

Poverty and Income Inequality in Scotland: 2015/16



A National Statistics publication for Scotland

EQUALITY, POVERTY AND SOCIAL SECURITY

This publication presents annual estimates of the percentage and number of people, children, working age adults and pensioners living in low income households in Scotland. The estimates are used to monitor progress in reducing poverty and income inequality. The data published for the first time here are for the financial year April 2015 to March 2016.

Poverty in 2015/16

Poverty rates have been relatively stable over the last decade with some fluctuations year on year. Most rates have risen in 2015/16 and, while single year changes must be interpreted with caution, this alongside other indicators suggests low income households - especially families with children - are falling further behind those on middle incomes.

Although more lower income households are now in employment this is not guarding them against poverty. In-work poverty has shown a long term rising trend since 2009/10. This is explained by changes in the employment market with many low income households working part-time. For working families who also receive benefit income, especially families with children, increases in earnings were balanced against withdrawal of benefit income, combined with a one per cent cap on benefit up-rating.

The combined low income and material deprivation rate for children has remained steady. Despite the indicative upward push on relative and absolute child poverty rates there has been no change in the ability of low income households with children to afford necessities. This may relate to the longer term reduction in the number of workless households. Although many of these households have moved in to part time employment this still provides better protection from material deprivation than being out of work.

Key points

Statistics in this report are taken from the Family Resources Survey. This survey collects detailed information about household income and has a large Scottish sample (2,700 households in 2015/16) making it the best source of information on household income and poverty in Scotland. As is true for all statistics based on survey data the figures are subject to a degree of error.

Given this, particular care should be taken when interpreting single year changes within this report. Where possible we have used other data sources to help understand why incomes may have changed over the year and whether this is indicative of a trend. In general, looking at longer term trends in income offers a better indicator of significant change. Further guidance on how to use and interpret these statistics is provided in the Background Note and Methodology section.

All individuals:

- **17 per cent of people** in Scotland were living in relative poverty before housing costs (BHC) in 2015/16, approximately 880 thousand people. This compares to 15 per cent in 2014/15.
- **After housing costs (AHC), 20 per cent of people** in Scotland were living in relative poverty in 2015/16 representing 1.05 million people. This compares to 18 per cent in 2014/15.
- The rates of relative poverty both BHC and AHC have fluctuated over recent years making it difficult to establish the underlying trend.

Child poverty:

- **19 per cent of children** in Scotland, approximately 190 thousand, were living in relative poverty BHC in 2015/16. This compares to 17 per cent the previous year.
- **After housing costs, 26 per cent of children** in Scotland were living in relative poverty, approximately 260 thousand children. This compares to 22 per cent the previous year.
- Relative child poverty both BHC and AHC has fluctuated in recent years following a long term decrease between 1998/99 and 2011/12.

Children in combined low income and material deprivation:

- In 2015/16, **10 per cent of children were living in combined low income BHC and material deprivation**, unchanged from the previous year. In 2015/16, 100 thousand children were living in material deprivation.
- **After housing costs, 12 per cent of children** were living in combined low income and material deprivation, unchanged from the previous year. In 2015/16, 110 thousand children were living in material deprivation.

Working age adult poverty:

- **16 per cent of working age adults** in Scotland were living in relative poverty BHC in 2015/16, this equates to 520 thousand working age adults. This compares to 15 per cent in 2014/15

- **After housing costs, 20 per cent of working age adults** (650 thousand) in Scotland were living in relative poverty. This compares to 19 per cent in the previous year.

Pensioner poverty:

- **16 per cent of pensioners** in Scotland were living in relative poverty BHC in 2015/16, approximately 170,000 pensioners. This compares to 15 per cent the previous year.
- **After housing costs, 13 per cent of pensioners** in Scotland (around 140 thousand) were living in relative poverty. This compares to 12 per cent the previous year.

In-work poverty:

- In 2015/16, 62 per cent of working age adults in poverty BHC were living in working households, as were 66 per cent of children in poverty.
- After housing costs 64 per cent of working age adults in poverty were living in working households, as were 70 per cent of children.
- While employment remains the best route out of poverty, it is not always a protection against poverty. Increases in in-work poverty in recent years reflect the move into employment and reductions in the number of workless households in Scotland. However many low income households have moved into part-time employment meaning households remain in poverty.

Income Inequality:

- **Median income** in Scotland in 2015/16 was **£24,400**, equivalent to £468 per week. Median income in Scotland decreased in 2015/16 by £600, equivalent to £11 per week.
- **Income inequality** The top 10 per cent of the population had 38 per cent more income in 2015/16 than the bottom 40 per cent combined. This compares to 15 per cent more income in 2014/15.

Background Notes and Methodology

In this publication **all statistics are based on net income**. That is, income after taxes and including benefits. Income is calculated at the household level, and reflects the income available to the household after taxes (including council tax) are paid and all benefits and tax credits have been received. Unless otherwise stated, incomes for previous years are in 2015/16 prices (real prices).

All figures in this publication are **rounded to the nearest 10 thousand individuals or whole percentage point**. Percentage change and percentage point change are calculated prior to rounding. In some cases, calculations based on the unrounded figures do not match those based on the rounded ones meaning that changes reported in the text of the report do not always match with the rounded figures in the tables and charts.

Poverty is measured at the household level. If household income is below the poverty threshold, all people within the household are in poverty. This is based on the assumption that income is shared equally across all members of the household, and they have the same standard of living.

The estimates presented in this publication are based on a sample survey and are therefore **subject to sampling error**. Confidence intervals are a measure of sampling error. A 95 per cent confidence interval for an estimate is the range that contains the 'true' figure on average 19 times out of 20 if sampling error were the only source of errors.

For example, when looking at poverty rates for all individuals the true value is likely to be within a range of around +/- 3 percentage points around the central estimate presented in this report, whilst a change of around 4 percentage points or more is generally required to represent a statistically significant change over time.

New methodology has been established this year to improve the calculation of confidence limits. More information can be found here:

<https://www.gov.uk/government/publications/changes-to-dwp-households-and-pensioners-incomes-statistics-201516-statistical-notice>

Unless specifically stated, annual changes in the numbers and percentages of people in poverty presented in the body of this report are not statistically significant. Caution should be exercised when looking at year on year comparisons, with longer term trends often giving a clearer picture. More information can be found here: [Scottish Government - Income and Poverty Statistics - Methodology](#)

Changes to statistics 2015/16

This publication includes a change to the statistics compared with previous publications:

Pensioners are defined as all those adults above state pension age. Working age adults are defined as all adults up to the state pension age. Between April 2010 and March 2016 the state pension age for women increased to 63 and it will increase further to 65 by November 2018. At this point the state pension age for men and women will be the same. The changes do not affect the state pension age for men, which remains at 65. Therefore, as with the previous five reports, the age groups covered by the pensioner poverty analysis will change for the 2015/16 report. The pensioner material deprivation statistics will continue to be based on pensioners aged 65 and over.

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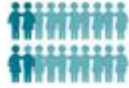
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Relative Poverty in Scotland 2015/16

RELATIVE POVERTY BEFORE HOUSING COSTS



All people - 880,000 (17%)



Children - 190,000 (19%)



Working Age Adults - 520,000 (16%)



Pensioners - 170,000 (16%)

RELATIVE POVERTY AFTER HOUSING COSTS



All people - 1,050,000 (20%)



Children - 260,000 (26%)



Working Age Adults - 650,000 (20%)



Pensioners - 140,000 (13%)

IN-WORK POVERTY BEFORE HOUSING COSTS



Children - 120,000 (66%)



Working Age Adults - 320,000 (62%)

IN-WORK POVERTY AFTER HOUSING COSTS



Children - 180,000 (70%)



Working Age Adults - 420,000 (64%)

Chapter 1: Poverty

Presentation of key points and definitions

Each section in this report starts with a pink box providing the key facts for that section. Where relevant, additional information is provided in a blue box at the end of each section. This includes important definitions and links to National Indicators relating to poverty and income inequality on [Scotland Performs](#).

1.1 People in poverty

Key points:

Relative Poverty before housing costs:

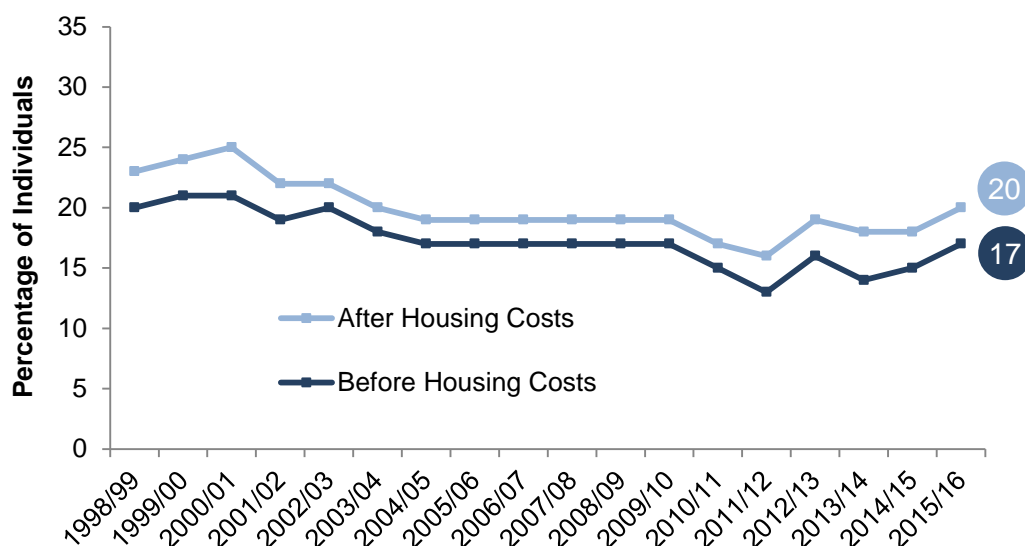
- 17 per cent of people in Scotland were living in relative poverty BHC in 2015/16. This compares to 15 per cent in 2014/15.
- In 2015/16, there were 880 thousand people in Scotland living in relative poverty BHC.

Relative Poverty after housing costs are taken into account:

- 20 per cent of people in Scotland were living in relative poverty AHC in 2015/16. This compares to 18 per cent in 2014/15.
- In 2015/16, there were 1.05 million people living in relative poverty AHC.

Caution should be used when comparing poverty rates between years.

Chart 1A – Relative Poverty – All Individuals



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

Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Relative poverty is a measure of whether the incomes of the poorest households are keeping pace with middle income households across the UK.

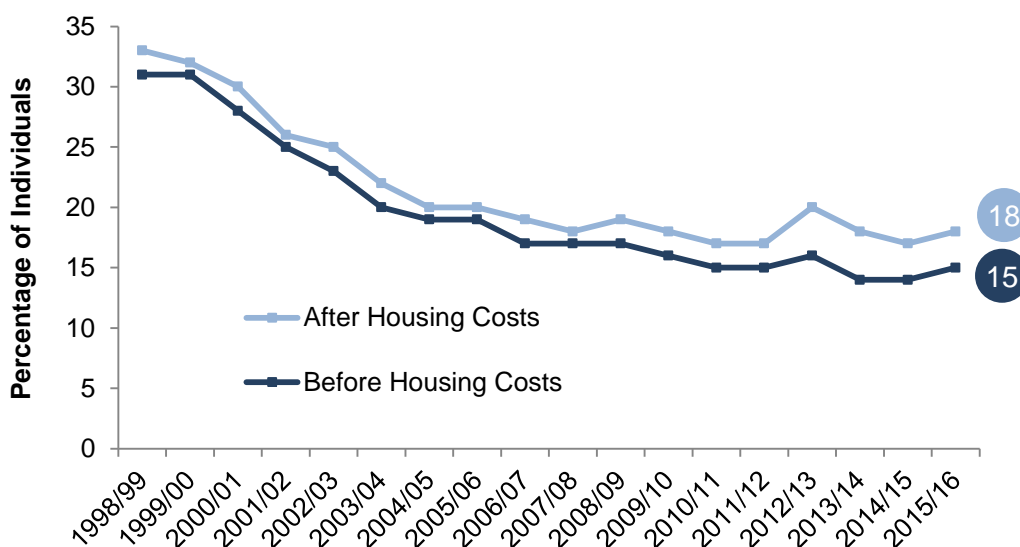
The changes in the number and percentage of people in relative poverty between 2014/15 and 2015/16 are not statistically significant either before or after housing costs. Longer term trends offer a better indication of changes in poverty levels.

Poverty rates have remained broadly stable over the last 10 years. Relative poverty **Before Housing Costs** remained unchanged at 17 per cent from 2005/06 to 2009/10 before falling to 13 per cent over the two years to 2011/12. It has fluctuated since but has risen in each of the last 2 years, returning to 17 per cent in 2015/16. Whilst the rise since 2011/12 suggests that poverty is increasing the volatility in the data in recent years means that readers should be cautious in using this finding. Data for future years will be required to determine the longer term trend.

After Housing Costs have been taken into account, 20 per cent of people in Scotland were in relative poverty. Relative poverty AHC has followed a similar trend to relative poverty BHC, remaining unchanged at 19 per cent between 2005/06 and 2009/10 before falling to 16 per cent in 2011/12. As for BHC poverty it has fluctuated since but is higher than previously with 20 per cent of people in relative poverty AHC in 2015/16. Again, more data will be required to judge whether these changes are indicative of a longer term trend.

The gap between relative poverty before and after housing costs appears to have widened slightly since 2010/11

Chart 1B – Absolute Poverty – All Individuals



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

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute poverty is a measure of whether the incomes of the poorest households are keeping pace with inflation, and is based on the poverty threshold in 2010/11.

It is estimated that 15 per cent of individuals were in absolute poverty BHC in 2015/16. This represents around 780 thousand people living in absolute poverty BHC. This compares to 14 per cent in 2014/15 although, as with other single year changes throughout this report, this change is not statistically significant.

It is estimated that 18 per cent of individuals are in **absolute poverty after housing costs** in 2015/16, similar to the level seen in recent years. In 2015/16, there were 960 thousand people living in absolute poverty AHC in Scotland.

The gap between absolute poverty before and after housing costs had widened in recent years, and remained steady in 2015/16.

Commentary:

Although single year changes should be treated with caution¹ the data suggests there have been small increases in both relative and absolute poverty, before and after housing costs. This appears broadly consistent with what we know from other sources.

The figures show that median income in Scotland has decreased whilst across the UK it has risen. Relative poverty rises where the income of low income households in Scotland does not keep up with middle income households across the UK.

Looking at the labour market the Annual Population Survey for Scotland for April 2015 - March 2016 shows a small increase in employment level and no change in the employment rate over the year compared with the UK which showed small increases in the employment level and rate in the same period. The annual growth in gross weekly full-time earnings was also more subdued in Scotland compared with the UK².

Whilst the increase in employment in low income households seen in recent years has continued much of this has been into part-time work. As households' earnings increase their entitlement to benefits reduces. In this circumstance it is likely that any increased earnings for lower income households from work will have been partially offset by the withdrawal of benefits.

There was an increase in the personal tax allowance in 2015/16 whilst the benefit system remained largely unchanged with uprating limited to 1%. Those in the middle of the income distribution will have benefited fully from the increased allowance. Those further down will have benefited less, either because their earnings were too low to pay tax or because the increased earnings were offset by a withdrawal of their benefit income.

Employment rates and earnings growth in Scotland compared to the UK along with changes in the personal tax allowance suggest that low income households will be falling

¹ See methodology section for more information.

² Annual Survey of Hours and Earnings

further behind those on middle incomes which we would expect to lead to increases in relative poverty.

In terms of housing costs, social rents have increased slightly³ for many whilst private rents⁴ have generally increased by less but with variation across the country. Although this represents only a modest increase in housing costs it could still be greater than increases in income for some households. Recent years appear to have seen a widening of the gap between poverty measures before and after housing costs which may reflect the cumulative impact of increases in housing costs, changes to housing benefit eligibility and wider welfare reform.

Absolute poverty also increased slightly both BHC and AHC. Although inflation has been very low in recent years there has been little increase in income since 2010/11. This helps explain why absolute poverty has remained at around the same level in recent years.

³ <http://www.gov.scot/Publications/2017/02/8350>

⁴ <http://www.gov.scot/Publications/2016/11/3295>

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

Relative poverty:

Relative poverty is a measure of whether the incomes of the poorest are increasing in line with middle income households. In this report, individuals are said to be in relative poverty if they are living in households whose equivalised income is below 60 per cent of UK median income in that year. Relative low income rates fall if household income for the poorest households increases faster than median income. In 2015/16, the relative poverty threshold for a couple with no children was an income of £288 per week BHC from all sources (see [Annex 2](#) for further information on income definitions). For a couple with children the threshold would be higher and for a single person (without children) the threshold would be lower. After housing costs, the relative poverty threshold in 2015/16 for a couple with no children was £248 per week.

Absolute poverty:

Absolute poverty is a measure of whether income for the lowest income households is keeping pace with inflation. Individuals are said to be living in absolute poverty if they are living in households whose equivalised income is below 60 per cent of the (inflation adjusted) median income in 2010/11. In 2015/16, the absolute poverty threshold for a couple with no children was an income of £278 per week BHC from all sources (see [Annex 2](#) for further information on income definitions). After housing costs, the absolute poverty threshold in 2015/16 was £237 per week.

Scotland Performs:

The Scottish Government's National Indicator 35 is to "decrease the proportion of individuals living in poverty":

<http://www.gov.scot/About/Performance/scotPerforms/indicator/poverty>

This is measured using relative poverty before housing costs.

1.2 Child poverty

Key points:

Relative Poverty before housing costs:

- 19 per cent of children in Scotland were living in relative poverty BHC in 2015/16. This compares to 17 per cent in 2014/15.
- In 2015/16, there were 190 thousand children in Scotland living in relative poverty BHC.

Relative Poverty after housing costs are taken into account:

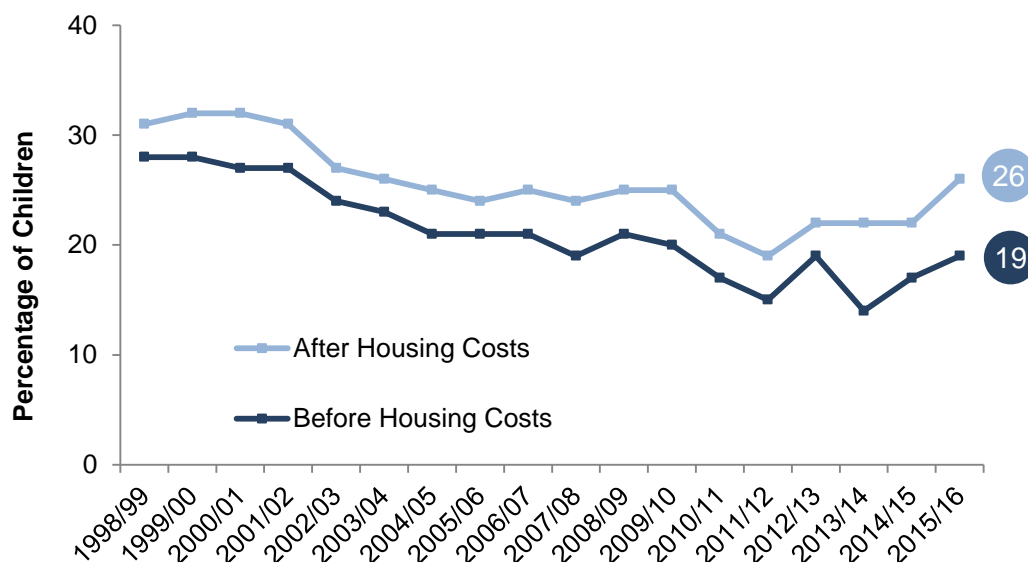
- After housing costs, 26 per cent of children in Scotland were living in relative poverty. This compares to 22 per cent in 2014/15.
- In 2015/16, there were 260 thousand children living in relative poverty AHC.

Low Income and Material Deprivation:

- In 2015/16, 10 per cent of children were living in combined low income BHC and material deprivation, the same as in the previous year. In 2015/16, 100 thousand children were living in low income BHC and material deprivation.
- After housing costs, 12 per cent of children in Scotland were living in combined low income AHC and material deprivation, again unchanged from the previous year. In 2015/16, 110 thousand children were living in low income AHC and material deprivation.

Caution should be used when comparing poverty rates between years.

Chart 2A – Relative Poverty - Children



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

Notes:

1. A version of these charts showing the Child Poverty Act targets can be found in [Annex 1](#), Chart [A1](#).
2. Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

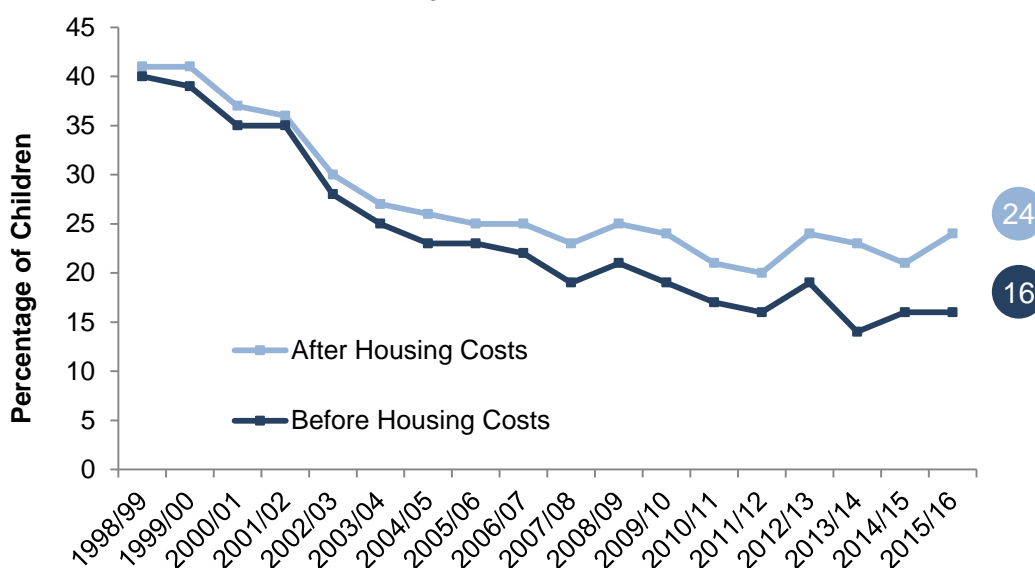
It is estimated that 19 per cent of children were in **relative child poverty BHC** in 2015/16. Relative child poverty BHC saw a decreasing trend from 21 per cent in 2005/06 to 15 per cent in 2011/12. It has fluctuated in recent years, increasing in each of the last 2 years to 19 per cent in 2015/16. It is too early to determine whether this represents part of a rising trend in child poverty rates.

After Housing Costs have been taken into account, 26 per cent of children in Scotland were in relative poverty.

Relative child poverty AHC had followed a similar trend to relative child poverty BHC, showing a decreasing trend from 24 per cent in 2005/06 to 19 per cent in 2011/12. Following an increase to 22 per cent in 2012/13, relative child poverty AHC remained at that level before rising to 26 per cent in the most recent year. This single year change signals an increase in child poverty AHC, but as we have seen a lot of volatility in poverty data in recent years, we cannot yet assume that this confirms an upwards trend.

The gap between relative child poverty before and after housing costs increased in 2015/16 after narrowing slightly the previous year although as both measures are fluctuating it is difficult to draw any firm conclusions.

Chart 2B – Absolute Poverty – Children



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

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute child poverty BHC remained at 16 per cent in 2015/16. In 2015/16, there were 160 thousand children living in absolute poverty BHC.

Absolute child poverty AHC increased to 24 per cent in 2015/16 returning to the same level as in 2012/13. This measure has been fluctuating in recent years with no year on year significant change. In 2015/16, there were 230 thousand children living in absolute poverty AHC in Scotland.

The gap between absolute poverty before and after housing costs has widened in the most recent year following a trend since the early 2000s. In 2015/16 the gap was 8 percentage points.

Chart 2C – Material deprivation and low income BHC combined - Children

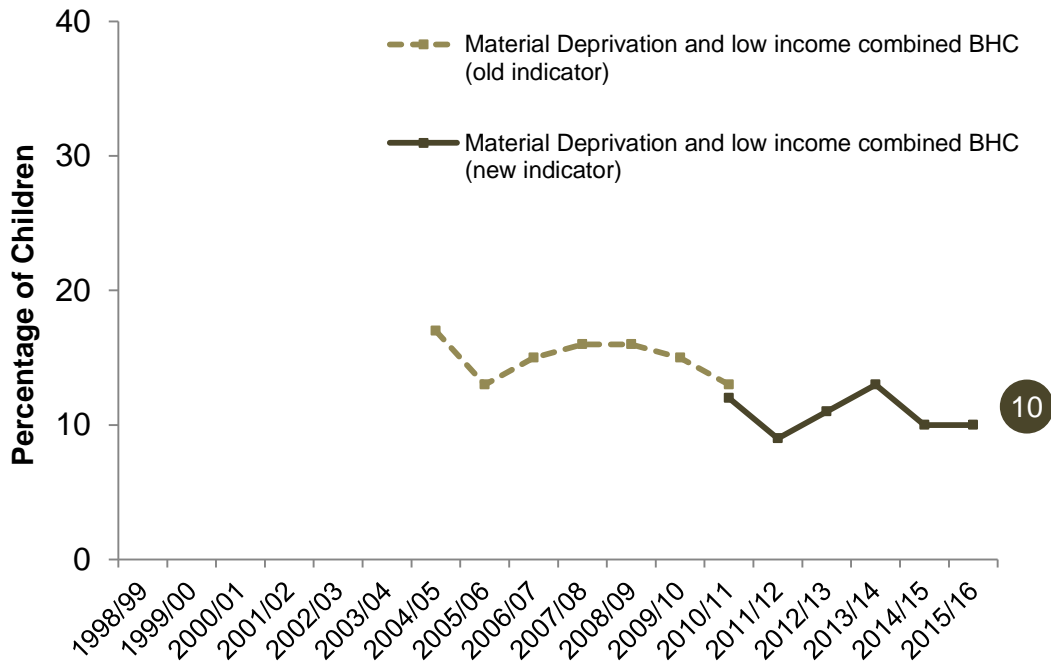
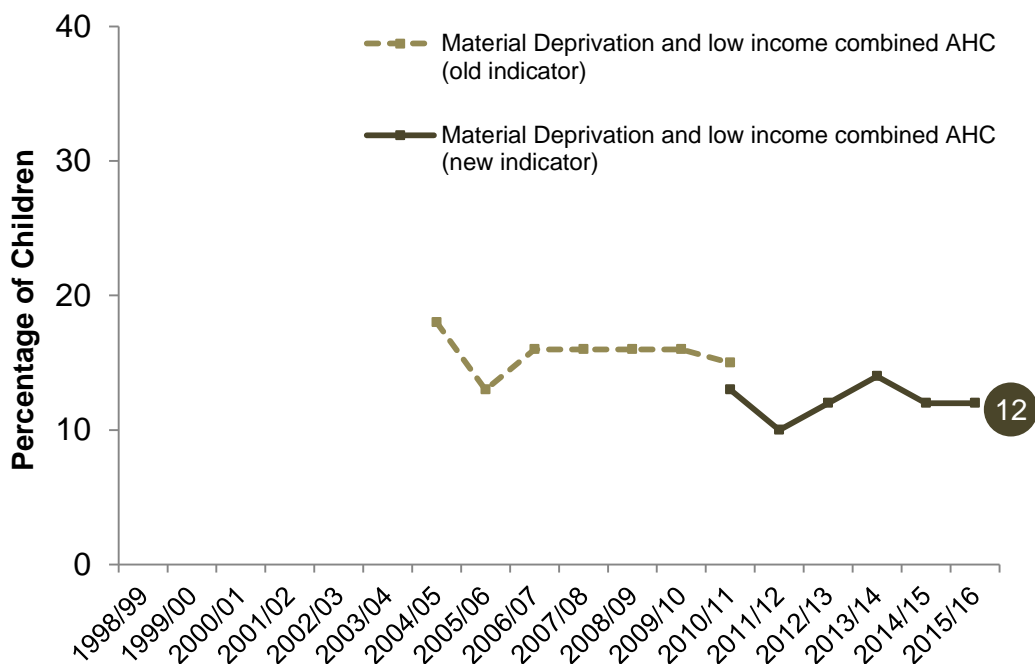


Chart 2D – Material deprivation and low income AHC combined - Children



Source: HBAI dataset, DWP. See [Annex 1](#) (Tables [A1](#), [A3](#) and [A4](#)) for the figures behind these charts.

Notes:

1. A version of these charts showing the Child Poverty Act targets can be found in [Annex 1](#), Chart [A1](#).
2. Changes in the material deprivation questions in 2010/11 created a break in the series. Data for 2010/11 onwards is not directly comparable with that prior to 2010/11. Further information is available in [Annex 2](#).

Combined low income and child material deprivation is an additional way of measuring living standards and refers to the inability of households to afford basic goods and activities that are seen as necessities in society.

In 2015/16, 10 per cent of children in Scotland were living in **combined low income BHC and material deprivation**. This is the same as in 2014/15. In 2015/16, there were 100,000 children living in combined low income BHC and material deprivation, the same as in the previous year.

After housing costs, 12 per cent of children in Scotland were living in **combined low income and material deprivation**. In 2015/16, 110 thousand children were living in combined low income AHC and material deprivation, the same as in the previous year.

Commentary:

The latest figures suggest an increase in relative child poverty although more years of data will be required to be certain that this represents a sustained increase in child poverty levels. There is less of a clear trend in absolute poverty while low income and material deprivation has remained steady. This section also looks at other data sources to help us understand the reasons why relative poverty rates in particular may have changed.

Low income households with children are often more reliant on benefit income than other households. With benefit income withdrawn as earnings increase and benefit up-rating capped at one per cent, we would expect income for lower income households with children to fall further behind that for middle income households.

Middle income households are less reliant on benefits and so keep more of any increase in earnings. These findings would be indicative of a rise in relative poverty.

Child poverty rates after housing costs rose by more than for working age adults suggesting housing costs may have increased by more for this group. Other sources do not provide evidence of large increases in housing costs. However, although increases in housing costs were moderate, for some families in some parts of the country they rose faster than inflation and than benefits. This, combined with the fact that the incomes of low income households fell further behind those in the middle led to an increase in AHC poverty.

The combined low income and material deprivation rate has remained steady. Despite the indicative upward push on relative and absolute poverty rates there has been no overall change in the ability of low income households to afford necessities. This may relate to the longer term reduction in the number of workless households. Although many of these households have moved in to part time employment this still provides better protection from material deprivation than being out of work.

Material Deprivation and Low Income Combined Poverty Indicator:

Combined low income and child material deprivation is an additional way of measuring living standards and refers to the inability of households to afford basic goods and activities that are seen as necessities in society. It is a more direct measure of poverty than income alone, as it captures changes in standard of living.

Material deprivation is calculated from a suite of questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or social activities. This measure is applied to households with incomes below 70 per cent of UK median income (£336 per week) 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](#).

Scotland Performs:

The Scottish Government's National Indicator 36 is to "reduce children's deprivation":

<http://www.gov.scot/About/Performance/scotPerforms/indicator/childdeprivation>

This is measured using the material deprivation and low income BHC combined poverty indicator.

1.3 Working age adult poverty

Key points:

Relative Poverty before housing costs:

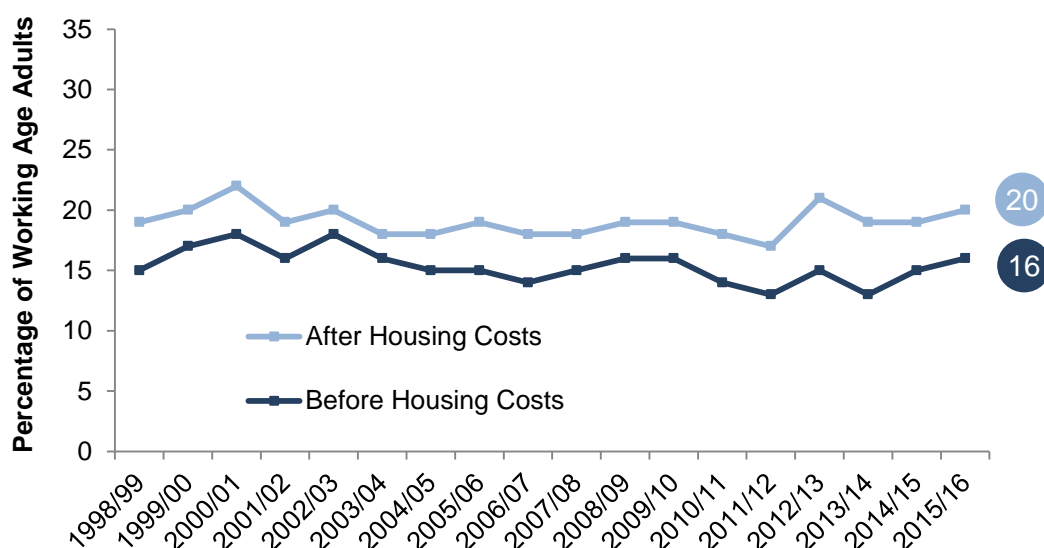
- Relative poverty before housing costs has fluctuated for many years. In 2015/16 16 per cent of working age adults in Scotland were living in relative poverty BHC.
- In 2015/16, there were 520 thousand working age adults in Scotland living in relative poverty BHC.

Relative poverty after housing costs are taken into account:

- Relative poverty after housing costs has also fluctuated for many years. In 2015/16 20 per cent of working age adults in Scotland were living in relative poverty.
- In 2015/16, there were 650 thousand working age adults living in relative poverty AHC.

Caution should be used when comparing poverty rates between years.

Chart 3A - Relative Poverty – Working Age Adults



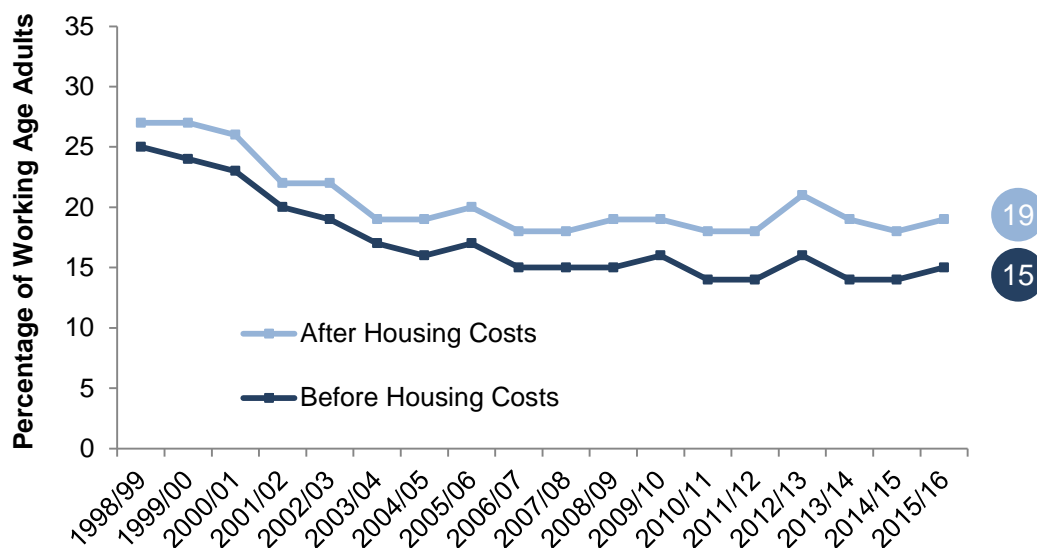
Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A1](#)).

Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

The change in the number and percentage of working age adults in relative poverty BHC between 2014/15 and 2015/16 is not statistically significant. Relative poverty BHC for working age adults had been fluctuating in recent years. Figures for the last 2 years may suggest an increase in poverty levels for working age adults but more years of data are required in order to determine whether this represents a sustained increase in poverty.

After Housing Costs have been taken into account, 20 per cent of working age adults in Scotland were in relative poverty. Relative poverty AHC had followed a similar trend to relative poverty BHC, generally fluctuating around or just below 20 per cent.

Chart 3B - Absolute Poverty – Working Age Adults



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

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute poverty for working age adults BHC was 15 per cent in 2015/16 with 470 thousand working age adults living in absolute poverty BHC.

Absolute poverty after housing costs for working age adults was 19 per cent in 2015/16 representing 610 thousand working age adults.

Commentary:

The percentage of working age adults in relative poverty both before and after housing costs has fluctuated over the last decade with no clear upward or downward trend. Recent rises in relative poverty BHC, which rose by one percentage point in 2015/16 following a two percentage point increase the previous year, indicate upward pressure although we will need further data to be certain of this trend.

Working age adults include those living in households with children whose household incomes were considered in the previous section. There was no change in relative poverty rates for working age adults without children, either before or after housing costs, in 2015/16.

Working age vs. State pension age:

Working age adults are defined as all adults up to the state pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women increased to 63 and it will subsequently increase to 65 by November 2018. At this point the state pension age for men and women will be the same. The changes do not affect the state pension age for men, which remains at 65. The impact is to retain more women in the working age adult group, who in previous years would have been classified as pensioners.

1.4 Pensioner poverty

Key points:

Relative Poverty before housing costs:

- 16 per cent of pensioners in Scotland were living in relative poverty BHC in 2015/16.
- In 2015/16, there were 170 thousand pensioners in Scotland living in relative poverty BHC.

Relative poverty after housing costs are taken into account:

- 13 per cent of pensioners in Scotland were living in relative poverty AHC.
- In 2015/16, 140 thousand pensioners were living in relative poverty AHC.

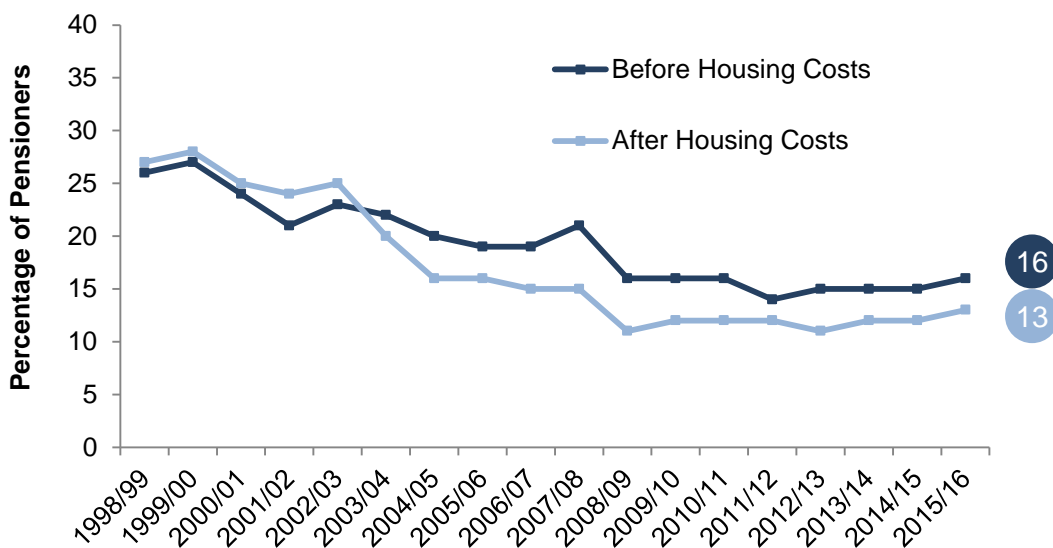
Material Deprivation:

- In 2015/16, six per cent of pensioners were living in material deprivation. In 2015/16, there were 60 thousand pensioners in Scotland living in material deprivation.

Caution should be used when comparing poverty rates between years.

The majority of pensioners own their own home. Examining pensioners' incomes after deducting housing costs allows for more meaningful comparisons of income between working age people and pensioners, and of the pensioner population over time.

Chart 4A – Relative Poverty - Pensioners



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Tables [A1](#) and [A5](#)).

Confidence intervals for relative poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

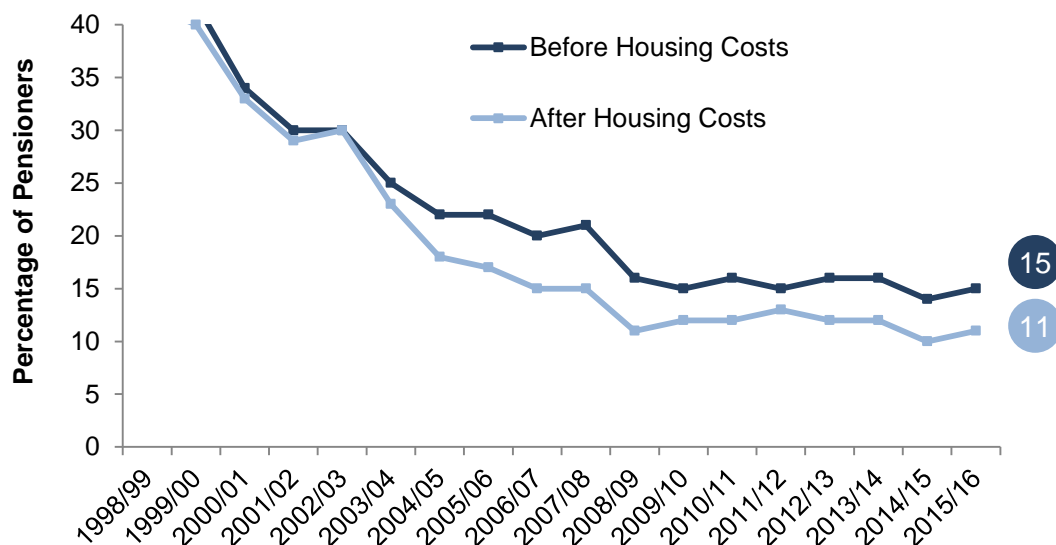
Notes:

1. Pensioner material deprivation is not solely based on affordability and so should not be compared directly with measures of income-related poverty.
2. Pensioner material deprivation is included for those aged 65 and over only and therefore is not the same population as relative and absolute poverty measures.

Pensioner relative poverty BHC decreased from around the turn of the century reaching 16 per cent in 2008/09. Since then it remained fairly stable with 16 per cent of pensioners in relative poverty BHC in 2015/16.

After Housing Costs have been taken into account, 13 per cent of pensioners in Scotland were in relative poverty. Relative pensioner poverty AHC decreased from 16 per cent in 2005/06 to 11 per cent in 2008/09. It has fluctuated around this level since and was 13 per cent in the latest year. Relative pensioner poverty AHC, having been higher than relative poverty BHC in 2002/03, decreased faster than relative pensioner poverty BHC.

Chart 4B - Absolute Poverty – Pensioners



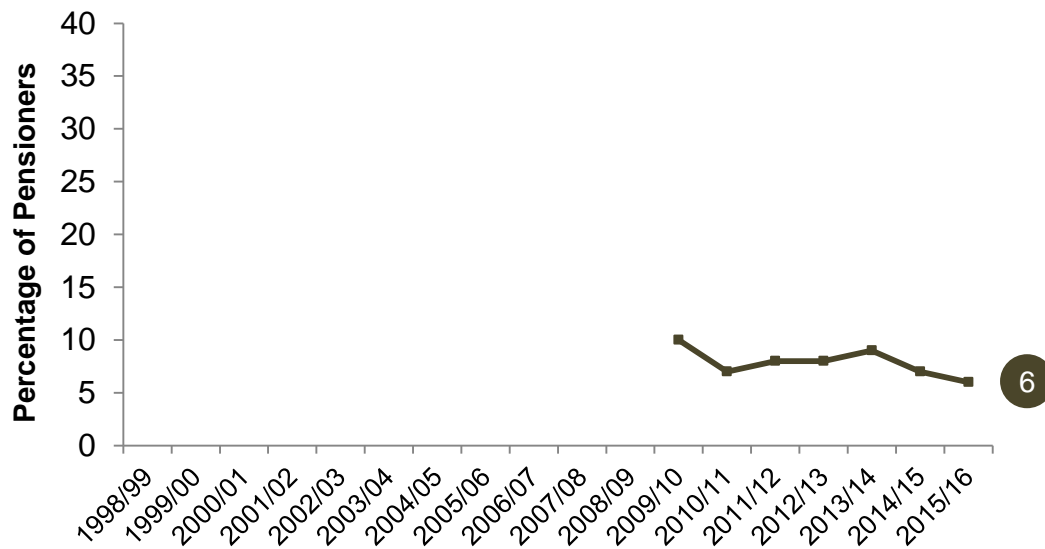
Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A2](#)).

Confidence intervals for absolute poverty can be found in [Confidence Intervals Surrounding Key Poverty Estimates](#).

Absolute pensioner poverty BHC has remained relatively stable since 2008/09 following a rapid reduction over the previous 10 years. In 2015/16, 15 per cent (150 thousand) of pensioners were living in absolute poverty BHC.

In 2015/16, 11 per cent of pensioners in Scotland were in **absolute poverty AHC**. Similar to BHC figures, pensioner poverty AHC has been broadly stable since 2008/09. In 2015/16, there were 120 thousand pensioners living in absolute poverty AHC in Scotland.

Chart 4C – Material Deprivation – Pensioners



Pensioner material deprivation is different to other measures of poverty, including the child material deprivation measure, in that it is not associated with an income threshold. It captures whether it is health or disability, or if nobody is available to help them, that prevents access to goods and services, rather than solely low income. More information can be found in the box below.

The figures show a fall in pensioner material deprivation over the last 2 years although more years of data will be required to determine whether this represents a sustained change in trend.

Commentary:

Households containing pensioners at the lower end of the income distribution generally received a larger proportion of their income from benefits and a smaller proportion from other sources. The Basic State Pension (BSP) increased by 2.5 per cent and Pension Credit Guarantee Credit increased by 1.9 per cent, larger than increases in other benefits and tax credits and above CPI inflation in 2015/16. Despite this the data suggests that pensioner incomes unexpectedly fell in 2015/16 meaning that both relative and absolute poverty rates increased slightly.

State pension age:

Pensioners are defined as all those adults above State Pension age. Prior to April 2010, women reached the state pension age at 60. Between April 2010 and March 2016 the state pension age for women increased to 63 and it will subsequently increase to 65 by November 2018. At this point the state pension age for men and women will be the same. The changes do not affect the state pension age for men, which remains at 65. Therefore, as with the previous five reports, the age groups covered by the pensioner poverty analysis has changed for the 2015/16 report. The impact is that more women will remain in the working age adult group, who in previous years would have been classified as pensioners.

The pensioner material deprivation statistics continue to be based on pensioners aged 65 and over.

Pensioner Material Deprivation Indicator:

Pensioner material deprivation is an additional way of measuring living standards for pensioners. It focuses on access to specific goods, services and experiences. It is used to explore a broader definition of pensioner poverty and captures both financial and non-financial reasons for being in material deprivation. Pensioner material deprivation captures whether it is health or disability, or if nobody is available to help them, that prevents access to goods and services, rather than solely low income.

This measure is based on a set of goods, services and experiences, judged using academic research to be the best discriminators of deprivation. Pensioners are asked if they have an item (or access to a service) and to give a reason if they do not have it. Their responses are then used to judge whether or not they are materially deprived. It is similar to the child material deprivation and low income combined indicator (which is presented in Charts 2C and 2D) but has some important differences:

- Differences in the set of items asked about, e.g. pensioners are not asked if they can afford school trips.
- Pensioners are presented with a greater variety of reasons for not having a particular item, whereas households with children are simply asked whether they can afford an item they do not have. Pensioners are able to say if they are prevented from having it due to ill health, disability or lack of support from other people. These additions reflect that deprivation can occur because of ill health, disability or social isolation, and not just for financial reasons.
- The pensioner “material deprivation” indicator is not combined with household income information to produce a combined indicator, as is done with the child deprivation indicator. This is because for pensioners, the concept of material deprivation is broad and very different from low income, so it is appropriate to present it as a separate measure.

For these reasons, pensioner material deprivation cannot be directly compared to the child material deprivation and low income measure.

More background on pensioner material deprivation is given in [Annex 2](#), and the following technical note on the DWP website gives further information, including the list of questions which are asked to pensioners:

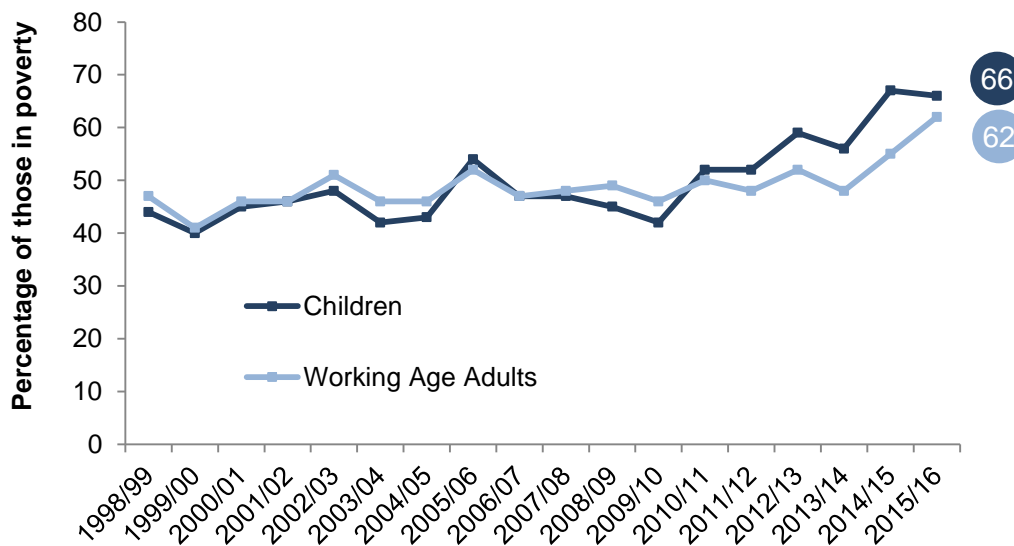
<https://www.gov.uk/government/publications/households-below-average-income-hbai-technical-note-on-pensioner-material-deprivation>.

1.5 In-work relative poverty

Key points:

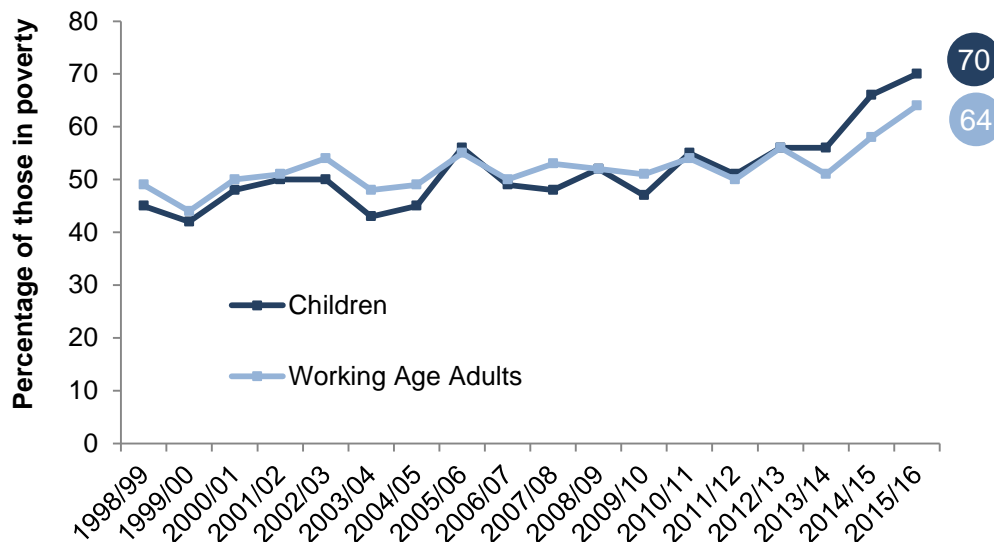
- In 2015/16, 62 per cent of working age adults in poverty BHC were living in working households, as were 66 per cent of children in poverty.
- In 2015/16, 64 per cent of working age adults in poverty AHC were living in working households, as were 70 per cent of children in poverty AHC.

Chart 5A – Percentage of children and working age adults in poverty BHC, living in a household with at least one adult in employment



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

Chart 5B – Percentage of children and working age adults in poverty AHC, living in a household with at least one adult in employment



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

Commentary:

In-work poverty BHC in Scotland has continued on its upward trend in 2015/16, with 62 per cent of working age adults in poverty BHC living in working households. In 2015/16, 320 thousand working age adults were in in-work poverty BHC.

In 2015/16, two thirds (66 per cent) of children living in poverty BHC were in working households.

In-work poverty AHC increased for working age adults and children. In 2015/16, child in-work poverty AHC increased to 70 per cent (from 66 per cent in 2014/15). Working age adult in-work poverty AHC increased to 64 per cent in 2015/16 (from 58 per cent in 2014/15).

Although the year-on-year changes may not be statistically significant, there does appear to have been a general upwards trend in in-work poverty over a number of years. In-work poverty has been increasing both before and after housing costs. With the exception of children in poverty BHC the rates have increased more quickly in the last 2 years and are at their highest levels since reporting began in 1994/95.

The increase in in-work poverty over the last few years reflects increases in the number of working households, and the decrease in the number of workless households in Scotland. However, increases in part-time employment, especially for women, combined with withdrawal of benefit income as earnings increase, mean that the majority of working age adults and children in poverty were in working households in 2015/16.

In-work poverty:

'In-work poverty' refers to those individuals living in households where at least one member of the household is working (either full or part-time) but where the household income is below the relative poverty threshold. This measure is calculated on income before housing costs and after housing costs. This group contains non-working household members such as children and non-working partners.

Chapter 2: Income Inequality and the distribution of income

Income inequality Measures

Just as there are a number of different measures of poverty, so there are multiple measures of income inequality. The Scottish Government focuses on two – the Palma Ratio, which is the measure underpinning the Solidarity Purpose Target; and the Gini Coefficient. These measure income inequality in slightly different ways.

2.1 Income inequality – the Palma ratio

Key points:

- The top 10 per cent of the population had 38 per cent more income in 2015/16 than the bottom 40 per cent combined. This compares to 15 per cent more income in 2014/15 indicating an increase in inequality.
- Income inequality increased quickly up to 2008/09 before decreasing again. Between 2010/11 and 2014/15 it remained largely unchanged but has increased sharply in 2015/16.

Caution should be used when comparing poverty rates between years.

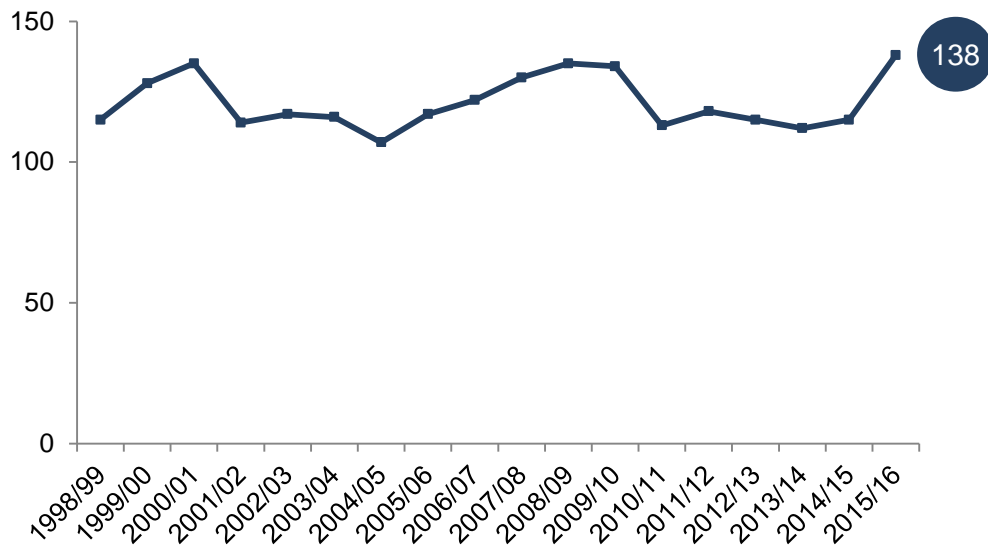
This section provides information that relates to the Scottish Government's Solidarity Purpose Target which is *"To increase overall income and reduce income inequality by 2017"*

More information can be found at the following link:

<http://www.gov.scot/About/Performance/scotPerforms/purpose/solidarity>

Chart 6 shows the ratio of total income received by the top ten per cent of the population divided by the total income of the bottom forty per cent of the population (expressed as a percentage) from 1998/99 to 2015/16. This measure of how equally income is distributed across the population is known as the "Palma ratio" or "S90/S40 ratio". Palma is used internationally to estimate the extent of inequality between those at the top of the income distribution and those at the bottom and is used in Scotland to monitor progress towards the Scottish Government's Solidarity Purpose Target.

Chart 6 – Palma measure of inequality



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A15](#)).

Commentary:

Income inequality in Scotland increased gradually up to 2008/09, before falling following the onset of the recession. In 2010/11, income for the top 10 per cent fell, resulting in a reduction in income inequality. It remained largely flat until 2014/15, but increased sharply in 2015/16. Once again further years' data will be required to determine whether this is the beginning of a longer term increase or due to annual variation. The increase was mainly due to large increases in incomes at the top of the distribution although incomes at the bottom also fell. It is now at its highest level since reporting began in 1998/99. The increases in income at the top of the distribution were driven by increases in employment earnings income.

2.2 Income inequality – the Gini coefficient

Key points:

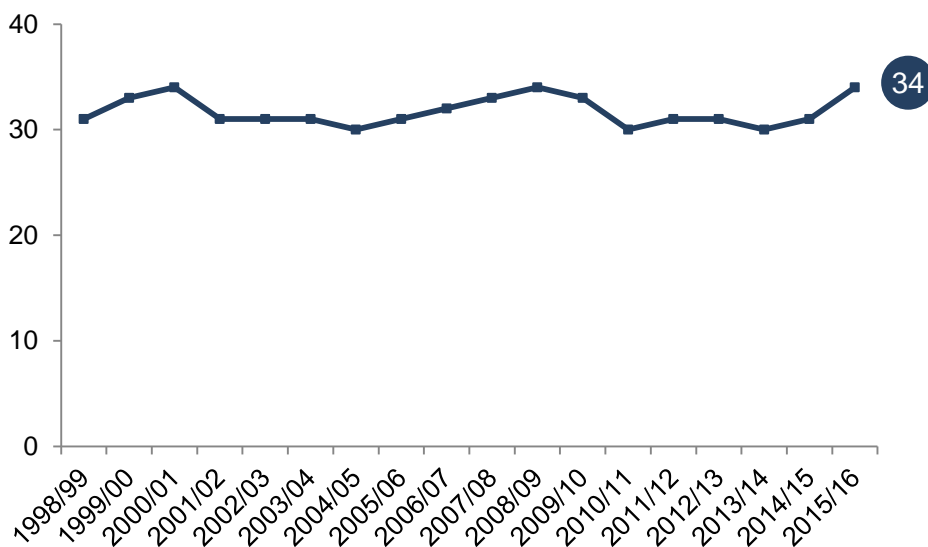
- The Gini coefficient, which measures the degree of inequality in household income, was 34 in 2015/16. This is an increase from 31 in 2014/15, due to increases in incomes at the top of the distribution and decreases at the bottom.

Caution should be used when comparing poverty rates between years.

The Gini coefficient is a measure of how equally income is distributed across the population. It takes a value between 0 and 100 with 0 representing perfect equality where every person has the same income. The larger the Gini coefficient, the more people towards the top of the income distribution have a greater share of overall income with a value of 100 representing the case where one individual has all the income. In practice, the proportion of overall income going to each individual increases gradually across the income distribution.

For Scotland, the Gini coefficient has been between 30 and 34 over the last decade. In 2015/16, the Gini coefficient for Scotland was 34, a three percentage point increase compared with 2014/15.

Chart 7 – Inequality of household income as measured by the Gini coefficient



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A14](#)).

The Gini coefficient shows a similar trend to the Palma ratio, with income inequality rising until the recession and then falling in 2010/11. This was largely driven by a fall in income to the top 10 per cent. Income inequality remained relatively stable until 2014/15. The increase in the latest year was largely driven by increases in the top ten per cent, due to earnings income increasing for this group.

2.3 Income thresholds

Key points:

- Median income in Scotland in 2015/16 was £24,400, equivalent to £468 per week. Median income in Scotland has decreased in 2015/16 by £600, equivalent to £11 per week.
- The poverty threshold BHC in 2015/16 was £15,000, equivalent to £288 per week. The poverty threshold BHC increased in 2015/16 by £200, equivalent to £4 per week.
- After housing costs, the poverty threshold in 2015/16 was £12,900, equivalent to £248 per week. The poverty threshold AHC also increased in 2015/16 by £300, equivalent to £5 per week.
- A couple with no children with a combined income of over £39,000 (after tax and benefits) would be in the highest income 20 per cent of the population. With an income over £47,500 they would be in the top 10 per cent.

Caution should be used when comparing poverty rates between years.

Most of the income figures in this publication are based on equivalised income. One consequence of the [equivalisation](#) process is that there are different poverty thresholds for households of different sizes and compositions. To help readers understand the figures in this publication, Table 1 below presents some commonly used income thresholds, before equivalisation, for households of different sizes.

The incomes presented elsewhere in this report use the value for “Couple with no children” as the standard, and all other household types are adjusted to reflect their different household composition.

Table 2 shows the same information after housing costs have been taken into account.

Table 1 - Income thresholds (£) for different household types before housing costs (income after tax and transfers) – 2015/16

	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)	322	16,800	481	25,100	577	30,100	735	38,300
Scottish median income (before housing costs)	313	16,300	468	24,400	561	29,300	716	37,300
60% of UK median income (before housing costs) - relative poverty threshold	193	10,100	288	15,000	346	18,000	441	23,000
60% of inflation adjusted 2010/11 UK median income (before housing costs) - absolute poverty threshold	186	9,700	278	14,500	333	17,400	425	22,100
Scottish 1st income decile	161	8,400	240	12,500	288	15,000	367	19,100
Scottish 2nd income decile	207	10,800	309	16,100	371	19,300	473	24,700
Scottish 3rd income decile	241	12,600	359	18,700	431	22,500	550	28,700
Scottish 4th income decile	275	14,400	411	21,400	493	25,700	628	32,800
Scottish 5th income decile	313	16,300	468	24,400	561	29,300	716	37,300
Scottish 6th income decile	365	19,000	545	28,400	654	34,100	833	43,500
Scottish 7th income decile	425	22,200	635	33,100	762	39,700	971	50,600
Scottish 8th income decile	501	26,100	748	39,000	897	46,800	1,144	59,600
Scottish 9th income decile	611	31,800	912	47,500	1,094	57,000	1,395	72,700

Source: HBAI dataset, DWP.

Note: to create ten decile groups only nine decile points are needed to split the population.

Table 2 - Income thresholds (£) for different household types after housing costs (income after tax and transfers) – 2015/16

	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 (after housing costs)	239	12,500	413	21,500	495	25,800	669	34,900
Scottish median income (after housing costs)	244	12,700	420	21,900	504	26,300	681	35,500
60% of UK median income (after housing costs) - relative poverty threshold	144	7,500	248	12,900	297	15,500	401	20,900
60% of inflation adjusted 2010/11 UK median income (after housing costs) - absolute poverty threshold	138	7,200	237	12,400	285	14,800	384	20,000
Scottish 1st income decile	101	5,300	174	9,100	209	10,900	282	14,700
Scottish 2nd income decile	144	7,500	249	13,000	298	15,500	403	21,000
Scottish 3rd income decile	178	9,300	308	16,000	369	19,300	499	26,000
Scottish 4th income decile	208	10,800	359	18,700	430	22,400	581	30,300
Scottish 5th income decile	244	12,700	420	21,900	504	26,300	681	35,500
Scottish 6th income decile	284	14,800	489	25,500	587	30,600	793	41,300
Scottish 7th income decile	334	17,400	575	30,000	690	36,000	932	48,600
Scottish 8th income decile	401	20,900	691	36,000	829	43,200	1,119	58,400
Scottish 9th income decile	495	25,800	853	44,500	1,023	53,400	1,381	72,000

Source: HBAI dataset, DWP.

Note: to create ten decile groups only nine decile points are needed to split the population.

Deciles / decile points:

Deciles (or decile points) are the income values which divide the Scottish population, when ranked by income, into ten equal-sized groups. Therefore nine decile points are needed in order to form the ten groups. Decile is also often used as a shorthand term for decile group; for example 'the bottom decile' is used to describe the bottom ten per cent of the income distribution.

Decile groups:

These are groups of the population defined by the decile points. The lowest decile group is the ten per cent of the population with the lowest incomes. The second decile group contains individuals with incomes above the lowest decile point but below the second decile point.

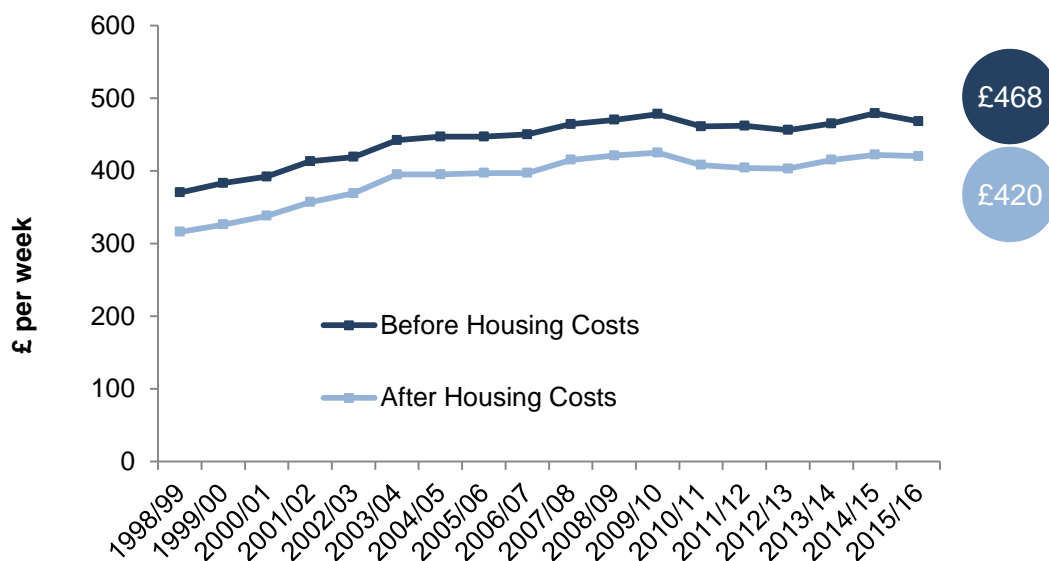
2.4 Trends in income distributions

Key points:

- Scottish median household income decreased in 2015/16 both before and after housing costs.
- Median household income for households with children in Scotland decreased in 2015/16, after an increase the year before and remains below the level seen in 2009/10.
- Median income for working age adults in Scotland remained steady (a £1 increase) in 2015/16.
- Median income for pensioners in Scotland decreased having reached its highest level since reporting began the previous year.
- In 2015/16, the bottom five deciles all saw decreases in income compared to the previous year. The largest decrease was in decile 5 where income fell by £11 per week (£574 per year).
- The largest increase was in decile 8 where weekly incomes increased by £26 per week (£1,341 per year).

Caution should be used when comparing poverty rates between years.

Chart 8A – Median weekly household income in Scotland (in 2015/16 prices)



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

Chart 8B – Median weekly household income BHC in Scotland for children, working age adults and pensioners (in 2015/16 prices)

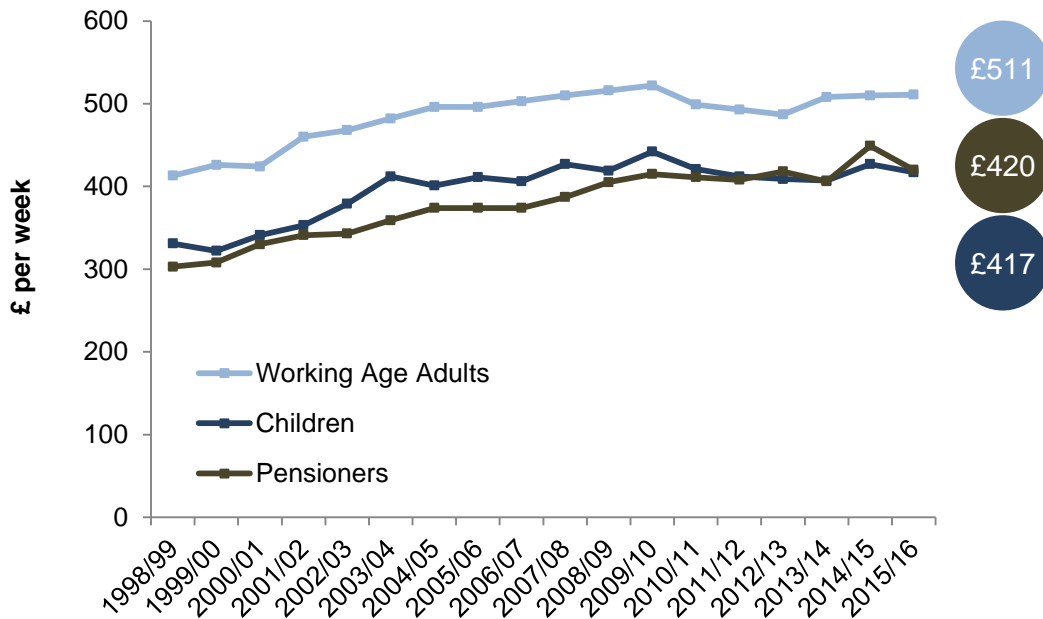
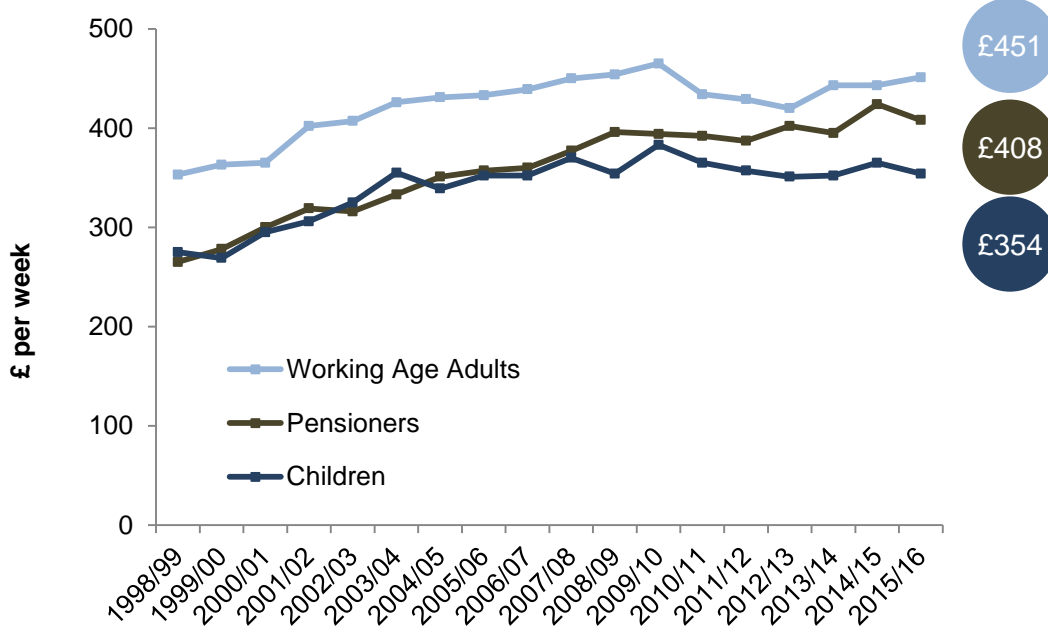


Chart 8C – Median weekly household income AHC in Scotland for children, working age adults and pensioners (in 2015/16 prices)



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

As for poverty rates reported in this publication, single year changes in household incomes may not be statistically significant.

In 2015/16, median household income was £468 per week (£24,400 per year), a decrease of £11 (£574 per year) compared with 2014/15. This decrease in median income follows two years of increases which had seen it return to the peak of 2009/10. Median income had been increasing for the 10 years to 2009/10, then decreased to 2012/13. All incomes are quoted in 2015/16 prices.

Median income after housing costs followed a similar trend to median income before housing costs and fell slightly in the latest year. It remains below the peak in 2009/10.

Commentary:

Chart 9 shows how the weekly equivalised incomes have changed from 2011/12 to 2015/16 across the different income decile points. Decile points are the incomes that separate out the 10 deciles, so 10 per cent of the population have household income below the 1st decile point and 90 per cent of the population have income below the 9th decile point. Charts 10 and 11 show the change in each decile point in the latest year, in percentage terms (Chart 10) and in pounds per week (Chart 11).

Chart 9 – Weekly household incomes for each decile point from 2011/12 to 2015/16

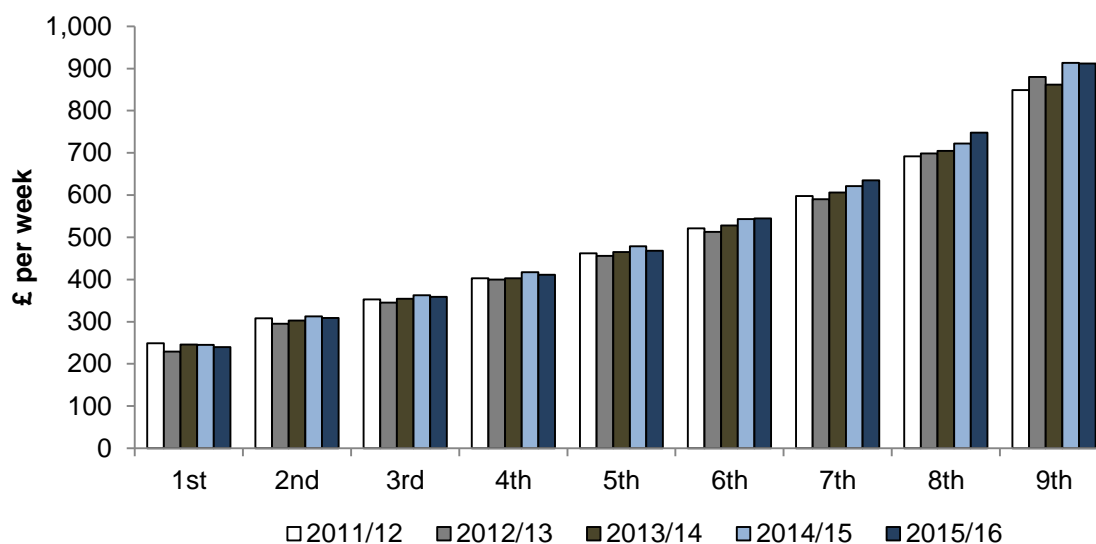


Chart 10 – Percentage change in each decile point between 2014/15 and 2015/16 (in real prices)

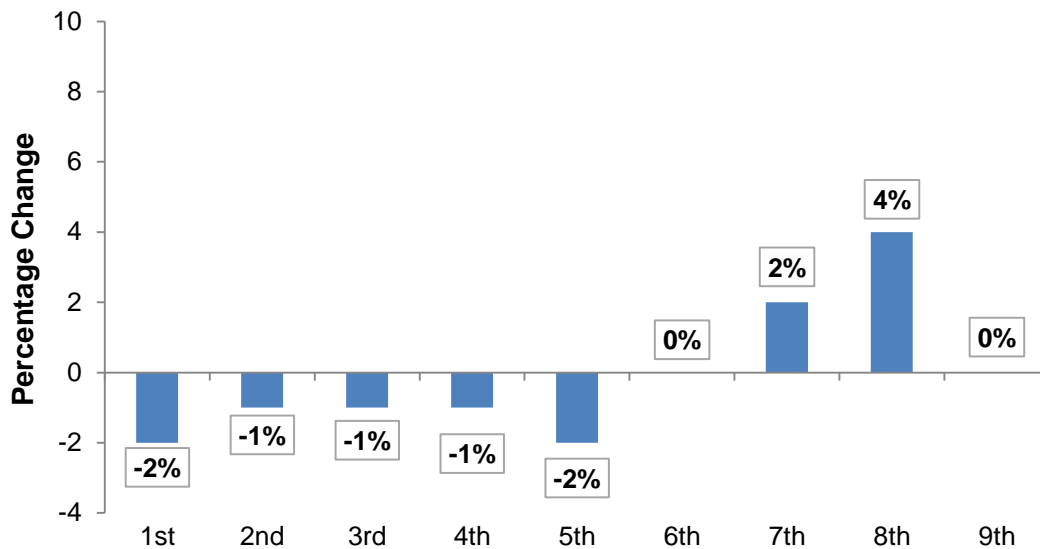
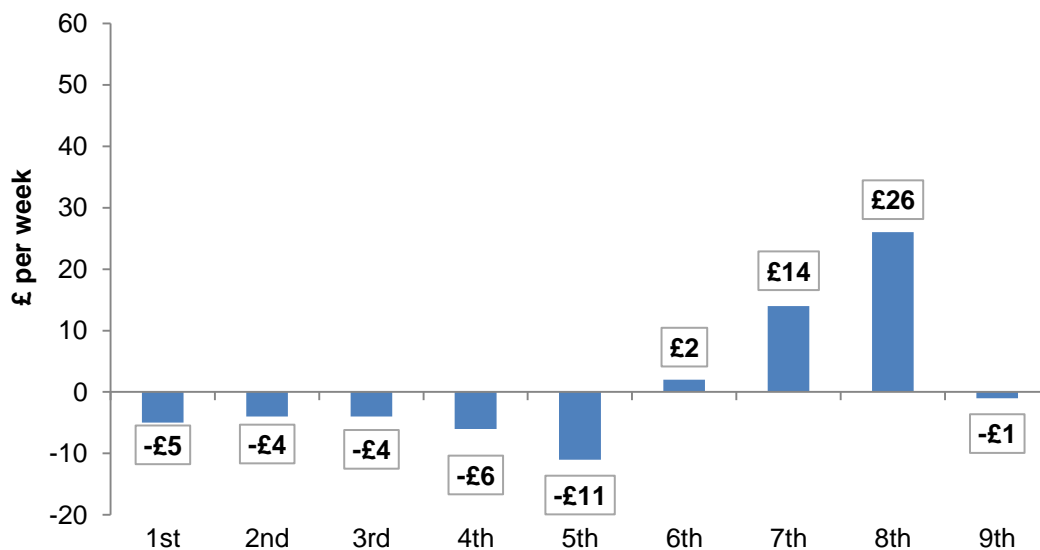


Chart 11 – Change in weekly income (£) by decile point between 2014/15 and 2015/16 (in real prices)

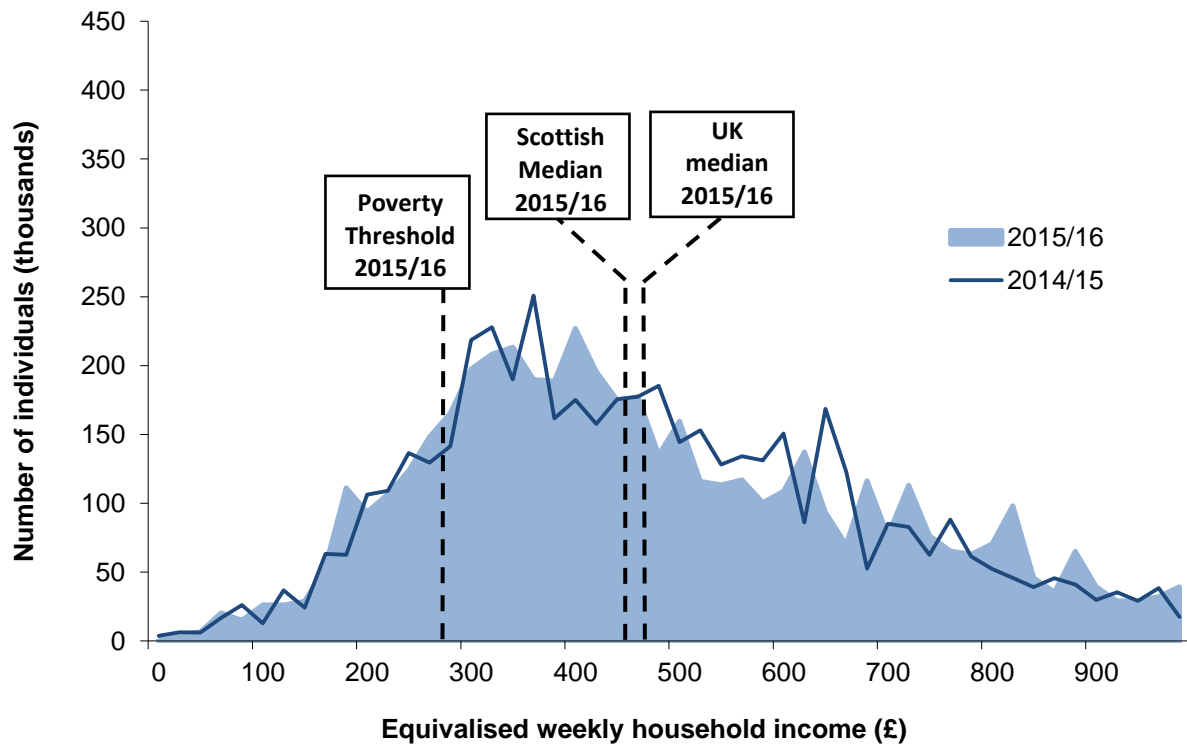


Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A10](#)).

In 2015/16, the bottom 5 deciles saw decreases compared to the previous year. This was mainly due to income from earnings decreasing for this group. Incomes increased for deciles 6, 7 and 8 but decreased slightly for decile 9. The largest decrease was for the 5th decile which fell by £11 per week whilst the largest increase was in the 8th decile which rose by £26 per week.

Chart 12 below shows the distribution of weekly income across Scotland in 2015/16. The shaded area shows the shape of the 2015/16 income distribution and the black dashed lines show the Scottish median income (£468), UK median income (£481) and the relative poverty threshold BHC (£288). The dark blue line superimposed shows the 2014/15 income distribution for comparison.

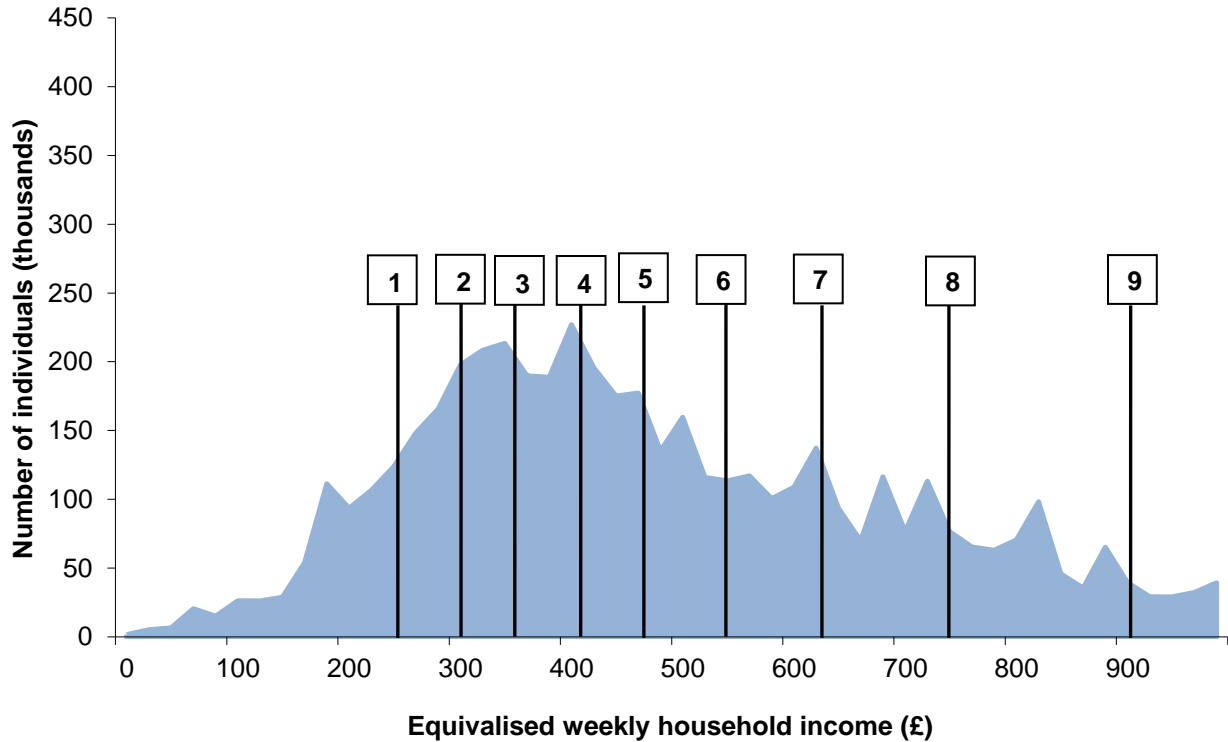
Chart 12 – Distribution of Scottish weekly household income with Scottish and UK median and relative poverty threshold BHC – 2015/16



Source: HBAI dataset, DWP.

Chart 13 shows the same distribution with income deciles for Scotland marked with black lines.

Chart 13 – Distribution of Scottish weekly household income with income decile points



Source: HBAI dataset, DWP.

The relative poverty threshold BHC is based on the UK median equivalised household income. Unlike in Scotland, UK median income increased in 2015/16 and so the poverty threshold also increased, by £4. This means that those on low incomes need a higher income in 2015/16 to be above the poverty threshold, reflecting the greater increases in income for middle income households across the UK compared with low income households.

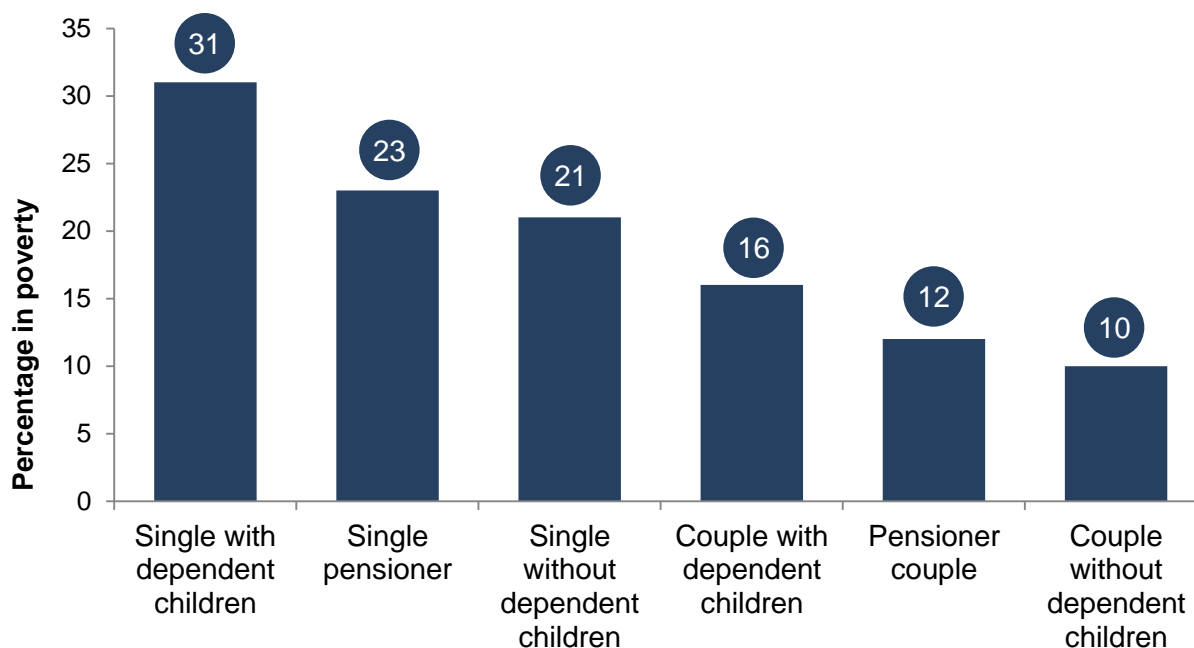
Chapter 3: Household characteristics and income distribution

3.1 Household composition

Key points:

- Lone parents were at greatest risk of poverty BHC and also saw the largest increase in relative poverty BHC, increasing by seven percentage points to 31 per cent. This is the second large increase in succession.
- The bottom decile saw an increase in the percentage of households with at least one adult in employment driven by increases in part-time employment. Deciles 2 to 6 saw decreases in the percentage of households with at least one adult in employment mainly driven by decreases in full-time employment.
- The percentage of households with either no adults in employment or one or more adults unemployed in the bottom decile continued to fall. This was accompanied by an increase in those in part-time employment.
- 51 per cent of those in the bottom decile are in households with no adults in employment, a decrease of six percentage points on the previous year. This reflects the move into employment and the decrease in the number of workless households.
- Families with someone in employment make up 52 per cent of those in the bottom three deciles, an increase of one percentage point on the previous year.

Chart 14 – Risk of poverty BHC by household type – 2015/16



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A11](#)).

Commentary:

As in 2014/15 lone parents were most at risk of being in relative poverty BHC with almost one third of those in lone parent households being in poverty. This group also saw the largest increase in relative poverty BHC, increasing by 7 percentage points from 24 per cent in 2014/15. This is the second consecutive year in which there has been a large increase in the risk of poverty for lone parents and follows a large decrease in 2013/14.

Looking across the income deciles almost three fifths (58 per cent) of lone parent households are in the bottom 3 income deciles whilst only 7 per cent are in the top 3 deciles.

Single pensioners were also prevalent towards the lower end of the income distribution with 45 per cent of all single pensioners found in the bottom 3 income deciles. Relative poverty BHC for single pensioners remained steady at 23 per cent and this group remained at the second highest risk of poverty, albeit well below the level for lone parents.

Couple households were at lower risk of poverty compared to households headed by single adults. Couple households may be more able to increase household income than single person households, as there is the potential for both adults to earn income from employment.

Sixteen per cent of people in couple households with children were in poverty. These households are fairly evenly distributed across the income deciles.

Couple households without children were the most likely to be at the top end of the income distribution and only 10 per cent of people in this group were in poverty BHC.

Couple households without children may be able to work more hours and have greater flexibility in the labour market than those with children. In addition any income they have need not be shared with direct dependants. Households without children are also able to move out of the welfare system more quickly than those with children, at which point any increases in earnings do not trigger decreases in benefit income.

3.2 Household economic status

Chart 15 shows the risk of relative poverty BHC by household economic status while chart 16 shows the employment characteristics of households in each decile. In chart 16 each bar represents the percentage of people in that decile living in each of the following households types: at least one adult in full-time employment, part-time employment only, no adults in employment (whether due to unemployment, not actively seeking employment, or retirement).

Chart 15 – Risk of poverty BHC by economic status of household - 2015/16

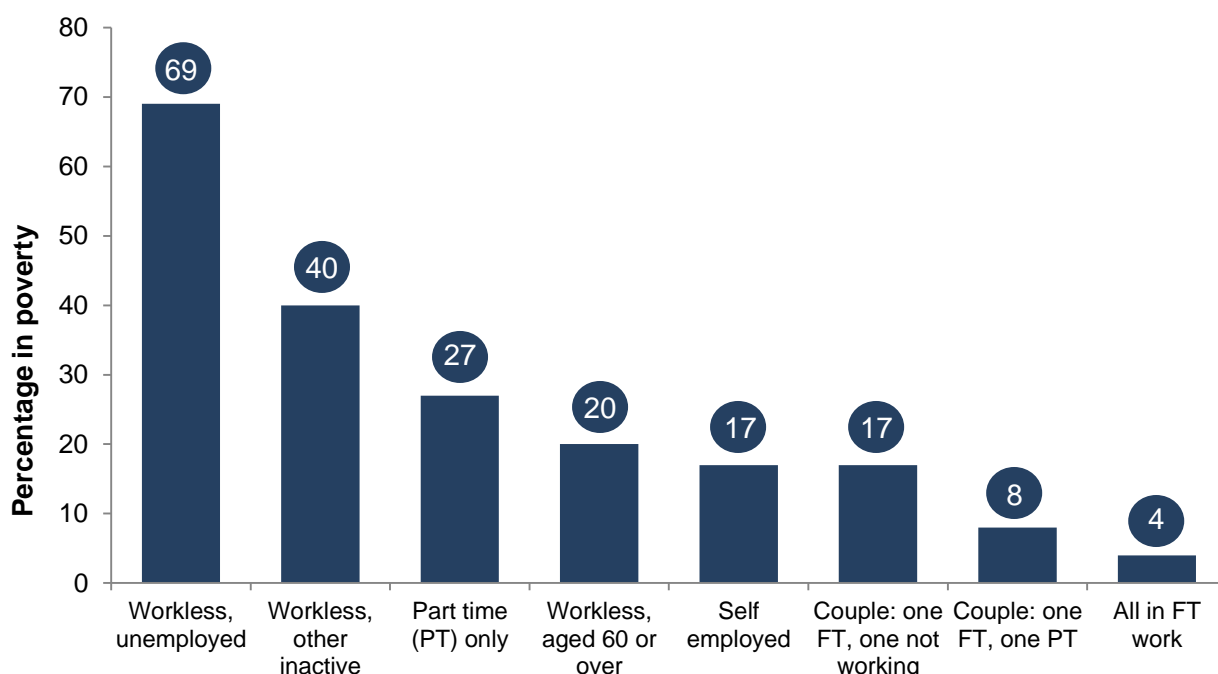
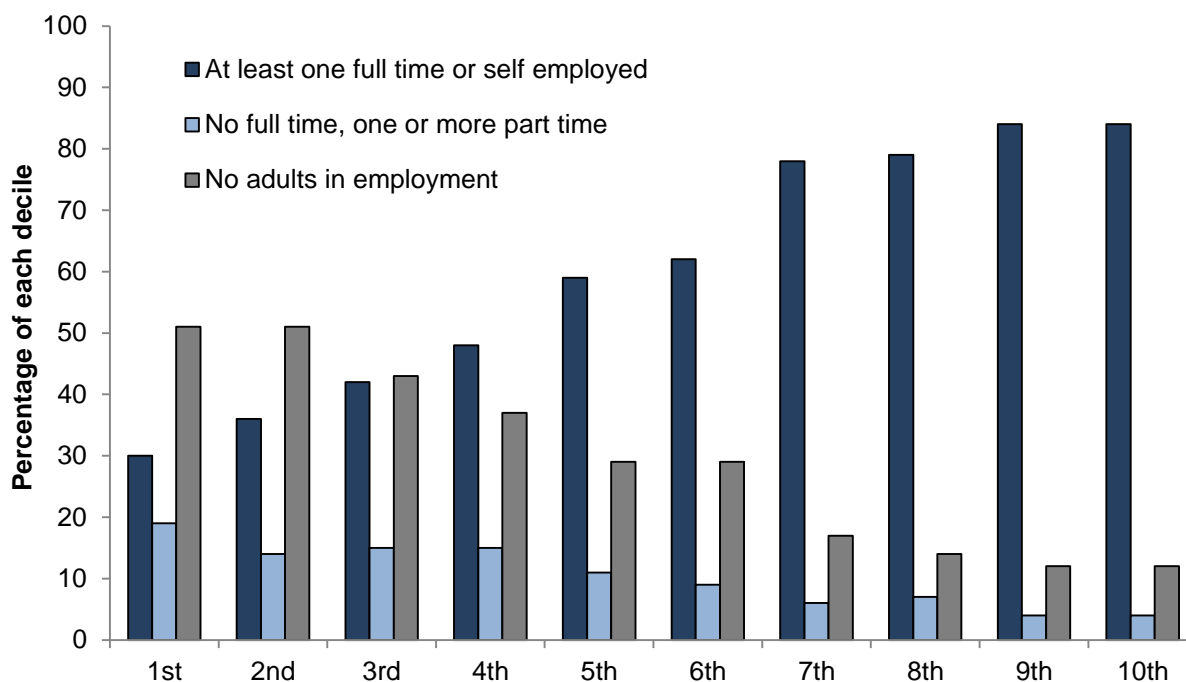


Chart 16 – Economic status of household, composition of each decile in 2015/16



Source: HBAI dataset, DWP. These figures are also presented in [Annex 1](#) (Table [A13](#)).

Commentary:

Poverty rates are highest amongst unemployed or otherwise inactive households. Sixty-nine per cent of those living in an unemployed household and 40 per cent of those in otherwise inactive households were in relative poverty BHC in 2015/16.

Households where no-one is working either through unemployment, retirement or economic inactivity (those who are neither in work, nor looking for work) were more common towards the bottom of the income distribution. Fifty-one per cent of those in the bottom decile were in households with no adults in employment, a decrease of six percentage points on the previous year.

While poverty rates are lower for households in employment, employment is not always a protection against poverty, especially for households with part-time workers or in which one adult works and one does not.

In 2015/16, 62 per cent of working age adults in relative poverty BHC were living in working households. The rate was higher for children, with 66 per cent of children in poverty living in a household with at least one adult in employment.

Having an adult in the household in full-time employment (including those who are self-employed) greatly reduces the risk of poverty. In 2015/16, only 9 per cent of people living in a household with at least one adult in full-time employment were in relative poverty BHC, similar to the proportion in 2014/15. Relative poverty AHC for households with an adult in full-time employment increased to 12 per cent, but still represents a lower risk of poverty for those in full-time employment.

People in households where at least one adult is working full-time (including those who are self-employed) made up 82 per cent of those in the top three deciles. However, households where at least one adult is working full-time still made up 36 per cent of those in the bottom three deciles.

Annexes

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Annex 1: Tables

Table A1: Relative poverty (below 60% of UK median income in the same year) in Scottish households: 1994/95 to 2015/16

	All individuals				Children				Working Age Adults				Pensioners			
	Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs		Before Housing Costs		After Housing Costs	
	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s
1994/95	21	1,040	23	1,140	28	310	30	330	17	510	18	560	26	220	29	250
1995/96	20	980	23	1,150	27	300	32	350	14	440	18	540	28	240	30	260
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	990	23	1,130	28	300	31	330	15	460	19	570	26	230	27	230
1999/00	21	1,050	24	1,190	28	300	32	350	17	510	20	600	27	240	28	250
2000/01	21	1,040	25	1,220	27	280	32	340	18	540	22	650	24	220	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	22	1,110	24	250	27	280	18	530	20	610	23	210	25	230
2003/04	18	910	20	1,010	23	230	26	270	16	480	18	560	22	200	20	180
2004/05	17	860	19	960	21	210	25	250	15	460	18	560	20	190	16	150
2005/06	17	870	19	980	21	210	24	240	15	480	19	590	19	180	16	150
2006/07	17	840	19	940	21	210	25	250	14	440	18	550	19	180	15	140
2007/08	17	860	19	950	19	190	24	240	15	460	18	570	21	210	15	150
2008/09	17	860	19	960	21	210	25	250	16	490	19	600	16	160	11	110
2009/10	17	870	19	970	20	200	25	250	16	510	19	600	16	160	12	120
2010/11	15	770	17	900	17	170	21	210	14	440	18	560	16	160	12	120
2011/12	13	700	16	860	15	150	19	190	13	410	17	550	14	140	12	120
2012/13	16	820	19	1,000	19	180	22	220	15	480	21	660	15	150	11	120
2013/14	14	730	18	940	14	140	22	220	13	430	19	600	15	160	12	120
2014/15	15	800	18	940	17	160	22	220	15	470	19	600	15	160	12	120
2015/16	17	880	20	1,050	19	190	26	260	16	520	20	650	16	170	13	140

Source: HBAI dataset, DWP.

Table A2: Absolute poverty (below 60 per cent of inflation adjusted 2010/11 UK median income) in Scottish households: 1994/95 to 2015/16

	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	37	1,830	39	1,930	44	490	48	530	29	870	31	940	55	480	54	470
1995/96	38	1,900	40	1,990	49	540	51	570	29	890	31	960	55	470	54	470
1996/97	36	1,790	39	1,930	46	500	50	540	27	820	31	930	53	460	52	450
1997/98	33	1,630	35	1,730	43	470	47	510	25	760	28	840	46	400	44	380
1998/99	31	1,560	33	1,630	40	430	41	440	25	750	27	820	43	380	42	370
1999/00	31	1,520	32	1,600	39	410	41	440	24	740	27	800	42	370	40	350
2000/01	28	1,380	30	1,470	35	370	37	390	23	700	26	780	34	300	33	290
2001/02	25	1,250	26	1,290	35	370	36	380	20	610	22	650	30	270	29	260
2002/03	23	1,140	25	1,230	28	290	30	310	19	590	22	660	30	270	30	270
2003/04	20	1,000	22	1,080	25	260	27	280	17	520	19	580	25	230	23	220
2004/05	19	930	20	1,000	23	230	26	260	16	500	19	570	22	200	18	170
2005/06	19	940	20	1,020	23	230	25	250	17	510	20	610	22	200	17	160
2006/07	17	860	19	930	22	220	25	250	15	450	18	550	20	190	15	140
2007/08	17	860	18	930	19	190	23	230	15	460	18	550	21	210	15	140
2008/09	17	840	19	950	21	210	25	250	15	480	19	590	16	150	11	110
2009/10	16	840	18	940	19	190	24	240	16	490	19	590	15	150	12	120
2010/11	15	770	17	900	17	170	21	210	14	440	18	560	16	160	12	120
2011/12	15	760	17	890	16	160	20	200	14	440	18	560	15	160	13	130
2012/13	16	850	20	1,050	19	190	24	230	16	500	21	680	16	160	12	130
2013/14	14	750	18	960	14	140	23	230	14	450	19	610	16	160	12	130
2014/15	14	760	17	890	16	150	21	200	14	460	18	580	14	140	10	110
2015/16	15	780	18	960	16	160	24	230	15	470	19	610	15	150	11	120

Source: HBAI dataset, DWP.

Table A3: Children in combined material deprivation and low income BHC (below 70 per cent of UK median income in the same year) in Scottish households: 2004/05 to 2015/16

	%	000s		%	000s
2004/05	17	170	2004/05	-	-
2005/06	13	130	2005/06	-	-
2006/07	15	150	2006/07	-	-
2007/08	16	160	2007/08	-	-
2008/09	16	160	2008/09	-	-
2009/10	15	150	2009/10	-	-
2010/11	13	130	2010/11	12	120
2011/12	-	-	2011/12	9	90
2012/13	-	-	2012/13	11	110
2013/14	-	-	2013/14	13	130
2014/15	-	-	2014/15	10	100
2015/16	-	-	2015/16	10	100

Source: HBAI dataset, DWP.

Table A4: Children in combined material deprivation and low income AHC (below 70 per cent of UK median income in the same year) in Scottish households: 2004/05 to 2015/16

	%	000s		%	000s
2004/05	18	180	2004/05	-	-
2005/06	13	130	2005/06	-	-
2006/07	16	160	2006/07	-	-
2007/08	16	160	2007/08	-	-
2008/09	16	160	2008/09	-	-
2009/10	16	160	2009/10	-	-
2010/11	15	150	2010/11	13	130
2011/12	-	-	2011/12	10	100
2012/13	-	-	2012/13	12	120
2013/14	-	-	2013/14	14	140
2014/15	-	-	2014/15	12	120
2015/16	-	-	2015/16	12	110

Source: HBAI dataset, DWP.

Table A5: Pensioners over 65 in material deprivation in Scotland: 2009/10 to 2015/16

	%	000s
2009/10	10	80
2010/11	7	60
2011/12	8	70
2012/13	8	70
2013/14	9	80
2014/15	7	60
2015/16	6	60

Source: HBAI dataset, DWP.

Table A6: In-work poverty (relative poverty BHC) in Scotland: 1998/99 to 2015/16
 Percentage of individuals in poverty in households with at least one adult in employment

	All people In in-work poverty		Children In in-work poverty		Working Age Adults In in-work poverty	
	000s	%	000s	%	000s	%
1998/99	360	37	130	44	210	47
1999/00	350	33	120	40	210	41
2000/01	390	37	130	45	250	46
2001/02	370	38	130	46	230	46
2002/03	410	41	120	48	270	51
2003/04	330	36	100	42	220	46
2004/05	310	36	90	43	210	46
2005/06	370	43	110	54	250	52
2006/07	320	38	100	47	210	47
2007/08	340	39	90	47	220	48
2008/09	350	40	90	45	240	49
2009/10	330	38	80	42	230	46
2010/11	320	42	90	52	220	50
2011/12	290	41	80	52	200	48
2012/13	370	45	110	59	250	52
2013/14	290	40	80	56	210	48
2014/15	380	48	110	67	260	55
2015/16	460	52	120	66	320	62

Source: HBAI dataset, DWP.

Table A7: In-work poverty (relative poverty AHC) in Scotland: 1998/99 to 2015/16

Percentage of individuals in poverty in households with at least one adult in employment

	All People In in-work poverty		Children In in-work poverty		Working Age Adults In in-work poverty	
	000s	%	000s	%	000s	%
1998/99	440	39	150	45	280	49
1999/00	430	36	150	42	260	44
2000/01	500	41	160	48	330	50
2001/02	460	42	160	50	290	51
2002/03	480	43	140	50	330	54
2003/04	400	39	120	43	270	48
2004/05	400	41	110	45	280	49
2005/06	470	48	130	56	320	55
2006/07	400	43	120	49	270	50
2007/08	430	45	110	48	300	53
2008/09	450	47	130	52	310	52
2009/10	430	45	120	47	310	51
2010/11	430	48	110	55	300	54
2011/12	380	44	100	51	270	50
2012/13	510	51	130	56	370	56
2013/14	430	46	120	56	300	51
2014/15	500	53	140	66	350	58
2015/16	610	58	180	70	420	64

Source: HBAI dataset, DWP.

Table A8: Median equivalised weekly household income in Scotland: 1994/95 to 2015/16 (2015/16 prices)

	Before Housing Costs	After Housing Costs
1994/95	338	286
1995/96	338	281
1996/97	351	293
1997/98	366	309
1998/99	370	316
1999/00	383	326
2000/01	392	338
2001/02	413	357
2002/03	419	369
2003/04	442	395
2004/05	447	395
2005/06	447	397
2006/07	450	397
2007/08	464	415
2008/09	470	421
2009/10	478	425
2010/11	461	408
2011/12	462	404
2012/13	456	403
2013/14	465	415
2014/15	479	422
2015/16	468	420

Source: HBAI dataset, DWP.

Table A9: Median equivalised weekly household income in Scotland: 1994/95 to 2015/16 (2015/16 prices)

Children, working age adults and pensioners

	Children		Working Age Adults		Pensioners	
	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs	Before Housing Costs	After Housing Costs
1994/95	302	247	390	325	256	223
1995/96	289	232	382	315	262	223
1996/97	296	238	403	337	262	229
1997/98	309	248	413	345	290	262
1998/99	331	275	413	353	303	265
1999/00	322	269	426	363	308	278
2000/01	341	295	424	365	330	300
2001/02	353	306	460	402	341	319
2002/03	379	325	468	407	343	316
2003/04	412	355	482	426	359	333
2004/05	401	339	496	431	374	351
2005/06	411	352	496	433	374	357
2006/07	406	352	503	439	374	360
2007/08	427	370	510	450	387	377
2008/09	419	354	516	454	405	396
2009/10	442	383	522	465	415	394
2010/11	421	365	499	434	411	392
2011/12	412	357	493	429	408	387
2012/13	409	351	487	420	418	402
2013/14	407	352	508	443	406	395
2014/15	427	365	510	443	449	424
2015/16	417	354	511	451	420	408

Source: HBAI dataset, DWP.

Table A10: Equivalised weekly household income (BHC) in Scotland: 1994/95 to 2015/16 (2015/16 prices)

	Scottish 1st income decile	Scottish 2nd income decile	Scottish 3rd income decile	Scottish 4th income decile	Scottish 5th income decile	Scottish 6th income decile	Scottish 7th income decile	Scottish 8th income decile	Scottish 9th income decile
1994/95	168	203	244	292	338	395	448	538	654
1995/96	175	208	245	293	338	386	452	530	663
1996/97	175	210	251	296	351	405	463	550	676
1997/98	180	221	264	311	366	417	485	572	718
1998/99	185	227	271	321	370	423	499	581	736
1999/00	191	231	276	324	383	440	509	610	762
2000/01	200	240	286	336	392	443	513	612	768
2001/02	214	259	308	358	413	473	541	634	835
2002/03	208	262	311	364	419	479	550	640	802
2003/04	222	276	335	391	442	501	570	669	813
2004/05	228	286	336	386	447	508	583	685	830
2005/06	226	285	338	393	447	509	583	691	856
2006/07	236	291	341	398	450	518	594	701	873
2007/08	232	297	349	403	464	531	608	725	912
2008/09	233	299	353	406	470	544	621	731	921
2009/10	240	302	359	422	478	544	627	725	924
2010/11	248	307	359	409	461	526	601	702	872
2011/12	249	308	353	403	462	521	598	692	849
2012/13	229	295	345	400	456	513	590	699	880
2013/14	246	303	354	403	465	528	606	705	862
2014/15	245	313	363	417	479	543	621	722	913
2015/16	240	309	359	411	468	545	635	748	912

Source: HBAI dataset, DWP.

Table A11: Household type by equivalised income decile in Scotland: 2015/16

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	7	50	10	160	30	60	11	70	13	150	29
2	80	15	70	14	140	26	90	17	50	10	100	18
3	80	16	70	13	170	33	70	14	60	11	70	13
4	90	17	50	10	200	38	40	7	60	12	80	16
5	80	16	50	9	170	32	60	11	50	9	120	22
6	80	15	40	8	160	30	30	5	110	21	110	20
7	60	12	40	7	150	28	20	3	180	33	90	17
8	60	12	20	4	190	36	10	2	140	28	100	19
9	50	10	20	4	140	27	0	1	200	39	100	20
10	70	14	10	2	170	33	10	2	190	36	70	13
Total	700	13	430	8	1,640	31	390	7	1,120	21	990	19

Source: HBAI dataset, DWP.

Table A12: Economic status of households by equivalised income decile in Scotland: 2015/16

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		No adult in employment, head or spouse aged 60 or over		No adult in employment, head or spouse unemployed		No adult in employment, other inactive	
	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%	000s	%
1	70	14	30	5	10	3	40	8	100	19	110	21	50	10	100	20
2	20	3	60	11	50	9	70	12	70	14	150	28	20	4	100	19
3	20	4	70	13	50	10	80	15	80	15	140	27	10	2	70	13
4	70	13	90	16	60	12	40	7	80	15	140	26	0	0	60	11
5	50	9	160	30	70	13	40	7	60	11	120	23	0	0	30	6
6	30	6	170	33	70	13	50	10	40	9	110	21	10	1	40	7
7	40	8	220	41	100	19	50	9	30	6	80	14	0	0	10	2
8	40	8	260	50	80	15	30	6	40	7	60	12	0	0	10	2
9	30	7	280	54	80	16	40	7	20	4	50	9	0	1	10	3
10	80	15	220	41	110	20	40	8	20	4	50	9	0	0	20	3
Total	460	9	1,560	30	680	13	470	9	540	10	1,000	19	100	2	460	9

Source: HBAI dataset, DWP.

Table A13: Full-time, part-time and not in employment by equivalised income decile in Scotland: 1994/95 to 2015/16

	At least one full time or self employed		No full time, one or more part time		No adults in employment	
	000s	%	000s	%	000s	%
1st	160	30	100	19	270	51
2nd	190	36	70	14	270	51
3rd	220	42	80	15	220	43
4th	250	48	80	15	200	37
5th	310	59	60	11	150	29
6th	330	62	40	9	150	29
7th	410	78	30	6	90	17
8th	410	79	40	7	80	14
9th	440	84	20	4	60	12
10th	440	84	20	4	60	12
Total	3,170	60	540	10	1,560	30

Source: HBAI dataset, DWP.

Table A14: Palma ratio for Scotland: 1994/95 to 2015/16

1994/95	114
1995/96	111
1996/97	111
1997/98	120
1998/99	115
1999/00	128
2000/01	135
2001/02	114
2002/03	117
2003/04	116
2004/05	107
2005/06	117
2006/07	122
2007/08	130
2008/09	135
2009/10	134
2010/11	113
2011/12	118
2012/13	115
2013/14	112
2014/15	115
2015/16	138

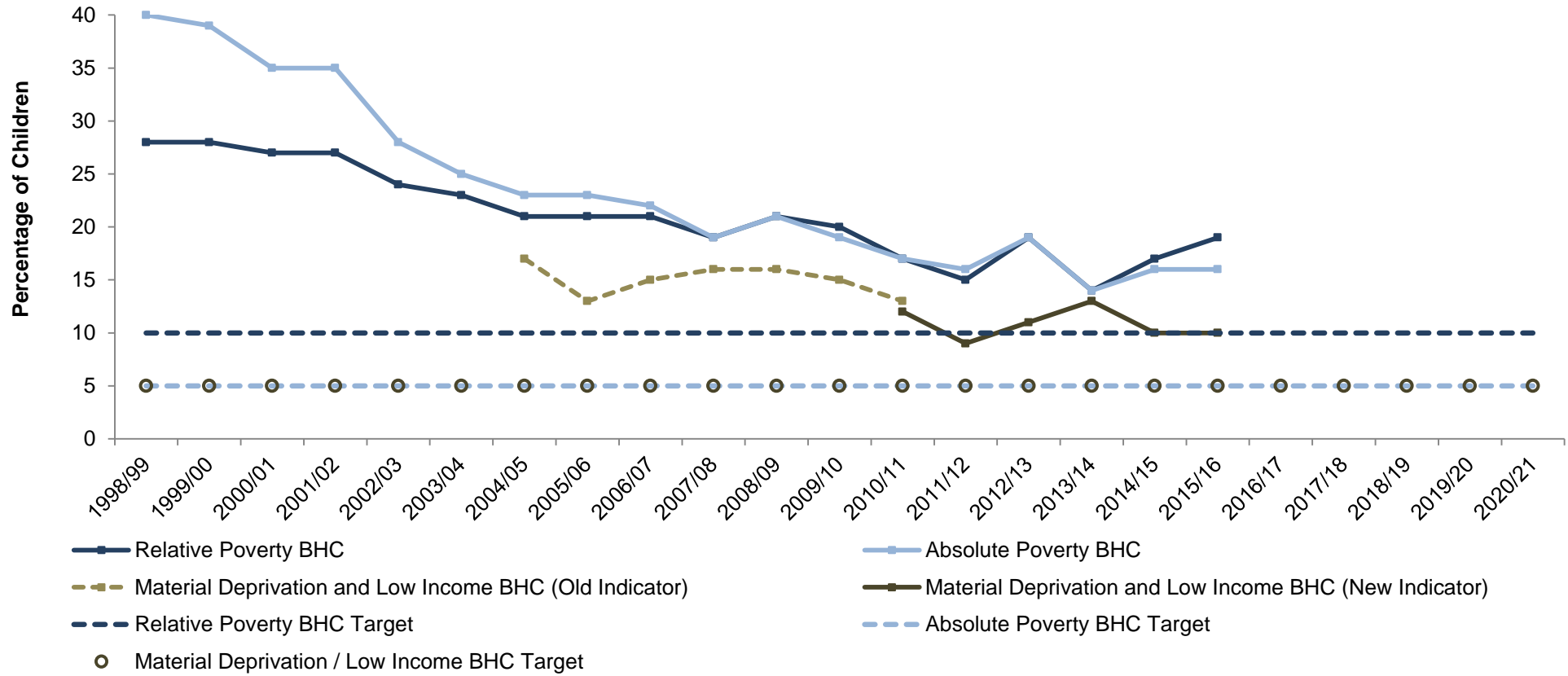
Source: HBAI dataset, DWP.

Table A15: Gini coefficient for Scotland: 1994/95 to 2015/16

1994/95	31
1995/96	30
1996/97	30
1997/98	32
1998/99	31
1999/00	33
2000/01	34
2001/02	31
2002/03	31
2003/04	31
2004/05	30
2005/06	31
2006/07	32
2007/08	33
2008/09	34
2009/10	33
2010/11	30
2011/12	31
2012/13	31
2013/14	30
2014/15	31
2015/16	34

Source: HBAI dataset, DWP.

Chart A1 – Summary of measures previously included within the Child Poverty Act 2010



Source: HBAI dataset, DWP.

Notes:

1. The Welfare Reform and Work Act 2016 repealed the four targets included in the Child Poverty Act 2010. This publication updates three of the four measures used to monitor progress and so these are summarised in this chart for reference.
2. Changes in the material deprivation questions in 2010/11 created a break in the series. Data for 2010/11 onwards is not directly comparable with that prior to 2010/11. Further information is available in [Annex 2](#).

Annex 2: Data Sources and Definitions

Data sources

Family Resources Survey, Households Below Average Income (HBAI) dataset:

All the figures in this publication come from the Department for Work and Pensions' (DWP) Households Below Average Income dataset which is produced from the Family Resources Survey. UK figures are published by DWP in 'Households Below Average Income: 2015/16' on the same day as 'Poverty and Income Inequality in Scotland: 2015/16'. For the UK figures, as well as more detail about the way these figures are collected and calculated, see the DWP website:

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

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.gov.scot/Topics/Statistics/Browse/Social-Welfare/>

Persistent poverty figures

New figures on persistent poverty were published on 16 March 2017 and can be found on our website: <http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PersistentPoverty>

Persistent poverty identifies the number of individuals living in relative poverty for 3 or more of the last 4 years. It therefore identifies people who have been living in poverty for a significant period of time, the rationale being that this is more damaging than brief periods spent with a low income, with the impacts affecting an individual through their lifetime.

These figures come from the Understanding Society survey which tracks individuals over time. The persistent poverty figures are not directly comparable to the figures in this publication as they use different income definitions and cover different time periods but they provide useful additional information on poverty in Scotland.

What does the HBAI measure?

Households Below Average Income (HBAI) uses household disposable incomes, adjusted for the household size and composition, as a proxy for material living standards. More precisely, it is a proxy for the level of consumption of goods and services that people could attain given the disposable income of the household in which they live.

The unit of analysis is the individual, so the populations and percentages in the tables are numbers and percentages of individuals – both adults and children.

The living standards of an individual depend not only on his or her own income, but also on the income of others in the household. Consequently, the analyses are based on **total household income**: the equivalised income of a household is taken to represent the income level of every individual in the household. Equivalisation, a technique that allows comparison of incomes between households of different sizes and compositions, is explained below. Thus, all members of any one household will appear at the same point in the income distribution.

Housing Costs

It could be argued that the costs of housing faced by different households at a given time do not always match the true value of the housing that they actually enjoy, and that housing costs should therefore be deducted from any definition of disposable income. However, any measure of income defined in this way would understate the relative standard of living of those individuals who were actually benefiting from a better quality of housing by paying more for better accommodation. Income growth over time would also understate improvements in living standards where higher costs reflected improvements in the quality of housing.

Conversely, any income measure which does not deduct housing costs may overstate the living standards of individuals whose housing costs are high relative to the quality of their accommodation. Growth over time in income before housing costs could also overstate improvements in living standards for low income groups in receipt of housing benefit, and whose rents have risen in real terms. This is because housing benefit will also rise to offset the higher rents (for a given quality of accommodation) and would be counted as an income rise, although there would be no associated increase in the standard of living. A similar effect could work in the opposite direction for pensioners: if a shift from renting to owning their housing outright leads to a fall in housing benefit income, because fewer low income pensioners are paying rents, then changes in income before housing costs may understate any improvement in living standards.

Therefore, this publication presents analyses on two bases: **Before Housing Costs (BHC)** and **After Housing Costs (AHC)**. This is principally to take into account variations in housing costs that themselves do not correspond to comparable variations in the quality of housing.

Definitions

Measures of income

The income measure used in HBAI is weekly net (disposable) equivalised household income. This comprises total income from all sources of all household members including dependants.

Income is adjusted for household size and composition by means of equivalence scales, which reflect the extent to which households of different size and composition require a different level of income to achieve the same standard of living. This adjusted income is referred to as equivalised income (see definition below for more information on [equivalisation](#)).

- **Income Before Housing Costs BHC** includes the following main components: net earnings; profit or loss from self-employment after income tax and NI; all social security benefits, including housing and council tax benefits; all tax credits, including Social Fund grants; occupational and private pension income; investment income; maintenance payments; top-up loans and parental contributions for students, educational grants and payments; the cash value of certain forms of income in kind such as free school meals, free welfare milk and free school milk and free TV licences for the over 75s (where data is available). Income is net of: income tax payments; National Insurance contributions; contributions to occupational, stakeholder and personal pension schemes; council tax; maintenance and child

support payments made; and parental contributions to students living away from home.

- **Income After Housing Costs AHC** is derived by deducting a measure of housing costs from the above income measure.
- **Housing Costs** include the following: rent (gross of housing benefit); water rates; mortgage interest payments; structural insurance premiums; ground rent and service charges.

Real prices

Unless otherwise stated, all figures relating to income are in 2015/16 prices. Values from previous years are updated to account for inflation using the Consumer Price Index (CPI). This follows a change in methodology for 2014/15. Prior to this the Retail Price Index (RPI) was used.

This change followed an announcement by the National Statistician that, in accordance with the Statistics and Registration Service Act 2007, the RPI and its derivatives had been assessed against the Code of Practice for Official Statistics and found not to meet the required standard for designation as National Statistics.

Following a subsequent review the National Statistician, John Pullinger, wrote to the Chair of the UKSA, Sir Andrew Dilnot, setting out his view that RPI “is not a good measure of inflation” and that future usage is strongly discouraged in favour of alternative measures.

This led to a change in HBAI methodology in 2014/15 and the Scottish Government adopted the change in deflator to allow consistent poverty estimates for Scotland and the UK.

Full details can be found at the link below:

[Methodological changes to poverty statistics](#)

Equivalisation is the process by which household income is adjusted to take into account variations in the size and composition of the households in which individuals live. This reflects the common sense notion that, in order to enjoy a comparable standard of living, a household of, for example, three adults will need a higher income than a single person living alone. The process of adjusting income in this way is known as equivalisation and is needed in order to make sensible income comparisons between households.

Equivalence scales conventionally take an adult couple without children as the reference point, with an equivalence value of one. The process then increases relatively the income of single person households (since their incomes are divided by a value of less than one) and reduces relatively the incomes of households with three or more persons, which have an equivalence value of greater than one.

Consider a single person, a couple with no children, and a couple with two children aged fourteen and ten, all having unadjusted weekly household incomes of £200 (Before Housing Costs). The process of equivalisation, as conducted in HBAI, gives an equivalised income of £299 to the single person, £200 to the couple with no children, but only £131 to the couple with children.

The equivalence scales used here are the modified OECD scales. Two separate scales are used, one for income Before Housing Costs (BHC) and one for income After Housing Costs (AHC). Modified OECD rescaled to couple without children, BHC is as follows:

First Adult	0.67
Spouse	0.33
Other Second Adult	0.33
Third Adult	0.33
Subsequent Adults	0.33
Children aged under 14 years	0.20
Children aged 14 years and over	0.33

The construction of household equivalence values from these scales is quite straightforward. For example, the BHC equivalence value for a household containing a couple with a fourteen year old and a ten year old child together with one other adult would be 1.86 from the sum of the scale values:

$$0.67 + 0.33 + 0.33 + 0.33 + 0.20 = 1.86$$

This is made up of 0.67 for the first adult, 0.33 for their spouse, the other adult and the fourteen year old child and 0.20 for the ten year old child. The total income for the household would then be divided by 1.86 in order to arrive at the measure of equivalised household income used in HBAI analysis.

Further information on equivalisation can be found in the following report on the Scottish Government website:

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PovertyMethodology>

Poverty measurement from the Family Resources Survey

Individuals are defined as being in poverty if their equivalised net disposable household income is below 60 per cent of the UK median. The median is the income value which divides a population, when ranked by income, into two equal sized groups. Since the mean is influenced considerably by the highest incomes, median income thresholds are widely accepted as a better benchmark when considering a derived measure for low income. Sixty per cent of the median is the most commonly used low income measure. For a couple with no children, the UK median income BHC in 2015/16 was £481 per week, which has increased by £7 in real terms since 2014/15. After housing costs the UK median increased by £8 to £413 per week in 2015/16.

Consequently, the 60 per cent low income threshold, which is used to derive the low income household figures, has also increased in real terms, before and after housing costs. This means a household has to have a larger income in real terms to be above the poverty threshold.

Relative and absolute poverty

- **Absolute poverty** - individuals living in households whose equivalised income is below 60 per cent of inflation adjusted median income in 2010/11. 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 per cent of median income in the same year. This is a measure of whether those in the lowest income households are keeping pace with the growth of incomes in the economy as a whole.

Material deprivation for Children

A suite of questions designed to capture the material deprivation experienced by households with children has been included in the Family Resources Survey since 2004/05. Respondents are asked whether they have 21 goods and services, including child, adult and household items. The list of items was identified by independent academic analysis. See McKay, S. and Collard, S. (2004). Together, these questions form the best discriminator between those households that are deprived and those that are not. If they do not have a good or service, they are asked whether this is because they do not want them or because they cannot afford them.

These questions are used as an additional way of measuring living standards for children and their households.

A prevalence weighted approach has been used, in combination with a relative low income threshold. The income threshold is 70 per cent of the median income. Prevalence weighting is a technique of scoring deprivation in which more weight in the deprivation measure is given to households lacking those items that most in the population already have. This means a greater importance, when an item is lacked, is assigned to those items that are more commonly owned in the population.

Changes to measuring material deprivation in 2010/11

The 21 items in the suite of questions used to measure material deprivation are designed to reflect the items and activities people in the UK believe to be necessary. These items are reviewed periodically to ensure the measure remains a relative measure of poverty. In 2010/11 four new questions about additional items were included in the FRS to be used in the future calculation of material deprivation scores, replacing the four existing items that were identified by research as potentially out of date partly because the proportion of the population considering them necessary had fallen. As such, there is a break in the series for child low income/material deprivation and estimates from 2010/11 onwards cannot be compared to those from before 2010/11.

In the 2010/11 FRS, both the new and the old questions were asked. As such, estimates are presented based on both sets of questions for this year.

For further information about material deprivation see the DWP [Households Below Average Income publication](#).

Material Deprivation for Pensioners

A suite of questions designed to capture the material deprivation experienced by pensioner households has been included in the Family Resources Survey since 2009/10. Respondents are asked whether they have access to 15 goods and services. The list of items was identified by independent academic analysis. See:

- Legard, R., Gray, M. and Blake, M. (2008), *Cognitive testing: older people and the FRS material deprivation questions*, Department for Work and Pensions Working Paper Number 55. Available at:

<http://www.bristol.ac.uk/poverty/downloads/keyofficialdocuments/FRS%20cognitive%20testing%20of%20older%20people%20dep%20questions.pdf> and;

- McKay, S. (2008), *Measuring material deprivation among older people: Methodological study to revise the Family Resources Survey questions*, Department for Work and Pensions Working Paper Number 54. Available at: <http://www.bristol.ac.uk/poverty/downloads/keyofficialdocuments/FRS%20Older%20people%20deprivation%20questions%20report.pdf>

Together, these questions form the best discriminator between those pensioner households that are deprived and those that are not.

Where they do not have a good or service, pensioner households are asked whether this is because they do not have the money for this, it is not a priority on their current income, their health / disability prevents them, it is too much trouble or tiring, they have no one to do this with or help them, it is not something they want, it is not relevant to them, or any other reason. Where a pensioner lacks one of the material deprivation items for one of the following reasons - they do not have the money for this, it is not a priority for them on their current income, their health / disability prevents them, it is too much trouble or tiring, they have no one to do this with or help them, or any other reason - they are counted as being deprived for that item.

The exception to this is for the question on whether they could cover an unexpected expense, where the follow up question was asked to explore how those who responded 'yes' would cover this cost. Options were: use own income but cut back on essentials, use own income but not need to cut back on essentials, use savings; use a form of credit, get money from friends or family, or any other reason. Pensioners are counted as materially deprived for this item if and only if they responded 'no' to the initial question.

The same prevalence weighted approach has been used to that for children, in determining a deprivation score. Prevalence weighting is a technique of scoring deprivation in which more weight in the deprivation measure is given to households lacking those items that most already have. This means a greater importance, when an item is lacked, is assigned to those items that are more commonly owned in the pensioner population.

For children, material deprivation is presented as an indicator in combination with a low income threshold. However for pensioners, the concept of material deprivation is broad and very different from low income; therefore, it is appropriate to present it as a separate measure.

A technical note given a full explanation of the pensioner material deprivation measure is available at <https://www.gov.uk/government/publications/households-below-average-income-hbai-technical-note-on-pensioner-material-deprivation>.

Population Coverage

The FRS is a survey of private households. This means that people in residential institutions, such as nursing homes, barracks, prisons or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here. The area of Scotland north of the Caledonian Canal was included in the FRS for the first time in the 2001/02 survey year, and from the 2002/03 survey year, the FRS was extended to include a 100 per cent boost of the Scottish sample. This has increased the sample size

available for analysis at the Scottish level. Between 2002/03, the sample size has been around five thousand. However, following cost savings introduced to the FRS in 2010, the sample size in Scotland has reduced. It was approximately 3,100 in 2015/16. For further information see the DWP [Households Below Average Income publication](#).

Reliability of estimates

The figures are estimates based on sample surveys and are therefore subject to sampling variation. Caution should be exercised in the interpretation of small year-on-year fluctuations. Identification of trends should be based on data for several years. Estimates for the confidence intervals around the key figures presented here will be available on the Income and poverty statistics website after publication via the following link:

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PovertyMethodology/ConfidenceIntervals>

The method used to calculate these confidence intervals has changed for 2015/16. Information on this can be found using the link below. The new method widens confidence intervals for most estimates making statistically significant results less likely than before.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/592042/dwp-family-household-income-stats-estimating-uncertainty-statistical-notice.pdf

The Family Resources Survey publication:

<https://www.gov.uk/government/collections/family-resources-survey--2>

contains information on topics such as:

- Sample design, non-response biases, weighting
- Item non-response, imputation and editing
- Accuracy of income data

Detailed HBAI definitions and methodology

More detailed information on definitions and methodology can be found in the DWP's publication:

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

Annex 3: Where to Find More Information

Further analysis:

This publication contains the headline poverty and income inequality statistics.

Further analysis based on the FRS and HBAI datasets is published by the Scottish Government during the year at:

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

This provides further disaggregation of the headline statistics at sub-population level: poverty in urban and rural areas, poverty by disability, gender, and ethnicity, poverty by household tenure, household income distributions, income sources, savings and assets, and income inequality.

Additional analysis themes are based on the needs of users. If you have any suggestions for future analysis please email:

andrew.white@gov.scot

or phone 0131 244 7351

Scottish Government websites:

The poverty statistics website contains a range of analysis on poverty and information about what the Scottish Government is doing to reduce poverty and income inequality:

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

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

<http://www.gov.scot/About/scotPerforms>

Confidence limits surrounding Scotland poverty estimates:

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/PovertyMethodology/ConfidenceIntervals>

For further information on all Scottish Government statistics

<http://www.gov.scot/topics/statistics/>

Scottish Government approach to tackling poverty

<http://www.gov.scot/Topics/People/fairerscotland/tacklingpovertyinScotland>

Local Authority level analysis and other geographies in Scotland:

The figures presented here are from a sample survey which limits the analysis possible at smaller geographical areas. A few analyses are published for areas below Scotland level (e.g. poverty in rural and urban areas) however it is not possible to produce reliable estimates at Local Authority level from this source

Information at Local Authority level is available from alternative sources. These can be found at:

<http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/incomepoverty/LApovertydata>

UK Government websites:

Family Resources Survey, Department for Work and Pensions

<https://www.gov.uk/government/collections/family-resources-survey--2>

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

<https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

UK Government action on child poverty

<https://www.gov.uk/government/policies/poverty-and-social-justice>

A National Statistics publication for Scotland

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How to access background or source data

The data collected for this statistical bulletin cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.

Complaints and suggestions

If you are not satisfied with our service or have any comments or suggestions, please write to the Chief Statistician, 2W, St Andrew's House, Edinburgh, EH1 3DG, Telephone: (0131) 244 0302, e-mail statistics.enquiries@gov.scot.

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