



A National Statistics Publication for Scotland

Poverty and income inequality in Scotland: 2008-09

20 May 2010

This publication presents annual estimates of the proportion and number of children, working age adults and pensioners living in low income households in Scotland and the distribution of household income across Scotland. The estimates are used to monitor progress towards UK and Scottish Government targets to reduce poverty and income inequality. The data published for the first time here are for the financial year April 2008 to March 2009.

Key points:

- There was little change in overall levels of poverty and income inequality in Scotland between 2007/08 and 2008/09. However, there were some changes in the proportions of different age groups that were living in poverty.
- The percentage of people in relative poverty (before housing costs) remained at 17 percent of the population between 2007/08 and 2008/09.
- Over this period slight increases were recorded in two of the three indicators used to measure child poverty in Scotland. The third recorded a slight decrease.
- The proportion of working age adults in relative poverty (before housing costs) increased from 15 to 16 percent, an increase of 30 thousand individuals.
- There was a fall of 5 percentage points in the proportion of pensioners living in relative poverty (before housing costs), a reduction of 50 thousand individuals.

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

<http://statistics.dwp.gov.uk/asd/hbai.asp>

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

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

Figures relating to the Scottish Government Solidarity Purpose Target will be updated on the Scotland Performs site shortly after publication.

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

Please note: All figures in this publication are rounded to the nearest 10,000 individuals or whole percentage point. In some cases calculations based on the unrounded figures do not match those based on the rounded ones.

Poverty

The Scottish and UK Governments use two main poverty measures both of which reveal slightly different information about changes in poverty over time. These measures are relative and absolute poverty:

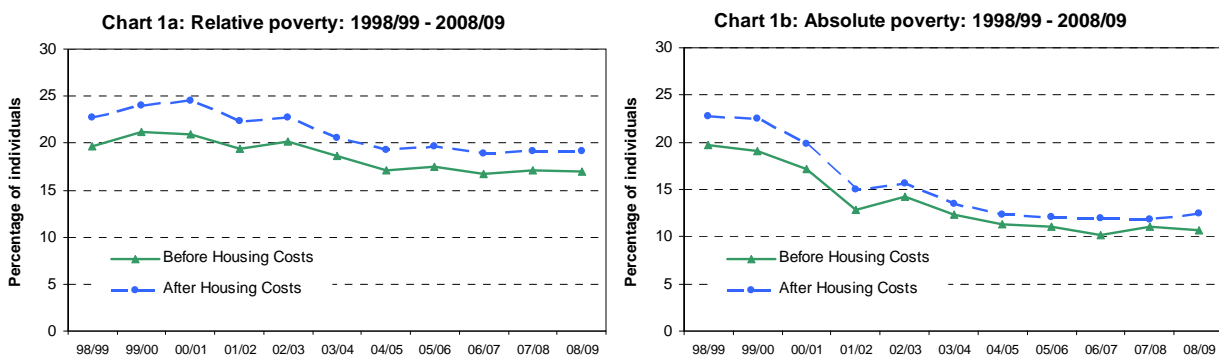
Relative poverty: Individuals living in households whose equivalised income is below 60% of UK median income in the same year. This is a measure of whether those in the lowest income households are keeping pace with the growth of incomes in the economy as a whole. In 2008/09 the relative poverty threshold for a couple with no children was an income of £244 per week from all sources (Income from all sources before housing costs and after income tax, national insurance etc...). For a couple with children the threshold would be higher and for a single person (without children) the threshold would be lower.

Absolute poverty: Individuals living in households whose equivalised income is below 60% of the (inflation adjusted) Great Britain median income in 1998/99. This is a measure of whether those in the lowest income households are seeing their incomes rise in real terms. In 2008/09 the absolute poverty threshold for a couple with no children was an income of £209 per week from all sources (Income from all sources before housing costs and after income tax, national insurance etc...).

For further information about the definitions and the terms used here, such as 'equivalised income', see the Annex 2: Frequently Asked Questions.

Individuals in poverty

The Scottish Government's National Indicator 14 is to "decrease the proportion of individuals living in poverty". This is measured using relative poverty before housing costs. The following charts show Scottish trends for absolute and relative poverty between 1998/99 and 2008/09. See Annex 1, Tables A1 and A2 for the figures behind these charts.



Main points are:

- In 2008/09 there were 860 thousand people (17 percent of the population) in relative poverty (before housing costs) and 540 thousand people (11 percent of the population) in absolute poverty (before housing costs) in Scotland.
- The percentage of people in relative and absolute poverty did not change between 2007/08 and 2008/09.
- Between around 2000/01 and 2004/05 relative and absolute poverty rates fell in Scotland, with absolute poverty falling more steeply. Between 2004/05 and 2008/09 there was little change in poverty rates.

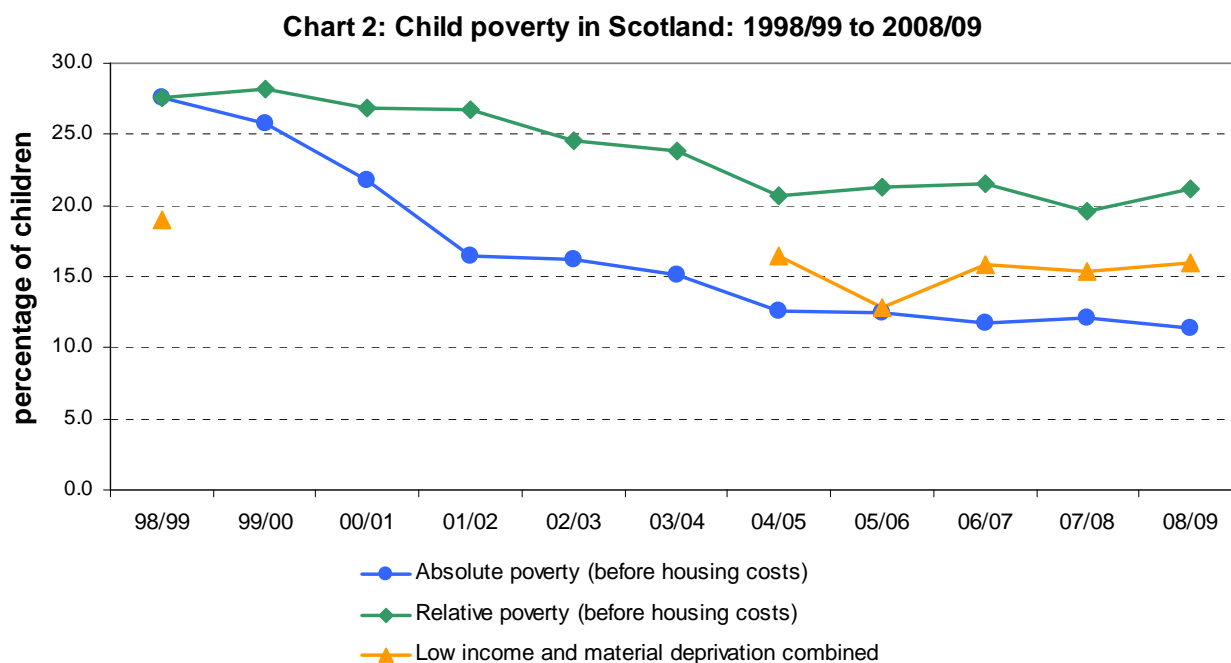
Child Poverty

Material deprivation measure of child poverty

As well as the absolute and relative poverty measures (described above) a third measure is used when examining child poverty which aims to understand more about what families with children can afford to spend money on. 'Material deprivation' is calculated from a suite of questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or social activities. This measure is applied to households with incomes below seventy percent of median income to create the 'material deprivation and low income combined' indicator. This indicator aims to provide a measure of children's living standards which, unlike relative and absolute poverty, is not solely based on income. *For more detail about this indicator see Annex 2: Frequently asked Questions.*

Absolute poverty, relative poverty and material deprivation and low income combined are three of the four poverty indicators which the UK parliament is required to report on by the 2010 Child Poverty Act. Data to measure the fourth indicator, persistent poverty is not yet available at a UK or Scotland level and is in development.

Chart 3 below presents recent Scottish poverty trends for these three child poverty indicators. *See Annex 1, Tables A1, A2 and A3 for the figures behind these charts.*

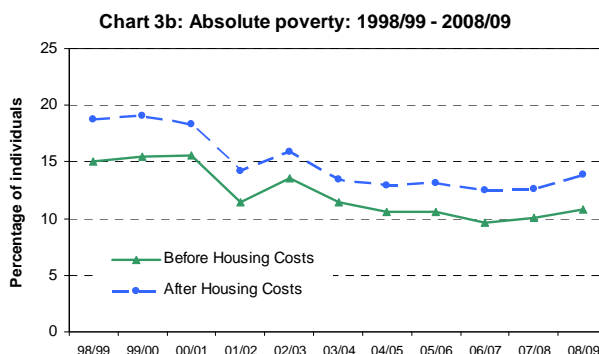
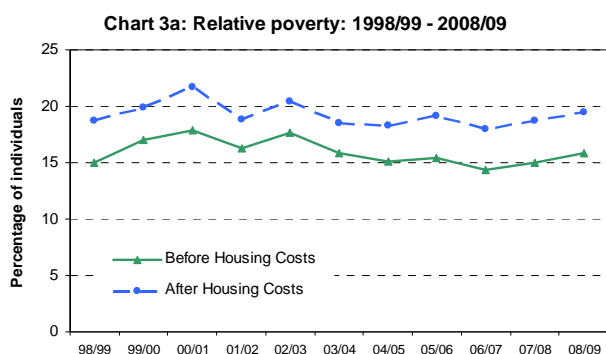


Main points are:

- Between 2007/08 and 2008/09 increases were recorded by two of the three child poverty indicators reported here.
- The percentage of children in relative poverty (before housing costs) increased from 20 percent to 21 percent and the proportion of children in material deprivation and low income combined increased from 15 to 16 percent.
- The proportion of children in absolute poverty (before housing costs) fell from 12 to 11 percent.
- There was little change in child poverty rates between 2004/05 and 2008/09, for all three indicators the 2008/09 figures were close to those from 2004/05.

Working age adult poverty

The following charts present recent absolute and relative poverty trends for working age people in Scotland. *These figures are also presented in Annex 1, Tables A1 and A2.*

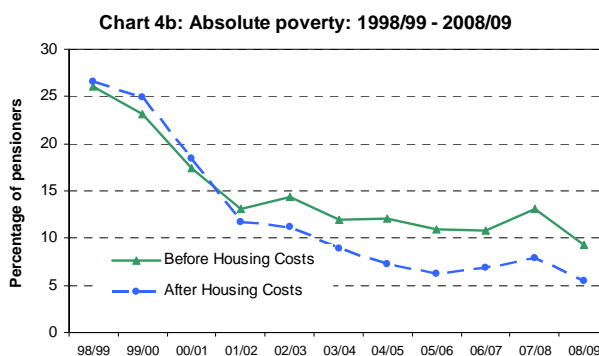
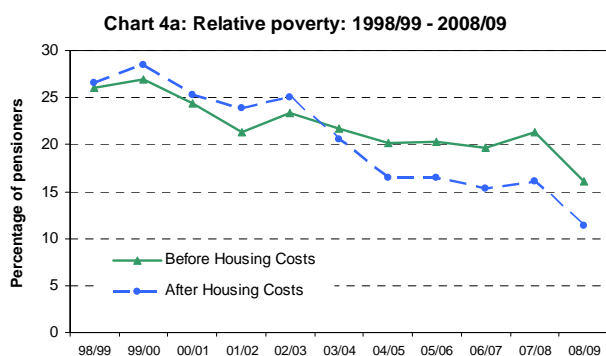


Main points:

- In 2008/09 16 percent of working age adults in Scotland were in relative poverty (before housing costs) and 11 percent were in absolute poverty (before housing costs).
- The percentage of working age adults in relative and absolute poverty (before and after housing costs) increased by around 1 percentage point between 2007/08 and 2008/09.
- This corresponded to increases of around 30 thousand in the number of working age adults in relative poverty (before housing costs) and around 20 thousand in the number of working age adults in absolute poverty (before housing costs).

Pensioner poverty

The following charts present recent trends in relative and absolute poverty among pensioners. *These figures are also presented in Annex 1, Tables A1 and A2.*



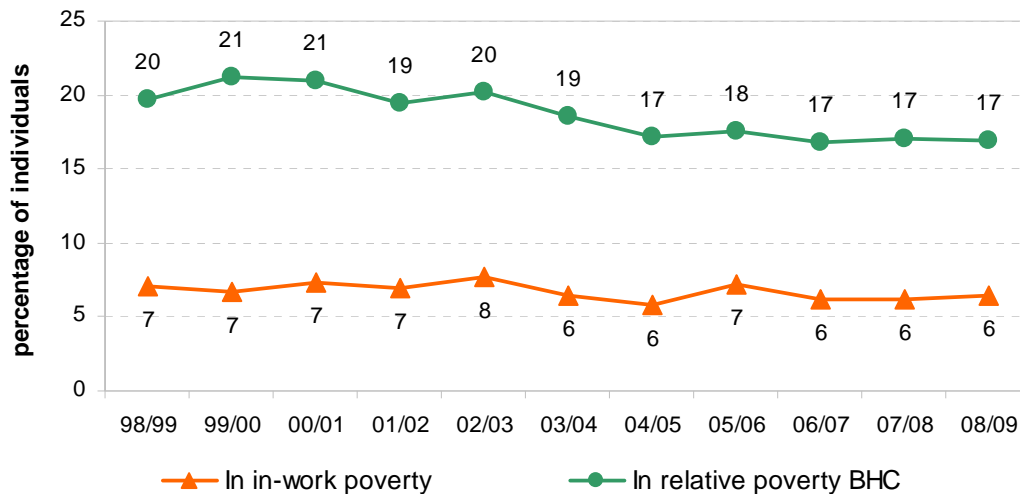
Main points:

- Between 2007/08 and 2008/09 the percentage of pensioners in relative poverty (before housing costs) fell from 21 to 16 percent, a reduction of 50 thousand individuals.
- Over this period the percentage of pensioners in absolute poverty (before housing costs) also fell, from 13 to 9 percent.
- Pensioner poverty rates in Scotland fell between 1998/99 and around 2004/05. Between 2004/05 and 2007/08 there was little change in these rates.

In-work poverty

Individuals living in households which are in poverty despite the fact that one or more members of the household are working are described as being in 'in-work poverty'. The income from these workers is not sufficient to raise the household income above the poverty threshold. This group therefore contains many non-workers including children and non-working partners. The following chart compares recent Scottish in-work poverty trends with the relative poverty trends. These figures are also presented in Annex 1, Table A4.

**Chart 5: Proportion of individuals in in-work poverty
(relative poverty before housing costs): 1998/99 to 2008/09**



Main points are:

- During 2008/09 6 percent of people in Scotland were in in-work poverty. Their households were in relative poverty (before housing costs) despite the fact that they contained a working member.
- The proportion of people in in-work poverty is lower than the proportion of people in relative poverty (before housing costs) - in 2008/09 17 percent of people were in relative poverty.
- Relative poverty (before housing costs) has reduced over the last ten years from around 20 to 21 percent in 1999/2000 to 17 percent in 2008/09. However, in-work poverty trends have been fairly flat over this period and remained at around 6 to 7 percent of the population.

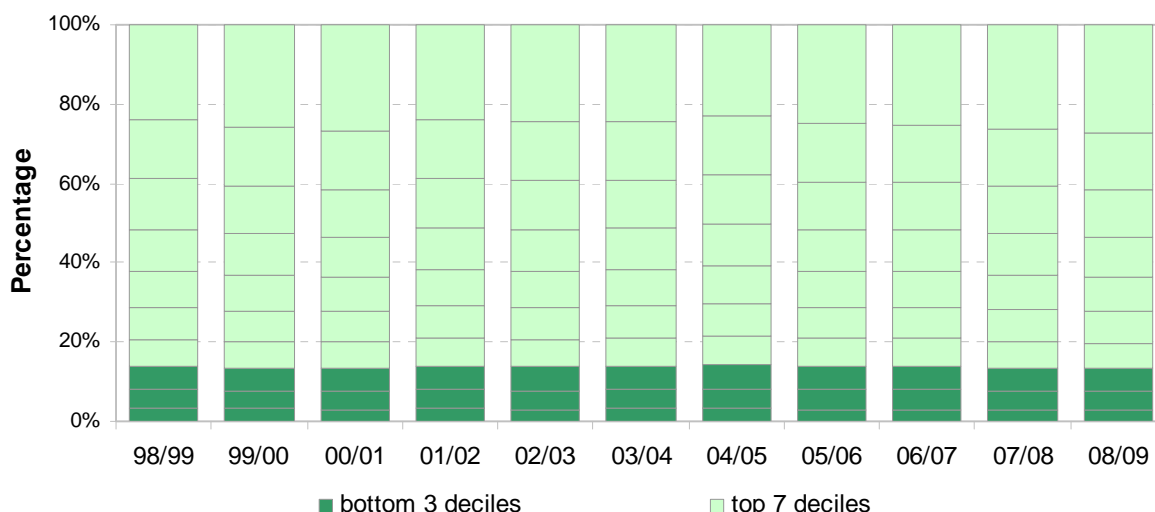
Income Inequality and the distribution of income

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

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

Chart 6 shows the proportion of total income received by the three lowest income deciles, the thirty percent of the population with the lowest incomes, from 1998/99 to 2008/09. This is a measure of how equally income is distributed across the population.

Chart 6: Percentage of total equivalised income going to the bottom three income deciles: - Scotland 1998/99 to 2008/09



- Between 1998/99 and 2008/09 the proportion of income received by those at the top and bottom of the income distribution has remained broadly unchanged.
- Over this period the proportion of total income received by those in the bottom three income deciles has remained fairly constant at around 13 or 14 percent of overall income.
- In contrast the top three income deciles received between 50 and 53 percent of total income each year. This means that the thirty percent of people with the highest incomes received over half of total income.
- Between 2007/08 and 2008/09 the proportion of income received by those in the bottom three income deciles was unchanged at 13 percent. Over the same period the proportion of income received by those in the top three income deciles remained at 53 percent.

Most of the income figures in this publication are based on equivalised income. Equivalisation is an adjustment made to household incomes to enable meaningful comparisons to be made between the incomes of different sized households. To find out more about equivalisation see Annex 2. One consequence of the equivalisation process is that there are different poverty threshold for households of different sizes and compositions. To help readers understand the figures in this publication the following table presents some commonly used income thresholds, before equivalisation, for families of different sizes.

Table 1 - Income thresholds for different family types (income is after tax and before housing costs)

	Single person with no children		Couple with no children		Single person with children aged 5 and 14		Couple with children aged 5 and 14	
	weekly	annual	weekly	annual	weekly	annual	weekly	annual
UK median income (before housing costs)	273	14,190	407	21,180	489	25,410	623	32,400
Scottish median income (before housing costs)	275	14,310	411	21,370	493	25,640	629	32,690
60% of UK median income (before housing costs) - relative poverty threshold	164	8,510	244	12,710	293	15,250	374	19,440
60% of inflation adjusted 1998/99 GB median income (before housing costs) - absolute poverty threshold	140	7,270	209	10,840	250	13,010	319	16,590
Scottish 1st income decile	136	7,090	203	10,580	244	12,700	311	16,190
Scottish 2nd income decile	175	9,090	261	13,560	313	16,270	399	20,750
Scottish 3rd income decile	206	10,710	307	15,980	369	19,180	470	24,450
Scottish 4th income decile	238	12,380	355	18,470	426	22,170	543	28,260
Scottish 5th income decile	275	14,310	411	21,370	493	25,640	629	32,690
Scottish 6th income decile	317	16,500	474	24,630	568	29,550	725	37,680
Scottish 7th income decile	362	18,850	541	28,130	649	33,760	828	43,040
Scottish 8th income decile	428	22,240	638	33,190	766	39,830	977	50,780
Scottish 9th income decile	540	28,070	806	41,900	967	50,280	1,233	64,110
Scottish 10th income decile	-	-	-	-	-	-	-	-

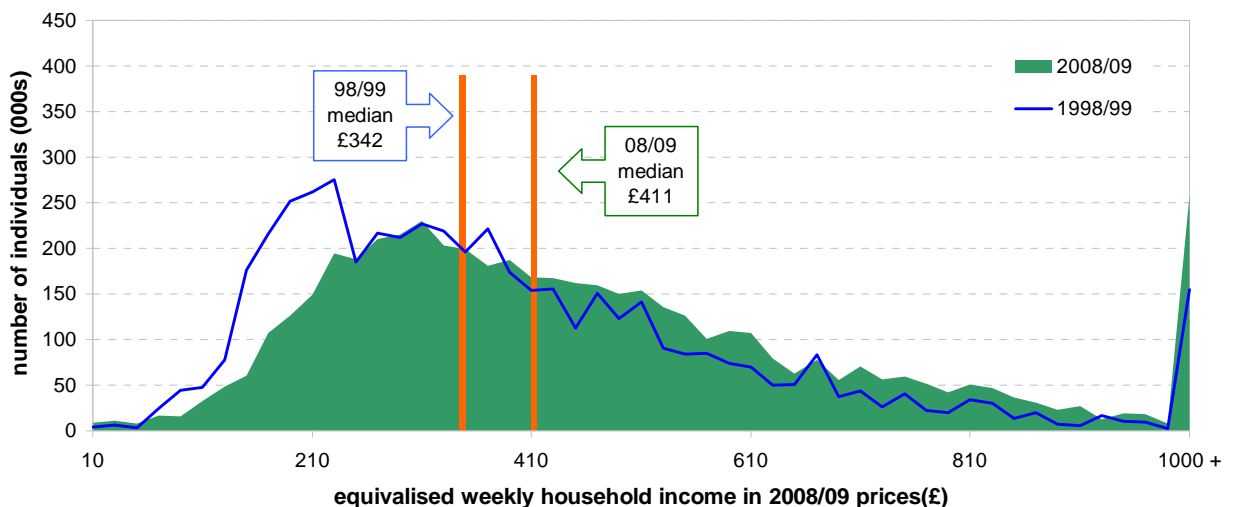
Main points:

- The relative poverty (before housing costs) threshold is equivalent to £164 per week for a single person or £374 per week for a couple with one young and one older child.
- A couple with no children with a combined income of over £33,190 (after tax) would be in the highest income 20 percent of the population.

Income distribution

The following chart shows how the distribution of income across Scotland changed between 1998/99 and 2008/09. The green area shows the shape of the more recent income distribution and the blue line shows the shape of the earlier one. The 1998/99 figures are adjusted for inflation and are in 2008/09 prices.

Chart 7: Equivalised weekly household income distribution (before housing costs): 1998/99 and 2008/09



Main points are:

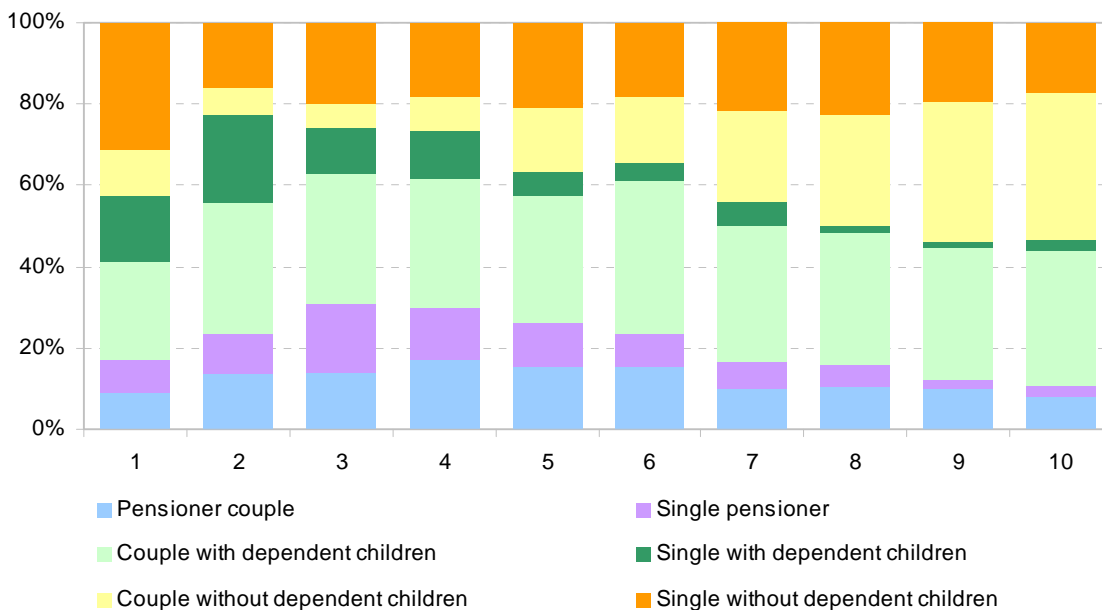
- Between 1998/99 and 2008/09 people's incomes rose in real terms and because of this the shape of the income distribution moved to the right.

- Over this period the median income increased from £342pw to £411pw, after adjusting for inflation. The relative poverty threshold is based on this median and this also increased.

Income deciles

The following charts (charts 8 and 9) present the Scottish income deciles by the types of families that make them up and by the economic status of those families. The deciles are calculated by arranging the people in Scotland in order of equivalised income (before housing costs) and then dividing them into ten groups. Each decile contains roughly a tenth of the Scottish population with the first containing those with the lowest incomes and the tenth containing those with the highest incomes. These figures are also presented in Annex 1, Tables A5 and A6.

Chart 8: Family type by equivalised income decile: 2008/09



Main point are:

- There are higher proportions of single people with dependent children towards the bottom of the income distribution.
- There are also more pensioners towards the bottom of the income distribution although the third and fourth income deciles, rather than the bottom two, contain the highest proportion.
- Single people without dependent children make up around 20 percent of the people in each decile, except the bottom decile where they make up 31 percent.
- There are more couples without children towards the top of the income distribution.

**Chart 9: Economic status of family by equivalised income decile:
2008/09**



Main points are:

- Families where no-one is working either through unemployment, retirement or economic activity (those who are neither in work, nor looking for work) are more common towards the bottom of the income distribution. 57 percent of people in the bottom three income deciles are in families of these types compared to 10 percent in the top three deciles.
- People in families where at least one adult is working full-time make up 75 percent of those in the top three deciles and 22 percent of those in the bottom three.

Annex 1 - Tables

Table A1: Relative poverty (below 60% of UK median income in the same year) in Scottish households: 1994/95 to 2008/09

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing		After Housing		Before Housing		After Housing		Before Housing		After Housing		Before Housing		After Housing	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	21	1,040	23	1,140	28	310	30	330	17	510	18	560	26	220	29	250
1995/96	20	980	23	1,160	27	300	32	360	14	440	18	540	28	240	31	270
1996/97	22	1,090	25	1,230	31	340	33	360	16	490	19	580	30	260	33	290
1997/98	20	1,000	22	1,120	30	330	31	330	16	470	18	540	24	210	28	250
1998/99	20	980	23	1,130	28	300	31	330	15	450	19	570	26	230	27	230
1999/00	21	1,050	24	1,200	28	300	32	350	17	510	20	600	27	240	28	250
2000/01	21	1,040	24	1,220	27	280	32	340	18	540	22	650	24	210	25	220
2001/02	19	960	22	1,110	27	280	31	330	16	490	19	570	21	190	24	210
2002/03	20	1,000	23	1,120	25	260	27	280	18	530	20	620	23	210	25	220
2003/04	19	920	21	1,020	24	250	27	280	16	480	18	560	22	190	21	180
2004/05	17	860	19	960	21	210	25	250	15	460	18	560	20	190	16	150
2005/06	18	880	20	990	21	210	24	250	15	470	19	590	20	190	16	150
2006/07	17	840	19	950	21	210	25	250	14	440	18	550	20	180	15	140
2007/08	17	860	19	970	20	200	24	240	15	460	19	580	21	200	16	150
2008/09	17	860	19	970	21	210	26	260	16	490	19	600	16	150	11	110

Table A2: Absolute poverty (below 60% of inflation adjusted 1998/99 GB median income) in Scottish households: 1994/95 to 2008/09

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	25	1,240	28	1,380	32	350	34	380	19	590	22	660	35	300	39	340
1995/96	25	1,230	27	1,340	33	370	36	400	18	550	20	610	37	320	37	330
1996/97	24	1,220	27	1,360	34	370	36	400	18	540	21	650	35	310	36	320
1997/98	21	1,060	23	1,170	31	340	32	350	16	490	19	560	26	230	30	260
1998/99	20	980	23	1,130	28	300	31	330	15	450	19	570	26	230	27	230
1999/00	19	950	22	1,120	26	280	30	320	15	470	19	580	23	200	25	220
2000/01	17	850	20	990	22	230	25	270	16	470	18	550	17	150	18	160
2001/02	13	640	15	740	16	170	20	210	11	350	14	430	13	120	12	100
2002/03	14	710	16	770	16	170	19	200	14	410	16	480	14	130	11	100
2003/04	12	610	14	670	15	160	18	180	11	350	13	410	12	110	9	80
2004/05	11	560	12	620	13	130	15	160	11	320	13	390	12	110	7	70
2005/06	11	550	12	600	12	130	14	140	11	330	13	400	11	100	6	60
2006/07	10	510	12	600	12	120	15	150	10	300	12	390	11	100	7	60
2007/08	11	560	12	590	12	120	13	130	10	310	13	390	13	120	8	70
2008/09	11	540	12	630	11	110	15	150	11	340	14	430	9	90	6	50

Table A3: Children in combined material deprivation and low income (below 70% of UK median income in the same year) in Scottish households: 2004/05 to 2008/09

	%	000s
2004/05	16	170
2005/06	13	130
2006/07	16	160
2007/08	15	150
2008/09	16	160

Table A4: Individuals in in-work poverty (relative poverty before housing costs) in Scotland: 1997/98 to 2008/09

	In in-work poverty		In relative poverty BHC	
	000s	%	000s	%
97/98	370	7	1,000	20
98/99	350	7	980	20
99/00	330	7	1,050	21
00/01	370	7	1,040	21
01/02	350	7	960	19
02/03	380	8	1,000	20
03/04	320	6	920	19
04/05	290	6	860	17
05/06	360	7	880	18
06/07	310	6	840	17
07/08	310	6	860	17
08/09	320	6	860	17

Table A5: Family type by equivalised income decile: Scotland 2008/09

Income decile	Pensioner couple		Single pensioner		Couple with dependent children		Single with dependent children		Couple without dependent children		Single without dependent children	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	40	9	40	8	120	24	80	16	60	12	160	31
2	70	14	50	10	160	32	110	21	30	7	80	16
3	70	14	80	17	160	32	60	11	30	6	100	20
4	90	17	60	13	160	31	60	12	50	9	90	18
5	80	15	60	11	160	31	30	6	80	16	100	21
6	80	15	40	8	190	38	20	4	80	16	90	18
7	50	10	30	7	170	34	30	6	110	22	110	22
8	50	10	30	5	170	33	10	2	140	27	120	23
9	50	10	10	3	160	33	10	1	170	34	100	20
10	40	8	10	3	170	33	10	2	180	36	90	17
Total	620		420		1,620		420		940		1,040	

Note: The figures in Table A5 have been calculated in a slightly different way to those in chart 9 in the previous year's publication "Poverty and income inequality in Scotland: 2007/08" and are not directly comparable. Comparable figure for 2007/08 will be added to the income and poverty statistics after publication of this report <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty>

Table A6: Economic status of families by equivalised income decile: Scotland 2008/09

Income decile	One or more self employed		Single/couple all in full time work		Couple/one in full time, one part time		Couple, one full time one not working		No full time, one or more part time		Workless, head or spouse aged 60 or over		Workless head or spouse unemployed		Workless, other inactive	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	50	10	10	2	10	2	30	6	60	11	90	18	80	16	180	35
2	30	6	30	5	20	3	80	15	70	14	120	23	40	8	130	25
3	30	5	50	10	40	8	80	16	80	15	150	29	10	2	80	15
4	40	7	90	17	70	15	70	14	60	11	140	27	10	1	40	7
5	30	6	110	22	90	17	80	15	50	10	120	23	10	1	30	6
6	20	5	140	28	90	18	90	18	30	7	90	18	0	0	20	5
7	30	6	210	42	110	22	40	8	40	8	60	12	0	1	10	2
8	40	7	230	45	90	18	50	10	30	6	60	11	0	1	10	3
9	30	6	260	52	90	17	50	10	30	6	40	7	0	0	10	1
10	80	15	250	49	80	15	40	8	20	5	30	6	0	0	10	2
Total	380		1,380		680		610		470		880		160		520	

Note: The figures in Table A6 have been calculated in a slightly different way to those in chart 10 in the previous year's publication "Poverty and income inequality in Scotland: 2007/08" and are not directly comparable. Comparable figure for 2007/08 will be added to the income and poverty statistics after publication of this report <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty>

Annex 2 - Frequently asked questions

Where can I get UK figures?

Where do these figures come from?

All the figures in this publication come from the Department for Work and Pensions' (DWP) Households Below Average Income dataset which is produced from the Family Resources Survey. UK figures are published by DWP in 'Households Below Average Income: 2008/09' on the same day as 'Poverty and income inequality in Scotland'. For the UK figures, as well as more detail about the way these figures are collected and calculated, see the DWP website <http://research.dwp.gov.uk/asd/hbai.asp>.

Are these figures available at Local Authority level or for geographical areas smaller than Scotland?

The figures presented here are from a survey which takes a random sample of the Scottish population. At smaller geographical areas the sample is limited to people from that area and so for smaller areas, estimates are less reliable. Only a few analyses are published for areas below Scotland level and are not published at Local Authority level. At sub-Scotland level estimates are published for the proportion of individuals in relative poverty in urban and rural areas and in deprived areas. These will be updated on the income and poverty statistics website soon after publication of this report.

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

The Scottish Government are aware of the demand for Local Authority level poverty figures and are carrying out work to improve the quality of income information recorded by the Scottish Household Survey with the aim of producing LA - level estimates. For further detail please see the feasibility study which was carried out for this work in the SG website (<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/income-imputation-study6>) or contact the income and poverty statistics team on 0131 244 0794 or social-justice-analysis@scotland.gsi.gov.uk.

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

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

What is equivalised income?

Most of the income figures in this publication are adjusted through a process called equivalisation which reduces the incomes of larger families and increases the incomes of single people. This equivalised income allows the comparison of living standards between households that vary in size and composition. The adjustment reflects the fact that a family of several people requires a higher income than a single person in order for both households to enjoy a comparable standard of living. There are several different equivalence scales which will result in slightly different estimates. The low income figures in this publication use the modified OECD equivalence scale in line with the rest of Europe. To find out more about equivalisation see the following report on the Scottish Government website:

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

How is poverty measured?

Individuals are defined as being in poverty if their equivalised net disposable household income is below 60% of the UK median. The median is the income value which divides a population, when ranked by income, into two equal sized groups. Since the mean is influenced significantly by the highest incomes, median income thresholds are widely accepted as a better benchmark when considering a derived measure for low income. 60% of median is the most commonly used low income measure.

For a couple with no children, the UK median income before housing costs in 2008/09 was £407 per week, this is a real terms increase of around £60 (17%) since 1998/99 (the inflation adjusted median income in 1998/99 was £348). After housing costs the increase was from £279 per week in 1998/99 (inflation adjusted) to £343 in 2008/09. This is an increase of 23% or £63.

Consequently, the 60% low income threshold, which is used to derive the low income household figures, has increased by £36 per week (before housing costs) in real terms, from £209 in 1998/99 (inflation adjusted) to £244 in 2008/09. After housing costs the 60% of median has increased by £38 per week in real terms, from £168 to £206.

What is the difference between relative and absolute poverty?

Absolute and relative poverty measures are used to monitor changes in poverty over time and are discussed earlier in the publication. In essence, absolute poverty measures whether individuals in the lowest income households are seeing their incomes rise in real terms. Relative poverty measures whether those with the lowest incomes are keeping up with the growth of the economy as a whole.

Absolute poverty: individuals living in households whose equivalised income is below 60% of inflation adjusted median income in 1998/99. This is a measure of whether those in the lowest income households are seeing their incomes rise in real terms.

Relative poverty: individuals living in households whose equivalised income is below 60% of median income in the same year. This is a measure of whether those in the lowest income households are keeping pace with the growth of incomes in the economy as a whole.

What is material deprivation?

Since 2004/05 the Family Resources Survey has asked respondents a suite of questions about whether people could afford to buy certain goods or services, or to participate in leisure or social activities. Material deprivation is defined on the basis of those items that cannot be afforded and is designed to be a measure of standard of living which is not solely based on income, but includes information about what families can afford to buy with their money.

To determine the level of material deprivation a child experiences, a 'prevalence weighted' approach is used: for each item a child's family cannot afford they will be given a weight or score. This weight will be equivalent to the proportion of families who have this item. In this way, the higher the proportion that own that item, the more not having it contributes to being materially deprived and the greater weight it has in the measure.

The weighted scores for each item lacked through an inability to afford are summed and translated into a total material deprivation score which can range from 0 to 100. Children are

materially deprived if they have a material deprivation score of 25 or more. Analysis conducted by Department for Work and Pensions has shown that this score is a good discriminator between those that are deprived and those that are not. For further information about material deprivation see the DWP 'Households below average income' publication.

What is included in the definition of income used here?

The income definition used here is as follows: net earnings; profit or loss from self-employment after income tax and NI; all social security benefits and tax credits, including Social Fund grants; occupational and private pension income; investment income; maintenance payments; top-up loans and parental contributions for students, educational grants and payments; the cash value of certain forms of income in kind such as free school meals, free welfare milk and free school milk and free TV licences for the over 75s (where data is available). Income is net of: income tax payments; National Insurance contributions; contributions to occupational, stakeholder and personal pension schemes; council tax; maintenance and child support payments made; and parental contributions to students living away from home.

Why include figures for poverty before and after housing costs?

This publication provides low income estimates on a before housing costs basis and on an after housing costs basis. Since some people choose to spend more of their income on housing costs, an after housing costs measure would understate the relative standard of living of those individuals who were actually benefiting from a better quality of life by paying more for better accommodation. Conversely, any income measure which does not deduct housing costs (i.e. the before housing costs measure) will overstate the living standards of individuals whose housing costs are high relative to the quality of their accommodation.

Why is absolute poverty based on the GB median and relative poverty on the UK one?

Since 2002/03 the Family Resources Survey has included Northern Ireland. As a result all relative low income figures from 2002/03 have been calculated using the UK median. Absolute measures use a base year prior to the inclusion of Northern Ireland and have therefore continued to use the GB median as the basis for the low income threshold.

In practice the change from GB to UK median makes very little impact on the figures.

How reliable are the figures presented here?

The figures are estimates based on a sample survey - The Family Resources Survey - and are therefore subject to sampling variation. Caution should be exercised in the interpretation of small year-on-year fluctuations. Identification of trends must be based on data for several years. As the Scottish Government has funded a doubling of the Scottish sample since 2002/03, the Scottish figures from 2002/03 onwards should be less prone to fluctuation within key trends than those for earlier years. Details of the confidence intervals that surround the key estimates in this publication will be published on the Scottish government Income and Poverty website shortly.

Where can I find out more?

Scottish Government websites:

Income and Poverty statistics website

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

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

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

Scottish Government Social Inclusion website (Including information about 'Achieving our Potential: A framework to tackle poverty and income inequality in Scotland')

<http://www.scotland.gov.uk/Topics/People/Social-Inclusion>

High Level Summary of Statistics (Chapter 12, Social and Welfare)

<http://www.scotland.gov.uk/Topics/Statistics/About/HighLevelTrends>

For further information on all Scottish Government statistics

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

Department for Work and Pensions' websites

Family Resources Survey, Department for Work and Pensions

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

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

<http://www.dwp.gov.uk/asd/hbai.asp>

Measuring child poverty, Department for Work and Pensions

www.dwp.gov.uk/consultations/consult/2003/childpov/final.pdf

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

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Release date and next update

These figures were published on the 20th May 2010. They are due to be updated in April/May 2011.

Feedback

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

Complaints and suggestions

If you are not satisfied with our service, please write to the Chief Statistician, Mr Rob Wishart, 3R02, St Andrews House, Edinburgh, EH1 3DG, Telephone: (0131) 244 0302, e-mail rob.wishart@scotland.gsi.gov.uk. We also welcome any comments or suggestions that would help us to improve our standards of service.

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