduction in child poverty in Scotland, compared to the UK as a whole. However, inconsistencies and administrative complexities remain in some areas of the welfare system. These need to be removed if further progress is to be made.

Conclusions and recommendations

1. We are concerned by the recent apparent slowdown in the reduction of child poverty in the UK but are pleased to note that Scotland is doing better at reducing child poverty than the UK as a whole. The Government should analyse the reasons for this relatively good performance so that successful strategies can be identified and deployed more widely. (Paragraph 13)
2. Poverty runs in families. If levels of child poverty can be reduced, there is an opportunity to break the cycle of generational poverty. We therefore welcome the Government's focus on the reduction of child poverty. The success or failure of policies in this area will affect not only those currently living in poverty, but generations to come. (Paragraph 17)
3. Action to tackle child poverty necessarily targets parents, attempting to lift children out of poverty by raising family incomes. This action would be more effective if the position of young single adults—the parents of tomorrow—were also improved. As we noted in our previous Report, very poor progress has been made in reducing poverty amongst this group. The strategies we recommended in that Report, namely, the provision of a decent minimum income level as well as stable career paths

enabling progression, should not be seen in isolation from the problem of child poverty. The Government also needs to work to increase the take-up of benefits and tax credits entitlements. Maximising the incomes of young adults will have a preventative effect on child poverty that is sustainable for years to come. (Paragraph 23)

4. We are concerned by the evidence we have received that those children living in the severest poverty in Scotland may not have fully benefited from the recent reductions in child poverty rates. The poorest children are not helped if the Government meets its targets only by reaching those just below the poverty line—a strategy that also endangers the Government’s longer term targets for the total eradication of child poverty. (Paragraph 30)
5. The Government needs to do more to assess what progress has been made in raising the incomes of the poorest families. The current child poverty targets are based on a single poverty line of 60% of median income. This is not sensitive to variations in standards of living that fall below this line and we therefore recommend that additional research should be undertaken to assess the standard of living of the poorest children. (Paragraph 31)
6. A significant proportion of those children living in poverty come from households where at least one parent is working. In order to continue to reduce child poverty, the problems of low pay, job retention and career advancement must be tackled. We refer the Government to the findings of our previous Report, *Poverty in Scotland*, on these issues. As we stated in that Report, “the tax and benefits system must, at a minimum, ensure that no-one in full time work is living in poverty”. (Paragraph 37)
7. The high transitional costs experienced by parents entering the workplace, as well as the loss of key benefits, undermines the Government’s efforts to raise incomes through making work pay. There is a need for the Government to introduce a simplified benefits system that allows an individual to move from unemployment to work without losing income. (Paragraph 38)
8. The Scottish Executive should do more to ensure that resources reach disabled families, who are disproportionately affected by poverty. (Paragraph 42)
9. The Government has succeeded in increasing the incomes of many working parents through the minimum wage and tax credits, but it must now recognise that future progress will depend not only on financial rewards, but also on removing the current barriers to entering work. In order to continue to reduce child poverty, the Government’s focus on getting people into work needs to be responsive to the needs of families. Access to affordable and suitable childcare is key, both for working parents and for those who wish to undertake training to improve their skills and employability. Parents of disabled children face a significant challenge in accessing suitable childcare and support for these families should be reviewed as a priority. We are aware of successful local childcare projects, but the Committee believes that more needs to be done to support these groups. (Paragraph 45)
10. The Government has focused on work as a route out of poverty. We welcome the recent increases in employment for those seeking work. However, Ministers must be

cautious in suggesting that all parents are now expected to enter paid work. The contribution to society made by full-time carers must not be undervalued. (Paragraph 47)

11. Our previous Report on Poverty in Scotland concluded that the best way of tackling poverty was through a joined up approach, integrating services provided by the UK Government, the Scottish Executive and local authorities. Although there is clearly more to be done, we are pleased that co-operation between these bodies appears to have helped to reduce child poverty in Scotland. Tackling child poverty requires combined effort and a genuine political will. We hope that the historically close collaboration between the UK Government and the Scottish Executive in this area will continue. (Paragraph 53)
12. Child Tax Credits have been a key factor in reducing levels of child poverty, but given the complexity of the tax credit system, we are concerned that the Government should do its utmost to ensure that families are aware of their entitlements and that they can access the full range of support that is available. Even if the take-up of tax credits improves, significantly more resources will be needed in order to reach the 2010 target of lifting half of children out of poverty from the 1997 baseline. (Paragraph 62)
13. The Government needs to keep the balance of its targeted programmes of support under review. It is possible that, once some groups have been helped out of poverty, others may be left behind. The tax and benefits system must be flexible enough to respond to these changing needs. (Paragraph 65)
14. The UK welfare system today is a mixture of universal and targeted programmes, embodied in the different forms of support provided by Child Benefit and tax credits. Our inquiry has found evidence that children in the poorest families may not be reached by some of the current government policies, which focus on means-tested benefits and employment. In this context, increases in Child Benefit, which has a high take-up and is universally available, seem attractive. It is undeniable, however, that increases in Child Benefit would also go to rich families. The Government needs to consider carefully whether there is a way to reach the poorest families through a targeted benefit, or if universal support is the only reliable method of raising incomes amongst this group. (Paragraph 70)
15. Children in larger families are at greater risk of poverty. Our evidence suggests that equalising the rate of Child Benefit would help many of the poorest families. We are attracted to this idea but consider that further research is needed to establish whether this is the most practical way of reducing poverty in large families. (Paragraph 74)
16. We have had representations to consider seriously the option of establishing a twice-yearly seasonal grant for families in receipt of Income Support, Jobseeker's Allowance or the maximum Working Tax Credit. Throughout this Report we have emphasised the importance of simplifying the benefits system. We are concerned that establishing a new seasonal grant might increase the bureaucracy involved. We do believe that resources should be devoted to helping low income families to cope with large items of one-off expenditure which might otherwise push them into

poverty. It might be possible to achieve this by allocating additional resources to the Social Fund, as recommended in our previous Report. (Paragraph 76)

17. Our evidence indicates that those young people who stand to gain the most from training courses experience the greatest difficulties in securing access and financial support. The generational cycle of poverty will not be broken unless the Government ensures that young adults are supported to gain the skills necessary for a life free from poverty. Age-based discrimination in the tax and benefits system undermines progress in this area and we therefore recommend that it should end. (Paragraph 80)
18. We welcome the progress that has been made in reducing child poverty since 1997, which has been achieved as a result of unprecedented levels of investment and a strong political will that now appears to be shared by all. Poverty is often passed from generation to generation. The reduction of child poverty therefore offers the opportunity to break the cycle of deprivation. Nonetheless, the levels of child poverty in Scotland are still high by international standards and there is some evidence to suggest that progress is slowing down. In order to reach the target of halving child poverty by 2010, the Government will need to match, if not surpass the level of resources and of commitment of the past decade. (Paragraph 81)
19. We recommend that the targeted nature of welfare support should be reviewed to ensure that help is reaching those most in need. Throughout this Report, we have emphasised the importance of a simplified tax and benefits system. (Paragraph 82)
20. Child poverty can be tackled through many of the same strategies as poverty in general. By maximising the incomes of parents (and parents-to-be), children will no longer be born into poverty. Our previous Report on Poverty in Scotland emphasised the need for an integrated strategy, working co-operatively with the Scottish Executive and local authorities. There is evidence to suggest that this approach has led to a relatively greater reduction in child poverty in Scotland, compared to the UK as a whole. However, inconsistencies and administrative complexities remain in some areas of the welfare system. These need to be removed if further progress is to be made. (Paragraph 83)

Formal Minutes

Tuesday 22 January 2008

Members present:

Mr Mohammad Sarwar, in the Chair

Ms Katy Clark

David Mundell

Mr Jim Devine

1. ***Child Poverty in Scotland***

The Committee considered this matter.

Draft Report (*Child Poverty in Scotland*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 83 read and agreed to.

Summary amended and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 29 January at 11am

Witnesses

Tuesday 12 December 2006

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Mr Cameron Stark, Honorary Clinical Senior Lecturer, Centre for Rural Health, **Mr Fraser Parr**, Chairperson, Inverness Trades Council and **Mr Sandy Brady**, Director of Strategy, Highlands and Islands Enterprise Ev 4

Ms Carron McDiarmid, Head of Policy and Performance, Highland Council, **Ms Philomena De Lima**, Development Officer, UHI Policy Web, and **Ms Carol Greer**, Advisory Officer Citizens Advice Scotland Ev 24

Tuesday 16 January 2007

Professor Adrian Sinfield, University of Edinburgh, and **Professor John Veit-Wilson**, Newcastle University Ev 53

Tuesday 6 February 2007

Mr Peter Kelly, Director, The Poverty Alliance and **Mrs Carol Young**, Research Officer, Scottish Low Pay Unit Ev 76

Tuesday 20 February 2007

Mr Brian Gordon, Chair, **Ms Myra Mackenzie**, Secretary, **Mr Jim Milne**, Project Leader, Dundee Anti Poverty Forum and **Rev Erik Cramb**, Chair, NCR Rapid Response Group Ev 95

Mr Andrew Girvan, Director, Children's Services, **Mr Joe Connolly**, Deputy Director, Children's Services **Ms Frances Tran**, Assistant Director, Children's Services, NCH Scotland; **Mr John Wallace**, Deputy Project Manager, Dundee Families Project and **Mr Ian Dobson**, Homeless Services Manager, Dundee City Council. Ev 109

Tuesday 6 March 2007

Ms Sue Middleton, Research Director, Centre for Research in Social Policy, Loughborough University and Adviser to the Joseph Rowntree Foundation Poverty and Disadvantage Committee and **Mr Guy Palmer**, Director, New Policy Institute Ev 125

Tuesday 13 March 2007

Mr Douglas Hamilton, Head of Policy and Research and **Ms Claire Telfer**, Policy and Parliamentary Officer, Save the Children in Scotland and **Mr Jason Strelitz**, UK Policy Advisor on Poverty, Save the Children Ev 141

Tuesday 20 March 2007

Mr John Dickie, Head, Child Poverty Action Group (CPAG) Scotland and **Dr Paul Dornan**, Head of Policy, Child Poverty Action Group Ev 158

Tuesday 15 May 2007

Mr Eddie Follan, Public Affairs Manager, **Mr Adam Scorer**, Director of Campaigns, energywatch and **Ms Elizabeth Gore**, Deputy Director, Energy Action Scotland Ev 178

Mr Alistair Buchanan, Chief Executive, **Ms Sarah Harrison**, Managing Director, Corporate Affairs and **Mr Charles Gallacher**, Director, Corporate Communications and Scotland, Ofgem Ev 193

Tuesday 12 June 2007

Reverend Graham K Blount, Scottish Churches Parliamentary Office and **Ms Eileen Baxendale**, Chairperson, Baptist Union of Scotland Public Issues Advisory Group Ev 209

Tuesday 19 June 2007

Mr Mike Dailly, Principal Solicitor, Govan Law Centre, **Ms Susan McPhee**, Head of Social Policy and Public Affairs, Citizens Advice Scotland, **Mr John Patton**, National Development Officer, Scottish League of Credit Unions, **Ms Loretta Gaffney**, Manager, Glasgow Easterhouse, Citizens Advice Bureau and **Mr Chris Mallon**, General Manager, Association of British Credit Unions Limited, Glasgow Ev 228

Monday 26 November 2007

Councillor Harry McGuigan, Spokesperson on Community Safety and Well Being, **Mr Jon Harris**, Strategic Director, Convention of Scottish Local Authorities, **Mr Richard Cairns**, Head of Economic & Social Initiatives, Glasgow City Council, **Mr Brian Barker**, Policy and Strategy Manager, Argyll and Bute Council, **Mr Jim McCrossan**, Community Learning and Regeneration Manager, Argyll and Bute Council; and **Mr Matthew Crighton**, Capital City Partnership Ev 258

Stewart Maxwell MSP, Minister for Communities and Sport, **Mr Jamie Hamilton**, Social Housing Division, **Mr Mike Palmer**, Head of the Social Inclusion Division; and **Mr Neil Langhorn**, Head of the Antipoverty Strategy Team, Social Inclusion Team, Scottish Executive Ev 270

Tuesday 27 November 2007

Caroline Flint MP, Minister of State for Employment and Welfare Reform, **Mr Jonathan Portes**, Director, Child and Poverty Directorate, Department for Work and Pensions, **Jane Kennedy MP**, Financial Secretary to the Treasury, and **Mr Jonathan Athow**, Work Incentives and Poverty Analysis Team, HM Treasury Ev 298

List of written evidence

The following memoranda were published as *Poverty in Scotland: Written evidence*, HC 128-II, Session 2007-08.

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1 Highlands & Islands Enterprise	Ev 1
2 Highland Council	Ev 15, 38
3 Citizens Advice Scotland	Ev 20, 189, 223
4 Professor Adrian Sinfield	Ev 42
5 Professor John Veit-Wilson	Ev 47, 51
6 The Poverty Alliance	Ev 70, 90
7 Scottish Low Pay Unit	Ev 74
8 Dundee Anti-Poverty Forum	Ev 93
9 NCH Scotland	Ev Ev 105
10 Joseph Rowntree Foundation	Ev 120
11 Save the Children	Ev 137
12 Child Poverty Action Group	Ev 154
13 energywatch Scotland	Ev 171
14 Energy Action Scotland	Ev 174, 188
15 Office of Gas and Electricity Markets (Ofgem)	Ev 190, 200
16 Baptist Union of Scotland	Ev 203
17 Scottish Churches Social Inclusion Network	Ev 204
18 Govan Law Centre	Ev 221
19 Association of British Credit Unions	Ev 225
20 Convention of Scottish Local Authorities (COSLA)	Ev 247
21 Scottish Executive	Ev 252, 256
22 Scotland Office	Ev 281, 297
23 Finance Committee, Scottish Committee	Ev 314
24 West of Scotland Seniors Forum	Ev 317
25 Scottish National Carer Organisations	Ev 318
26 The Prince's Trust Scotland	Ev 322
27 Barnado's Scotland	Ev 325
28 Children 1 st	Ev 329
29 Capability Scotland	Ev 331
30 Equal Opportunities Commission	Ev 333
31 Oxfam's UK Poverty Programme	Ev 339
32 Scottish Refugee Council	Ev 346, 350
33 Scotland's Commissioner for Children and Young People	Ev 353
34 One Plus	Ev 358
35 EURespond	Ev 368
36 Equalities Coordinating Group	Ev 370
37 Scottish and Southern Energy	Ev 372
38 Energy Retailers Association	Ev 374
39 Scottish Power	Ev 377

40	Scottish Gas	Ev 381
41	Scottish League of Credit Unions	Ev 382
42	Scottish Illegal Money Lending Unit	Ev 38

List of further written evidence

The following written submission was received after the publication of *Poverty in Scotland: Written evidence*, HC 128-II, Session 2007-08.

1	Department for Work and Pensions	Ev 1
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List of Reports from the Committee during the current Parliament

The following publications have been produced by the Scottish Affairs Committee since the beginning of the 2005 Parliament:

Session 2007–08

First Report	Effects of tax increases on the oil industry	HC 35
Second Report	Poverty in Scotland	HC 128

Session 2006–07

First Report	Work of the Committee in 2006	HC 308
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Session 2005–06

First Report	Work of the Committee in 2005	HC 836
Second Report	Meeting Scotland's Future Energy Needs: the Westfield Development Centre	HC 1010
Third Report	<i>Putting Citizens First</i> : the Report from the Commission on Boundary Differences and Voting Systems	HC 924
Fourth Report	The Sewel Convention: the Westminster perspective	HC 983
First Special Report	Meeting Scotland's Future Energy Needs: Government Response to the Committee's Second Report of Session 2005–06	HC 579
Second Special Report	The Sewel Convention: the Westminster perspective: Government Response to the Committee's Fourth Report of Session 2005–06	HC 1634

Written evidence

Memorandum submitted by the Department for Work and Pensions

As promised at the Hearing on Tuesday 27 November, set out below is further information on the campaign to increase take up of Working Tax Credit.

BACKGROUND

Working Tax Credits (WTC) are designed to support people who are working and on a low income. It is available to families with and without children. People without children are eligible for WTC if they:

- are over 25;
- work more than 30 hours a week; and
- earn less than £11,700 (or £16,300 as a couple).

Overall the take-up of Working Tax Credit was 61% in 2004–05. However, for those eligible without children, the take-up was 19%, compared with 82% for Child Tax Credit as a whole and 97% for Child Tax Credit among the lowest paid. Marketing activity therefore focussed on those eligible for WTC without children.

Qualitative research highlighted some of the key reasons why they may not be claiming:

- Customers had broad awareness of tax credits, but very limited awareness of WTC.
- They believed that tax credits are for young families with children—and therefore assumed that they would not be eligible.

A campaign has therefore specifically been designed to address this.

MARKETING CAMPAIGN

HMRC developed a campaign to promote WTC in late October and November. They established 35 target regions for the campaign, based on take-up of WTC and the proportion of eligible people living in the area. The target regions for Scotland were Greater Glasgow, Dumfries & Galloway, Dundee City, Clackmannanshire and Eilean Siar.

The campaign incorporated four weeks of radio advertising starting w/c 29 October. The advertising ran in 20 of the target regions. HMRC aimed to reach approximately 7.6m people, which is around 75% of the population of all 35 target regions. In Scotland the main area targeted with radio was Glasgow.

In addition, leaflets were delivered to around 1.2 million households within all 35 of the priority areas including all target regions in Scotland. We targeted households in specific postcode areas where there are a high proportion of people in social class C1 C2 D E who are aged 25–44 with no dependent children. In addition, we also delivered leaflets to specific postcode areas in other regions with a high proportion of eligible people, reaching approximately an additional 1.6 million households. The door drops took place over two weeks from w/c 12 November.

HMRC will now be evaluating the effectiveness of this campaign.

WORKING WITH EMPLOYERS

HMRC is also seeking to work in partnership with employers and trade unions to promote the take-up of Working Tax Credits among their employees and members. Using industry data, we are targeting employment sectors most likely to employ people eligible for WTC; these are hotels, restaurants and bars; personal services (ie cleaning, nurseries) and sales occupations.

So far, we have confirmed activity with three employers who have a presence in Scotland, and are discussing opportunities to work with a number of other organisations who employ people in Scotland.

Department for Work and Pensions

13 December 2007