

**TACKLING POVERTY
BOARD: A SUMMARY OF
EVIDENCE**

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Scottish Government Communities Analytical Services

Scottish Government Social Research
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1 INTRODUCTION

1.1 When the Tackling Poverty Board (TPB) first met in September 2009 with a remit to ***oversee and drive forward policy and practice to reduce poverty in Scotland***, Board members agreed that there was a need to reaffirm why poverty still matters in Scotland. They noted that continued innovation, energy and commitment remain vital in tackling Scotland's poverty as we move into a period of economic adjustment and policy reform.

1.2 The Board decided to approach this challenge by:

- scanning the horizon to identify new challenges and opportunities are identified as early as possible;
- monitoring and challenging how partners are implementing key actions in *Achieving our Potential* which they believe have significant potential to reduce poverty in Scotland, and the action being taken to meet the child poverty targets and the solidarity purpose target; and
- identifying and promoting the actions that can make a real impact on tackling inequality, poverty and the drivers of low income.

1.3 This was set firmly within the context of the additional challenges and opportunities created by the economic downturn.

1.4 The Board were clear from the outset that they must add value, direction and leadership to the tackling poverty landscape by producing recommendations and a statement that would act as the legacy of their work and provide clarity and urgency to the priorities and challenges that lie ahead.

1.5 This report is a summary of the evidence which informed the TPB, and which guided their Statement which was published in January 2011¹.

1.6 Principally, and as its starting point, this report seeks to answer two key evidential elements of the TPB deliberations:

- how are key policies within *Achieving our Potential* addressing the current challenge of tackling poverty in Scotland: are they well targeted, and how 'fit for purpose' are they for conditions in 2010/11 and beyond?; and
- how have policy evaluations informed tackling poverty and inequalities policy in Scotland; how can we ensure that 'lessons learned' are applied?

1.7 Together, these considerations will assess how policy is steered in the period ahead, and mark a 'taking stock' of progress in tackling poverty.

1.8 Two separate projects were commissioned as described below.

- The first project gathered evaluative evidence on the policies within *Achieving Our Potential* which were anticipated to deliver specific impacts within the very broad spectrum of activity that constitutes Scotland's tackling poverty effort. This

¹ <http://www.scotland.gov.uk/Topics/People/tackling-poverty/tacklingpovertystatement>

evidence project seeks to ‘spotlight’ these key policies which are located within ongoing trends and among other policies.

- The second project scoped the impact of a sample of high-quality policy evaluations at national and local level in Scotland. The research, while in scale, aims to identify the context and mechanisms required to transmit and engender policy change.

1.9 Full versions of each section, including full references from the evidence reviewed and logic models (where applicable), can be found on the Tackling Poverty Board web pages².

1.10 The work for this project adopted a logic modelling approach (detailed in Annex A) which included the development of a high level ‘Tackling Poverty’ mapping of activity. This map (page 6) helps illustrate this broader landscape within which policy in Scotland is focused on tackling poverty. The highlighted areas in the map are the focus of Chapters 4 to 6. It is clear that the spotlight evidence presented on these areas can only partially assess whether the course of *Achieving Our Potential* remains sensible. Nonetheless, it does reveal key insights in terms of how particular policies are developing, and what approaches determine success.

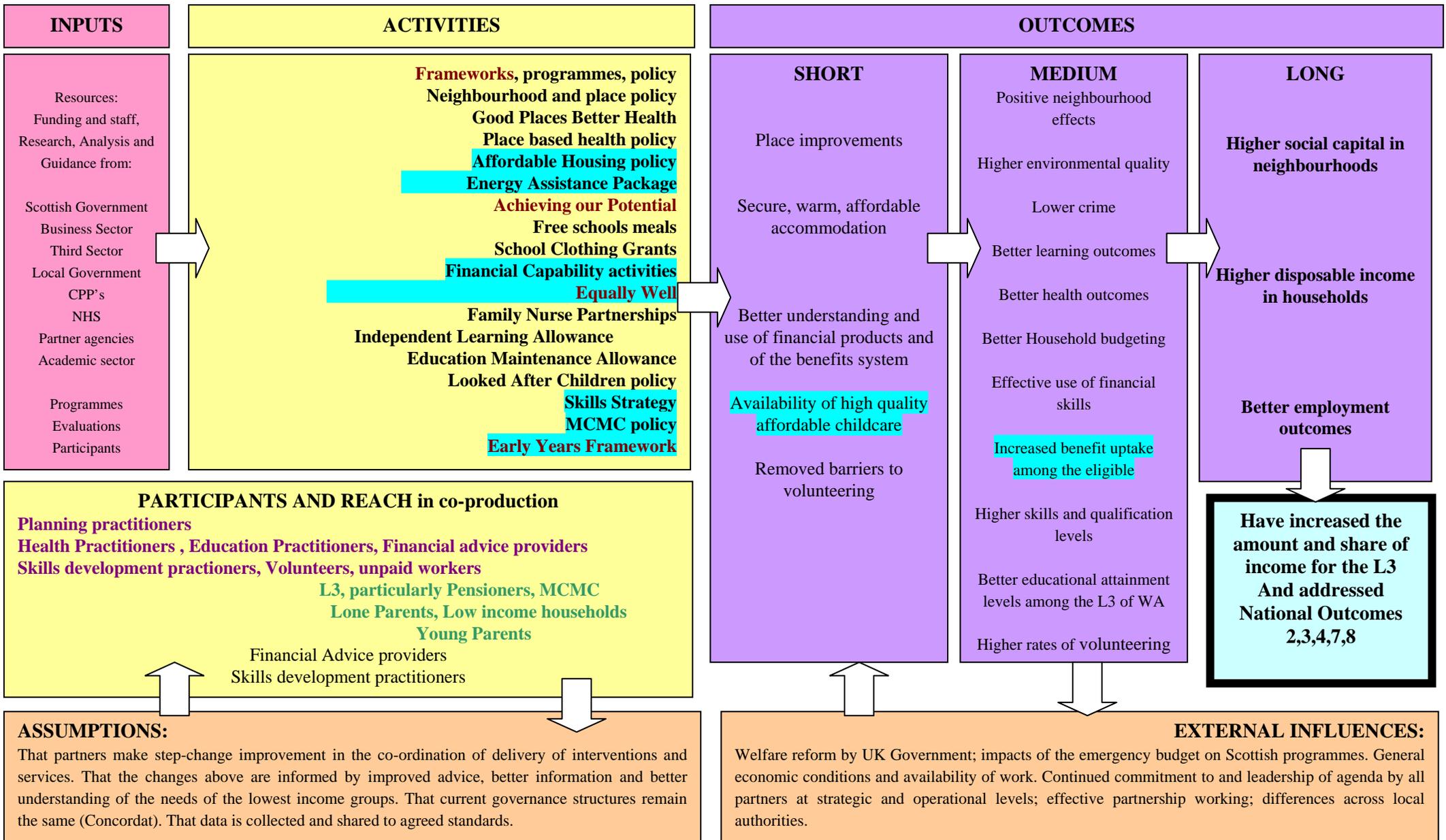
1.11 This report also alludes to some of the evidence and the conclusions arising from the broader landscape. Therefore, while the Tackling Poverty Board did pay particular attention to the progress of key *Achieving our Potential* policies, it reaches its conclusions from a broader evidence base. This approach recognises the complex interface between poverty and other causes and consequences of inequalities.

² [Tackling Poverty Board](#)

TACKLING POVERTY

SITUATION: 2010 – Positive trends in poverty rates are stalling, and predictions for the next few years are concerning.

How do policy interventions in Scotland contribute to better outcomes for Scotland’s lowest income groups, and what can we learn from focused exploration of the contribution that **key policies make?**



Focus of the Research

1.12 We have not attempted to set out the definitions of poverty used in each piece of research reviewed for this report. However, where definitions are available and particularly relevant to the findings, these are highlighted within the relevant section. Broadly, as a general steer, evidence on the 'lowest income' (and the lowest 3 income deciles in particular, where data allowed) was sought. However, recognising that not all poverty in Scotland is defined in income, evidence that draws on those with an 'enforced lack' or on those experiencing deprivation (possibly multiply) or at disadvantage is also drawn upon.

1.13 The review presents, in brief, the best evidence available into three broad groups:

1. Pockets – evidence relating to costs, maximising income and minimising expenditure;
2. Places – evidence relating to the relationship between poverty and place and the pivotal role that housing plays;
3. Prospects – evidence relating to improving people's prospects for finding work through increasing skills and the availability of accessible, affordable childcare.

1.14 The structure of the report is outlined below:

Chapter two provides an overview of the extent of poverty in Scotland and the evidence on links between poverty and equality. It then goes on to explore what impact Scottish Government and COSLA policy frameworks – *Equally Well* and *Early Years* – can have on tackling poverty.

Chapter three - 'Pockets' - addresses costs, summarising the evidence about maximising income and minimising expenditure as immediate measures to alleviate poverty. This chapter covers the priority areas of financial capability, benefit uptake and fuel poverty.

Chapter four - 'Places' - explores the relationship between poverty and place, including an economic rationale for spatial differences in social outcomes. This is followed by a focus on the pivotal role that housing (particularly affordable housing) plays in tackling poverty.

Chapter five - 'Prospects' - considers employment as a route out of poverty by exploring the evidence about the relationships between skills, employment, childcare and poverty in Scotland.

Chapter six presents the findings from the second project to evaluate the impact of policy evaluations on tackling poverty and inequalities policy.

Chapter seven summarises the main findings from each section of the report and draws some general conclusions about the findings.

2. OVERVIEW

Poverty in Scotland

2.1 This section presents a broad overview of the evidence about poverty in Scotland. It includes information on: recent poverty trends; income inequality and the distribution of income; in-work poverty; the extent to which families move into and out of poverty; pensioner poverty and the likely impact of announced welfare reforms on poverty. There are several measures of poverty used in Scotland and the UK. These are briefly defined in the box below.

- **Relative poverty** – Individuals living in households whose equivalised income is below 60 per cent of UK median income in the same year. This is a measure of whether those in the lowest income households are keeping pace with the growth of incomes in the economy as a whole.
- **Absolute poverty** – Individuals living in households whose equivalised income is below 60 per cent of the (inflation adjusted) Great Britain median income in 1998/99. This is a measure of whether those in the lowest income households are seeing their incomes rise in real terms.
- **Combined low income and material deprivation** – This measure aims to understand more about what people can afford to spend money on. 'Material deprivation' is calculated from a suite of questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or social activities. This measure is applied to households with incomes below seventy per cent of median income to create the 'material deprivation and low income combined' indicator. This indicator aims to provide a measure of living standards which, unlike relative and absolute poverty, is not solely based on income.
- **Persistent poverty** – Persistent poverty is defined as being in relative poverty in three out of the last four consecutive years. This measure is designed to detect households which are recurrently in poverty over a long period, rather than those which dip in and out of poverty.

Recent poverty trends³

2.2 The most commonly quoted measure of poverty by the UK and Scottish Governments is **relative poverty** before housing costs. Broad figures about relative poverty trends in Scotland are presented below.

- In 2008/09 17 per cent of people in Scotland were in relative poverty (before housing costs)⁴.
- Between 1998/99 and 2004/05 poverty rates fell in Scotland from around 20 per cent of the population to around 17 per cent. Between 2004/05 and 2008/09 there was little change in overall poverty rates in Scotland⁵.

³ For more information see: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare>
<http://www.jrf.org.uk/publications/mopse-scotland-2010>
<http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/Links>

⁴ Scottish Government (SG) analysis on Family Resources Survey

⁵ Ibid

- In Scotland, and the rest of the UK, larger falls were seen in pensioner and child poverty rates than for poverty among working age adults⁶.

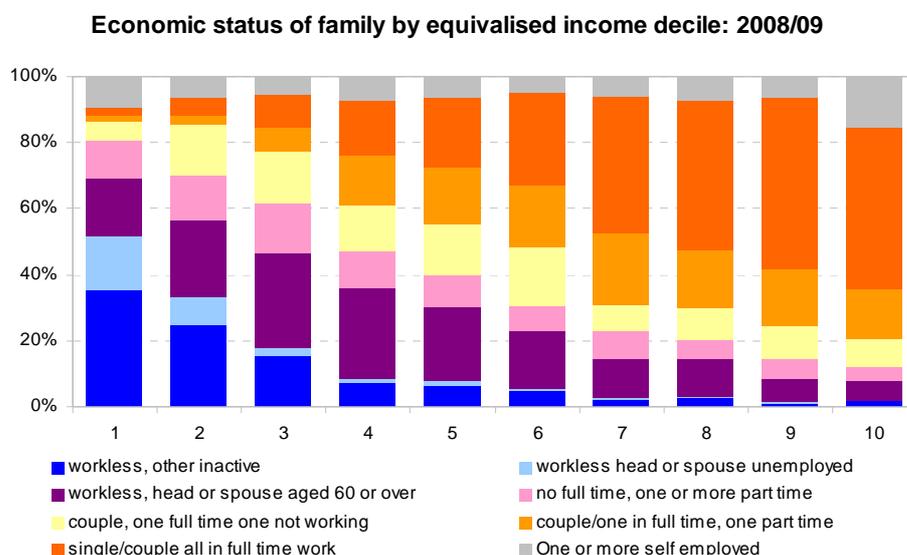
The reduction in poverty rates in Scotland between 1998/99 and 2008/09 was among the greatest seen in the UK⁷.

Income Inequality and the Distribution of Income

2.3 The Scottish Government Solidarity Target⁸ is a measure of how equally household income is distributed in Scotland. Figures are presented here about the distribution of income in Scotland and the types of families which are found at the top and bottom of the income distribution.

- Total income received by households in Scotland increased every year between 1998 and 2008⁹.
- However, the proportions of that income received by those at the top and bottom of the income distribution have remained broadly unchanged over that period. Those in the bottom three income deciles receive around 13 or 14 per cent of total income whereas those in the top three deciles receive over half (53 per cent in 2008/09)¹⁰.

2.4 The chart below shows the ten Scottish income deciles broken down by economic status. Each decile contains a tenth of the Scottish population with the first containing those with the lowest incomes and the tenth containing those with the highest incomes.



Source: Family Resource Survey

- In the deciles towards the bottom end of the distribution there are greater proportions of single pensioners and single people with dependent children than in higher deciles.

⁶ SG analysis on Family Resources Survey.

⁷ Ibid.

⁸ <http://www.scotland.gov.uk/About/scotPerforms/purposes/solidarity>

⁹ SG analysis on Family Resources Survey.

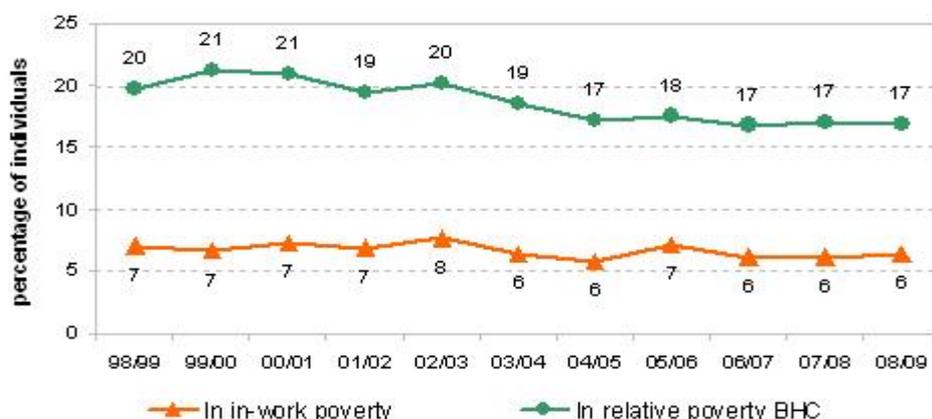
¹⁰ Ibid.

- Families of a single adult with dependent children make up 11 per cent of families in the bottom three deciles and 1 per cent in the top three.
- Towards the top end of the distribution the proportion of couple families, particularly couples without children, increases.
- Workless families (workless through retirement, unemployment or economic inactivity) make up 68 per cent of those in the bottom three deciles and 12 per cent of those in the top three.
- Families with either all adults working full time or one working full time and the other part-time (excluding self-employment) make up 9 per cent of the families in the bottom three deciles and 65 per cent of those in the top three.
- UK figures for the Family Resource Survey show that, in 2007/08, 2 per cent of families with a disabled child are in poverty compared to 18 per cent of families with a child without any disabilities. These trends are broadly similar for the relatively few Scottish families with disabled children surveyed.

In-work Poverty

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

Proportion of individuals in in-work poverty: 1998/99 to 2008/09



Source: Family Resources Survey

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

The Extent to which Families Move Into and Out of Poverty

2.6 British Household Panel Survey¹¹ (BHPS) data from 1991 - 2007 were used to produce the following information on income mobility. These are GB figures, although Scottish and GB trends are likely to be similar.

- Over the period 1991-2007, there was considerable income mobility. For example, less than 5 per cent of the population remained in the same quintile, or fifth, of the income distribution for the whole of the period.
- Analysis on all waves of the BHPS showed that in consecutive years 32 per cent of poor people moved out of relative poverty and 7 per cent of non-poor people moved into relative poverty.
- There were no large differences in income mobility between 1991-1998 and 2000-2007 periods.
- 6 per cent of people were in persistent poverty during the period 2004 to 2007. This proportion had fallen from 12 per cent since 1991 to 1994.

Factors which affect people's movement into and out of poverty

2.7 The BHPS was used to examine the events which were associated with people's entry or exit into relative poverty.

- A rise in the household head's earnings was the most common factor influencing movements out of poverty. Increases in the number of workers in a household or in the amount of benefit income received were also common factors.
- Falls in the household head's earnings, or in the amount of benefit or "other" income received accounted for a high proportion of those moving into poverty.
- Changing to a single parent household accounted for a small number of entries into poverty. However, for those affected by this change the risk of entering poverty was the highest of any of the events investigated.

Links between equality and poverty

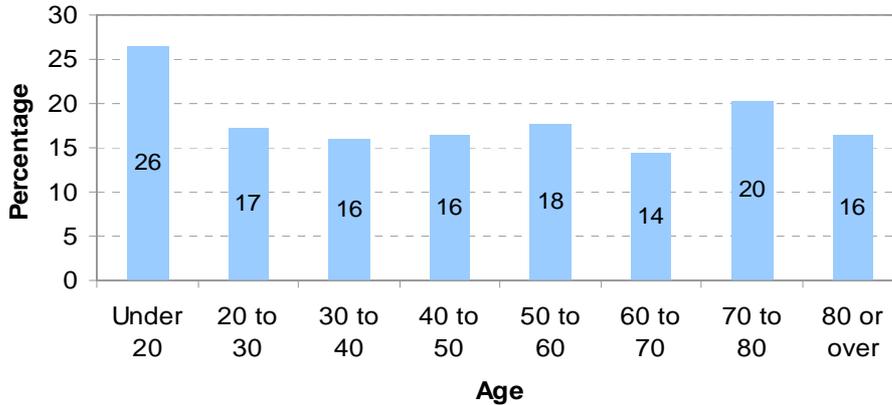
2.8 There are strong links between poverty and equalities. Available evidence is presented here to illustrate some of these links.

Age

- Families headed by someone aged under 20 have the highest risk of relative poverty (before housing costs). One quarter of families headed by someone in this age group are in relative poverty.
- For older age groups the relative poverty risk is between 14 and 20 percent.
- Those with family heads in the 70 to 80 age band have the highest poverty risk, 20 percent, for older people.

¹¹ DWP Low Income Dynamics 1991 – 2007.

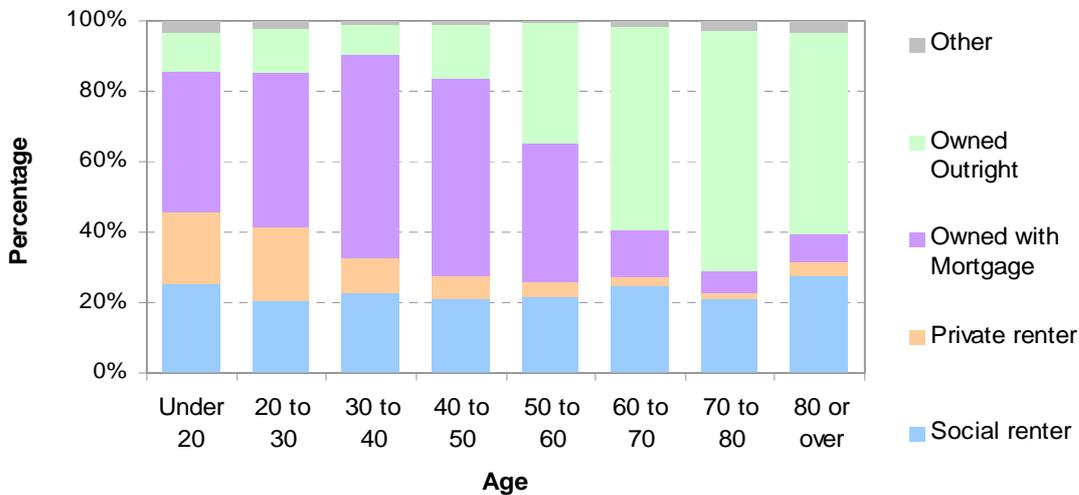
Families in relative poverty (BHC) by age of head of family: Scotland 2008/09



Source: Family Resources Survey

- One issue with using income as a measure of standard of living is that it does not take into account the assets that people may have. The following chart examines household tenure by age of family head.
- It shows how the proportion of families living in households which are owned outright increases with age. It peaks at 68 percent for the 70 to 80 age group.

Household tenure by age of head of family: Scotland 2008/09

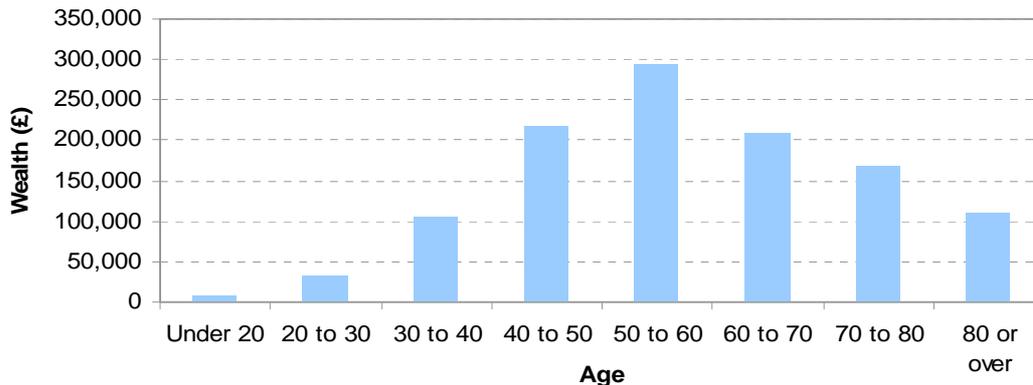


Source: Family Resources Survey

2.9 The following chart tells a similar story to the previous one. It uses figures from the Wealth and Assets Survey to show how wealth (the property and financial assets that people own) increases with age.

- Median household wealth increases with age, peaking at almost £300,000 for the 50-60 age band and then falls.
- Median wealth for households headed by some aged 80 or over is of a similar level to the median wealth for those in the 30-40 age band, around £100,000.

Median household wealth (including pension wealth) by age of head of household: Scotland 2006 - 2008



Source: *Wealth and Assets Survey*

Child Poverty in Scotland

2.10 The UK Child Poverty Act¹², to which the Scottish Government has subscribed, set out four main targets which are designed to capture different aspects of child poverty. These are relative poverty; low income material deprivation; persistent poverty and absolute poverty.

2.11 The Scottish Government has recently closed a discussion¹³ on the development of a new child poverty strategy for Scotland. An analytical paper¹⁴ was published to accompany the discussion paper which presents a brief overview of the evidence around child poverty in Scotland, providing readers with some background on current issues around child poverty in Scotland. A Child Poverty Strategy for Scotland will be published on 15 March 2011.

Pensioner Poverty

2.12 Compared with the other countries of the UK, Scotland has moved from having the highest level of pensioners living in before housing costs (BHC) relative poverty¹⁵ (28 per cent in the period 1994-97) to having the lowest level (19 per cent in 2006-09)¹⁶.

2.13 Due to data limitations, examination of the causes of this improvement are restricted to the period 2000 - 2007. There are two major reasons for the improvement in this period:

- the major source of pensioner income – the Basic State Pension (BSP) – increased in real terms over the period. Between 2000 and 2007 there was a 30

¹² <http://www.opsi.gov.uk/acts/act26-03>

¹³ <http://www.scotland.gov.uk/Publications/2010/11/15103604/0>

¹⁴ <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/cpstrategy-analysis>

¹⁵ Poverty in Scotland in 2008-9 was defined as living in a household with an equivalised disposable income (before housing costs – BHC) below £163 per week in the case of a single adult household and below £244 per week for an adult couple.

¹⁶ Note that these are 3-year averages as reported in DWP's *Households Below Average Income*.

per cent nominal increase in the BSP, while RPI inflation increased by only 20 per cent; and

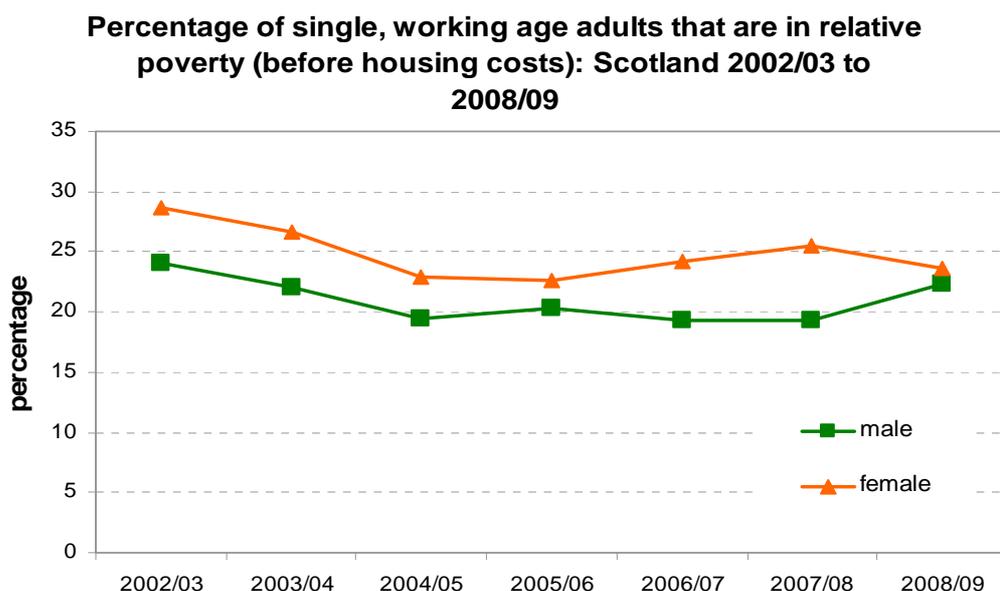
- non-state pensions grew to form a larger part of the income of people in the 3 lowest deciles.

Gender

2.14 Examining the relationship between poverty and gender is not simple because of the way that poverty is defined by the UK and Scottish Governments. The income data that are used to measure poverty and Solidarity are equivalised net income data from the Households Below Average Income datasets (derived from the Family Resources Survey).

2.15 Equivalisation is an adjustment that allows the comparison of living standards between households that vary in size and composition. This adjustment reflects the fact that a family of several people requires a higher income than a single person in order for both households to enjoy a comparable standard of living. The key assumption is that all individuals in the household benefit equally from the combined (equivalised) income of the household. For this reason, it is not sensible to provide an analysis of the number of women in poverty because where men and women live together, regardless of the income either of them brings in to the family and regardless of the spending power either of them has within the family, they will appear to have the same equivalised income. To assess the differences between men and women on the income distribution it is more informative to look at single adult families.

2.16 The following chart examines single working age adults in families where they are the head (i.e. families consisting of a single working age adult plus any dependent children). It shows that since 2002/03 single, working age woman have been more likely to be in relative poverty than single, working age men although this gap has narrowed in the most recent year's data.



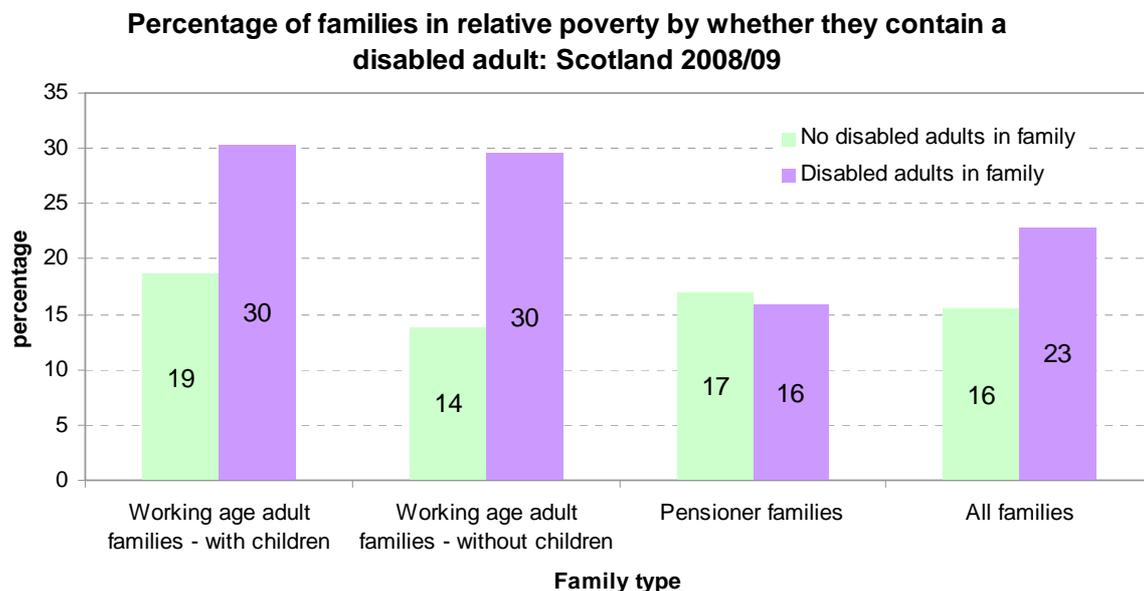
Source: Family Resources Survey

- Single women are much more likely than single men to be living with a dependent child. In 2008/09 43 percent of single, working age women that were in relative poverty lived with a dependent child. For men this figure was 4 percent. There was little difference in these figures between 2002/03 and 2008/09.
- The recession may have played a part in narrowing the gap between the male and female poverty rates for these groups in 2008/09. Unemployment, as recorded by the Family Resources Survey increased slightly for single working age men and fell slightly for single working age women between 2007/08 and 2008/09.

Disabled People

2.17 Families which contain a disabled adult are more likely to be in relative poverty (before housing costs) than those that do not. This is not true for all family types however. The following chart shows that, whereas for families headed by a working age adult those containing a disabled adult are more likely to be in relative poverty, this is not true for pensioner families.

2.18 It is worth noting that some people argue the way that poverty figures are calculated treats disabled people unfairly. This is because they are based on income and do not take into account the perceived higher cost of living of many disabled people.



Ethnicity

2.19 The following chart uses several years' data from the Family Resources Survey to examine the poverty risk for different ethnic groups with Scotland.

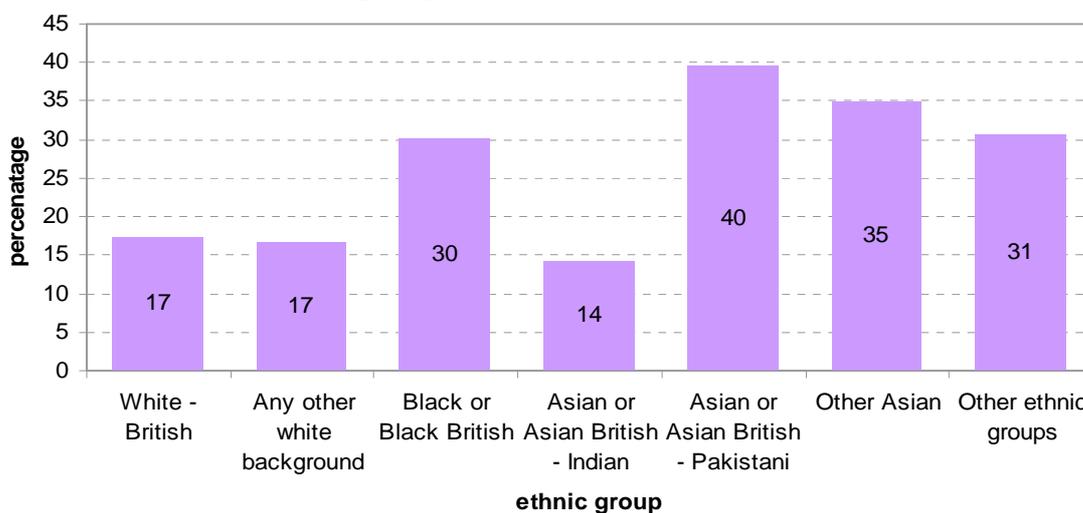
2.20 Between 2002/03 and 2008/09:

- People from the "Asian or Asian British - Indian" group were the ethnic group with the lowest poverty rate in Scotland. 14 percent of this group were in relative poverty in Scotland. We must however treat this figure with some caution as it is

based on a relatively small sample of people compared to some of the other figures presented here.

- 17 percent of people from the “White - British” and “Other White background” groups were in relative poverty.
- The relative poverty rate was over 30 percent for all the other groups presented here.

Percentage of people in relative poverty (before housing costs) by ethnic group: Scotland 2002/03 to 2008/09



Source: Family Resources Survey

Welfare Reform

2.21 It is useful to set out a chronology of the most recent welfare-related events to better understand the direction of travel of as well as the pace of change of welfare reforms. The significant welfare-related events in 2010 were the:

- 24 March delivery of the March 2010 Budget of the previous administration;
- 24 May announcement by Chancellor George Osborne of cuts of £6.2 billion;
- 5 June announcement of the establishment of the Field Review on poverty and life chances to report by the end of 2010;
- 20 June announcement by the Chancellor that John Hutton would chair the independent Commission on Public Service Pensions to undertake a fundamental structural review of public service pension provision by Budget 2011 with an interim report in September 2010 ahead of the Spending Review;
- 21 June launch of an independent review of fair pay in the public sector headed by economist Will Hutton;
- 22 June delivery of the UK June 2010 Budget which included £11 billion of welfare cuts;
- 30 July publication of *21st Century Welfare* a DWP discussion document on welfare reform;
- 20 October publication of the UK Government’s Comprehensive Spending Review (CSR) which provided details of a further £7-8 billion cut in welfare; and
- 17 November presentation of Scottish Government’s Draft Budget for 2011-12 together with the accompanying Equality Budget Statement.

Table 1 contains an overview of the main changes to welfare announced in the CSR and their budgetary implications.

Table 1: Major Reductions Welfare Spending: October 2010 CSR (£ billions)

Reform Area	Budget Savings in 2014-15 (£ billions)
Employment and Support Allowance	2.000
Cap on Welfare Payments	0.270
Child Benefit	2.500
Working Tax Credit	0.625
WTC Eligibility	0.390
Reduction in Childcare coverage of WTC	0.385
Extension of LHA Shared Room Rate	0.215
DLA Mobility Payment	0.135
Localising and reducing Council Tax Benefit	0.490
Freezing Pension Credit (savings component)	0.330
Real Time Tax Credit Calculation	0.300
Total	7.640

2.22 Ongoing internal work by Scottish Government officials is looking at the implications of these reductions for Scotland across the population as a whole, but particularly for those that are most reliant on the welfare system. Initial indications are that some likely impacts of the announced UK Welfare reforms in Scotland are as follows:

- the tax and benefit measures are broadly regressive and will result in households at the bottom of the income distribution incurring, on average, the largest proportionate falls in their income;
- households in the middle of the income distribution are estimated to, on average, see the smallest proportionate falls in their income. This is partly because such households are the largest beneficiaries of the increase in income tax personal allowances announced by the Chancellor;
- households with children are estimated to see a proportionately larger fall in their incomes than households with no children; and
- pensioner households are expected to see proportionately smaller falls in their income than most other household types.

2.23 The announcements on welfare reform, and their implications, do not yet form a full picture as changes to the tax and benefit system will be ongoing, particularly in the context of the Universal Credit for which details are, as yet, vague. However, it is clear that welfare reform has the potential to have significant implications in terms of tackling poverty in Scotland.

Policy Context

2.24 Since 2007 Scottish Government, in partnership with COSLA, have together sought to address the long-term and deep-rooted problems in Scotland exemplified in our health, income and educational inequalities. The decision to establish key social policy frameworks was guided by a commitment to tackle unequal outcomes through:

- Achieving our Potential¹⁷;
- Equally Well¹⁸; and
- Early Years Framework¹⁹.

2.25 The three frameworks address similar issues from differing perspectives and are clearly interlinked. The Frameworks recognise that Scotland's inter-generational social problems have become entrenched, particularly in our deprived communities and they commit to long-term solutions.

2.26 In the rest of this chapter, we set out the elements of *Equally Well* and the Early Years Framework which relate specifically to tackling poverty and low incomes. Chapters four, five and six offer evaluative evidence from policies within *Achieving our Potential*. Fuller accounts are available on the Tackling Poverty Board website, but a summary of their relevance to the tackling poverty agenda in Scotland is offered below.

The three frameworks seek transformational change which will only be possible with fundamental change to cultures of planning and working within services. Elements of transformational change from the three policy frameworks include the importance of:

- a coherent approach;
- a focus on engagement and empowerment of individuals and communities, helping individuals and communities to secure outcomes for themselves;
- developing the individual and collective capacities and assets of people and communities for leading healthy lives;
- breaking cycles of poverty, inequality and poor outcomes in and through early years, early intervention and prevention at key life stages;
- using the strength of universal services to deliver prevention and early intervention;
- putting quality at the heart of service delivery;
- improving outcomes and children's quality of life through play;
- more effective partnerships, simplifying and streamlining delivery and meeting the needs of individuals and families; and
- fostering an enhanced understanding amongst our service delivery professionals about the relationship between poverty and health and wellbeing outcomes, ensuring the individuals whole life circumstances are taken into account when addressing health and wellbeing.

¹⁷ [Achieving our Potential](#)

¹⁸ [Equally Well](#)

¹⁹ [Early Years Framework](#)

Equally Well – Tackling Poverty

Introduction

2.27 *Equally Well* is informed by the understanding that an important way of reducing inequalities in health and wellbeing is by developing interventions which target the underlying causes, of which poverty and deprivation are central²⁰.

2.28 The main ways in which *Equally Well* will help to tackle poverty are by:

- fostering an enhanced understanding amongst our service delivery professionals about the relationship between poverty and health outcomes, ensuring the individuals whole life circumstances are taken into account when addressing health and wellbeing;
- helping to develop the individual and collective capacities and assets of people and communities for leading healthy lives;
- ensuring there is an improved synergy between our universal public services and the community and voluntary sector; and
- developing interventions committed to early intervention and prevention at various stages of a person's life cycle.

2.29 This section begins by discussing the approach set out by *Equally Well* to tackle health inequalities, and the way in which poverty is addressed by *Equally Well*. The chapter concludes with a discussion of some of the health initiatives driven by *Equally Well*, highlighting the main ways these initiatives address poverty.

Equally Well: An Approach to Tackling Inequalities

2.30 *Equally Well* sets out a dynamic approach to tackling health inequalities in Scotland which understands that in order to be successful the underlying causes of inequalities in healthy life expectancy and wellbeing need to be targeted.

2.31 The philosophy underlying *Equally Well* is that in order to address health inequalities in Scotland all of Scotland's people need to develop the necessary assets and capacities required to invest in their health. This understanding of the complex interplay of factors that impact on health inequalities prescribes a holistic approach and many of the recommendations resulting from *Equally Well* are not directed at health care services. Rather, it is understood that in order to target the underlying causes of health inequalities the full range of services must be involved. As referred to in *Equally Well*:

“there is international agreement that reducing unfair and unjust inequalities in health needs a cross-government approach. It cannot be achieved through health policies and health care systems alone” (Equally Well p.2).

²⁰ For more information about the main features of inequalities in health and wellbeing according to income and deprivation measures in Scotland, see Equally Well full report.: <http://www.scotland.gov.uk/Publications/2008/06/25104032/0>

2.32 Many of the recommendations for action set out in *Equally Well* are to address the underlying causes of adverse health outcomes, including a sub-set of recommendations aimed at tackling poverty and increasing employment.

2.33 *Equally Well* understands the relationship between poverty and adverse physical and mental health outcomes. The key priority areas identified by *Equally Well* to reduce inequalities in healthy life expectancy and wellbeing are areas where there is strong evidence that poverty is a powerful driver of the most significant health inequalities²¹, namely children's very early years, mental illness, drug and alcohol problems and the "big killer" diseases; cardiovascular disease and cancer.

Redesigning of services

2.34 Alongside setting out a new model for understanding the underlying causes of health inequalities, *Equally Well* sets out a new approach for delivering public services to tackle inequalities in healthy life expectancy and wellbeing. This new approach acknowledges the complexity of health inequalities and requires enhanced synergy and collaboration across different public services, the voluntary and community sector, as well as the active engagement of service users.

2.35 In addition, this new approach to delivering public services is informed by an understanding of the 'inverse care law' (Hart 1971)²² which states that in order to be truly universal, a service cannot merely claim to offer 'equal treatment' to all. Rather, there is evidence to support targeted interventions to disadvantaged groups in order to reduce inequalities (see Macintyre 2007)²³.

2.36 The commitment to a new way of delivering public services informed the development of the *Equally Well* test sites, as well as the new and dynamic model for tackling health inequalities. The test sites have been designed to initiate the process of developing a new approach to delivering and mainstreaming local services that tackle the underlying causes of inequality. It is understood that solutions must be innovative and that it is necessary to start somewhere, whilst removing the worry that the service may not succeed.

2.37 *Equally Well* recognises the importance of tackling poverty as a key social determinant of health inequalities. There is an understanding of the critical roles income maximisation, financial inclusion and capability, and employability have in tackling poverty. A key outcome of *Equally Well* is that services will mainstream this dynamic approach to addressing inequalities in healthy life expectancy and wellbeing.

2.38 The central importance placed on tackling poverty to address inequalities in health is particularly evident in the Lanarkshire test site. Service delivery professionals in health, social work and housing sectors who are likely to have regular contact with people at risk of claiming, or in receipt of Incapacity Benefit, are

²¹ <http://www.scotland.gov.uk/Publications/2008/06/25104032/0>

²² Hart, J, 'The Inverse Care Law,' *The Lancet*, 27th February 1971, pp. 405-12

²³ Macintyre S. Deprivation amplification revisited; or, is it always true that poorer places have poorer access to resources for healthy diets and physical activity. *International Journal of Behavioural Nutrition and Physical Activity* (2007), 4:32

being encouraged to see referral to employability services as a routine part of service provision. Training sessions were delivered to public delivery professionals highlighting the importance of work as a determinant of health. Professionals are encouraged to consider employability when assessing their clients/patients' needs, and to refer on to a centralised phone-in service which then assesses and refers the person on to different employability services depending on their needs.

2.39 This dynamic approach set out in *Equally Well* will be explored further by drawing on some of the initiatives being driven forward by *Equally Well* which embody this commitment to redesign services with a commitment to mainstream tackling poverty considerations.

Health Initiatives: Tackling Poverty

2.40 This section will discuss a selection of initiatives²⁴ that demonstrate the approach being promoted by *Equally Well* to reduce inequalities in health with a focus on tackling poverty. The initiatives help to highlight the main ways poverty is being tackled by *Equally Well* set out in the introduction.

- Early Intervention in the Early Years (e.g. Family Nurse Partnership).
- Early Intervention and Anticipatory Care (e.g. Keep Well).
- The Health Works strategy.

2.41 *Equally Well* has committed to tackling the underlying causes of inequality in the early years. *Equally Well* recognises the importance of developing maternity services that are informed by the understanding of the causes of inequalities in health and wellbeing. The importance of assessing the social needs of those using maternity services is supported by the evidence. For example, according to the Centre for Maternal and Child Enquiries (CMACE):

- women living in families where both partners were unemployed, many of whom had features of social exclusion, were up to 20 times more likely to die²⁵ than women from more advantaged groups (CMACE 2002); and
- mothers in more deprived areas are twice as likely to have a stillbirth or neonatal death as those in less deprived areas (CMACE 2008).

2.42 This commitment to mainstream an approach to early years services that recognises the importance of addressing the social needs of children and families offers a considerable contribution for tackling poverty in Scotland.

2.43 An example of an initiative being taken forward under the recommendations of *Equally Well* is the Family Nurse Partnership. The Family Nurse Partnership programme is a nurse-led intensive home visiting programme that enables one family nurse to visit from early pregnancy until the child is two. The programme is targeted at young, first time mothers with the stated aim to improve the economic

²⁴ It is important to note that these initiatives have not necessarily all progressed as a direct outcome of *Equally Well*, rather, they have all been informed by *Equally Well*.

²⁵ A maternal death is defined as “the death of a woman while pregnant or within 42 days of termination of pregnancy, from any cause related to or aggravated by the pregnancy or its management, but not from accidental or incidental causes” (CMACE 2002).

self-sufficiency of the family in order to break the cycles of poverty, inequality and poor outcomes through the early years.

2.44 The programme is being piloted in NHS Lothian and recruited its first cohort in January 2010. The first report from the evaluation of this pilot is due in February 2011. The Family Nurse Partnership approach has been evaluated in the United States and is currently being evaluated in England. The Family Nurse Partnership has been informed by evidence of the principles that lead to effective policies. For example, the service targets resources towards more disadvantaged individuals and areas, and offers intensive support (see Macintyre 2007). In addition, the evidence base is stronger for specialist programmes (usually targeted work with vulnerable families – such as intensive home visiting) than for universal family support services (Hallam 2008)²⁶.

Early Intervention and Anticipatory Care

2.45 In addition to prioritising early interventions that focus on children's early years, *Equally Well* supports early interventions and preventative care at different life stages. *Equally Well* recommended that '*universal public services should build on the examples of effective financial inclusion activity, to engage people at risk of poverty with the financial advice and services they need*'. This commitment to early intervention in later life for people at risk of poverty is evident in the *Keep Well* GP health checks.

2.46 *Keep Well* health checks are informed by an anticipatory care approach which aims to:

“address inequalities in health by targeting resources at areas of greatest need, building primary care capacity to deliver proactive as well as reactive care, and preventing serious ill health through early detection and intervention” (O'Donnell et al 2008)²⁷.

2.47 Although *Keep Well* predates *Equally Well*, the initiative has been informed by *Equally Well*'s approach. The *Keep Well* health checks are targeted at deprived communities and those at risk of preventable serious ill-health. A key commitment of the *Keep Well* health checks is to tackle the lifestyle risk factors which contribute to the risk of preventable serious ill-health, of which poverty is a crucial risk factor. The assessment process requires healthcare professionals to consider whether a patient has money worries or other life stresses which may be affecting their health and wellbeing.

2.48 Again, universal primary care services are being utilised to provide both health care and non-health care solutions to health inequalities, and to identify the wider life circumstances that can help prevent serious ill-health from occurring. The approach

²⁶ Hallam (2008) Scottish Government - The Effectiveness of Interventions to Address Health Inequalities in the Early Years: A Review of Relevant Literature

²⁷ O'Donnell, Mackenzie, Platt, Sridharan, Reid, Turner, Wang (2008) National Evaluation of *Keep Well*: Interim Report: National Level. Glasgow: University of Glasgow. http://www.healthscotland.com/uploads/documents/7380KW_per_cent20Interim_per_cent20report_per_cent20National_per_cent20Final_per_cent2008.pdf

employed by *Keep Well* recognises the link between poverty and health and wellbeing, and exemplifies the commitment to service redesign and partnership working discussed in the first section.

Health Works

2.49 *Equally Well* is also informed by an understanding of the importance of work²⁸ as a key determinant of health outcomes, recognising the risks to employees who become unwell while working and the poorer health outcomes for those out of work or in insecure or poor quality work.

2.50 Health Works is another example of an early intervention strategy targeted at the working age population as well as employers and service provider staff. Health Works' strategic direction outlines a commitment to reduce ill-health caused, or made worse by work; help people who have been ill return to work; improve opportunities for those currently not in employment due to ill-health or disability; and use the workplace to help people maintain or improve health and wellbeing.

2.51 Health Works can be understood as targeting:

- people who are in work, offering early access to advice for employees and employers;
- service provider staff, to raise awareness and understanding of the link between health and work; and
- the public sector as an employer, to develop the public sector as an exemplary employer for the current workforce and as a recruiter, offering opportunities to those wishing to return to work.

2.52 Health Works has drawn upon existing evidence in developing its strategy (see Waddell and Burton in NHS Health Scotland 2010a). In particular, the evidence shows that work is generally good for physical and mental health and wellbeing and that worklessness is associated with poorer physical and mental health and wellbeing; individuals who are out of work for long periods of time due to sickness experience a drop in incomes which can result in poverty and social exclusion. There is strong evidence that employers who invest in promoting the health and wellbeing of their employees see significant benefits in improved attendance, better motivation, increased productivity and better staff retention.

Early Years and Tackling Poverty

Introduction

2.53 This section explores the impact that the Early Years Framework approach can have on tackling poverty and brings together the findings of a brief review of relevant policy and research literature. Research was reviewed from a range of national and international sources and where possible the impact of Scottish initiatives has been explored. The Early Years Framework is relatively new so there is a limited amount of research evidence for its impact on outcomes for children and young people.

²⁸ By work we mean meaningful activity. This could be paid or unpaid work, volunteering, etc

However, there is international longitudinal evidence of the impact of early years type approaches which is summarised in this chapter.

Early Years Framework²⁹

2.54 The Early Years Framework approach sets out to challenge head on the key issue that during our very earliest years and pre-birth that a large part of the pattern for our future adult life is set. The Framework states that:

“what happens to children in their earliest years says much about our society and is key to outcomes in adult life. The framework at its simplest is about giving all our children the best start in life and the steps that the Scottish Government, local partners and practitioners in early years services need to take to start us on that journey”.

2.55 Key aspects of the Framework:

- the Early Years Framework covers the period from pre-birth to 8 years old;
- early years research consistently highlights the quality of services and relationships as being the single biggest contributor to outcomes from early years services;
- Curriculum for Excellence is central to the delivery of the early years framework; and
- Getting it Right for Every Child³⁰ is a key foundation for all action with children, young people and families. The approach has established a set of 14 principles and values and 10 core components and puts the child firmly at the centre of planning and action.

The Impact of Poverty on Outcomes

- Children who grow up in poor households are more likely to have low self-esteem; play truant; leave home earlier; leave school earlier and with fewer qualifications, and be economically inactive as adults.
- Although children are less likely to be in poverty if they live with a working adult, work can fail to lift families out of poverty if it is low paid, part-time or temporary.
- Children who experience poverty may lack many of the experiences and opportunities that others take for granted and can be exposed to severe hardship, deprivation and the negative effects of inequality and exclusion.
- Experiencing poverty can impact on a child's educational opportunities. Poor children tend to have lower educational attainment and poorer health.

2.56 There is no clear cut causal link between poverty and quality of parenting. It is likely that different individuals respond in different ways to financial hardship. Factors such as family structure, neighbourhood and social support interact with parents' temperaments, beliefs and their own experiences of parenting. However, poverty can contribute to parental stress, depression and ability leading to disrupted parenting and it is this rather than poverty alone that may result in poorer long-term outcomes

²⁹ <http://www.scotland.gov.uk/Publications/2009/01/13095148/0>

³⁰ www.scotland.gov.uk/gettingitright

for children. State support can therefore play a crucial role in helping families overcome these problems.

Key Links Between the Early Years Framework and Poverty

2.57 The Early Years Framework aims to combine its approach to tackling poverty with promoting those factors that will protect children and families from its effects.

2.58 Growing up in poverty can affect every area of a child's development – social, educational and personal. As adults they are more likely to suffer ill-health, be unemployed or homeless, and become involved in offending, drug and alcohol abuse, and abusive relationships. Early intervention for vulnerable children is therefore crucial in breaking this cycle and has long been recognised as providing significant benefits in both the short and long-term for the child and the parent.

2.59 The main routes out of poverty that the Early Years Framework seeks to impact are through improving the chances of parents to secure well-paid sustainable work and improving the chances of children (in the long term) to secure well-paid sustainable work. These are achieved in the following ways:

- breaking the cycles of poverty, inequality and poor outcomes in and through early years;
- reducing child poverty;
- improving early years experiences; and
- early intervention approach (prevention).

Outcomes of early intervention

2.60 A growing body of evidence supports the value of early intervention, demonstrating both effectiveness and cost-effectiveness. In particular, interventions delivered before the child reaches the age of eight are most likely to reduce the likelihood of problematic behaviours continuing and can produce measurable benefits in attainment at primary school stage, in behaviour by about 12 and in criminality and health.

2.61 However, it is important to note that while earlier intervention is effective, evidence suggests that the effects should also be sustained over time through age-appropriate support. While early intervention does help to significantly reduce risk, it is not an "inoculation" against the development of later problems.

Economic evidence of outcomes

2.62 Scottish Government economists explored the *Financial Impact of Early Years Interventions in Scotland*³¹. The overall finding is that there is the potential to make significant savings over a person's life course, if early years interventions are effective. Published in November 2010, the main findings are below:

³¹ [The Financial Impact of Early Years Interventions in Scotland](#)

- a wide range of economic studies suggest that returns to early investment in children during the pre-birth period and up to the age of eight years old are high, but reduce the later the investment is initiated;
- financial modelling of short-term savings from investing in early years / early interventions from pre-birth to aged five suggest that there are potential net savings of up to £37.4k per annum per child in the most severe cases and of approximately £5.1k per annum for a child with moderate difficulties in the first five years of life. The short term costs of failing to mitigate against the most severe cases are incurred largely by local authorities and health services;
- the model also demonstrates that there are potential medium-term net savings to the public sector, that can be realised 10 years after the early years period. It is estimated that the total potential saving resulting from 100 per cent effective interventions early in life (pre-birth to aged eight) could initially be up to £131m per annum, in the medium term;
- in the longer term, a failure to effectively intervene to address the complex needs of an individual in early childhood can result in a nine fold increase in direct public costs, when compared with an individual who accesses only universal services. A package of effective early years interventions designed to reduce the frequency and type of service demanded by those individuals experiencing severe pathways could have a significant impact on the outcomes for those individuals, and therefore a reduction in the level of cost to the public sector. For example, a ten per cent reduction in the total cost to the public sector of an individual's severe pathway could result in a potential saving of approximately £94k per individual.

Research Evidence of Early Years Outcomes

2.63 The *High/Scope Perry pre-school study*³² was set up in the 1960s in the USA to track the effects of high quality pre-school education on children at risk of failing at school. The programme was based on a participatory learning approach and a comparison group who received no pre-school programme. The study found that adults at age 40 who had the pre-school programme had higher earnings, were more likely to hold a job, had committed fewer crimes, and were more likely to have graduated from high school than adults who did not have pre-school.

2.64 *Carolina Abecedarian Study*³³ was a carefully controlled scientific study of the potential benefits of early childhood education for poor children. It provided high quality, intensive services to infants and pre-schoolers from low income families until school start. Follow up studies were completed at 12, 15 and 21 years of age.

2.65 Findings show:

- intervention children completed more years of education and were more likely to attend a four-year college; and
- intervention children were more likely to have a skilled job (47 per cent versus 27 per cent).

³² <http://www.highscope.org/content.asp?contentid=219>

³³ <http://www.fpg.unc.edu/~abc/#home>

2.66 The *Seattle Social Development Project*³⁴ is a universal intervention in elementary schools beginning in 1981. The intervention consisted of three components: teacher training in classroom instruction and management, child social and emotional skill development, and parent workshops. The intervention positively affected mental health, sexual health, and educational and economic achievement 15 years after the intervention ended.

2.67 The *Child-Parent Centre (CPC) Programme*³⁵ is a centre-based early intervention that provides comprehensive educational and family-support services to economically disadvantaged children from pre-school to early elementary school. The CPC programme was established in 1967. Findings from the Chicago Longitudinal Study so far show the attendance at the CPC has positive impacts relating to education and youth offending.

2.68 *Head Start*³⁶ in the USA aimed to combat the cycle of poverty by providing disadvantaged three and four year olds with pre-school education and a variety of health care services that would help them begin school on an equal footing with their more fortunate peers. Support was also provided for their parents. This was then further extended to *Early Head Start*³⁷ which offered pregnant women and families with infants access to both centre-based and home-based family development services.

2.69 Research from *Head Start* and *Early Head Start* has demonstrated that early intervention can have positive results for vulnerable children's IQ, cognitive, social and emotional development, language skills, concentration and behaviour and educational attainments. In addition to short-term benefits, longitudinal research demonstrated long-term positive effects of early intervention programmes on literacy and social skills, IQ and school achievement, grade retention, placement in special education and social adjustment.

2.70 The *Nurse-Family Partnership*³⁸ (NFP) was developed in the USA, a form of which is now being piloted in the UK and Scotland. It is an evidence-based nurse home visiting programme designed to improve the health, wellbeing and self-sufficiency of young first-time parents and their children. US research findings from when the NFP supported children reach 15 show that maternal life course was still positively affected, with NFP mothers having fewer births, greater birth spacing, less welfare dependency and fewer arrests or substance-abuse impairment. All these beneficial effects applied to women who were poor and unmarried when originally enrolled in the programme.

2.71 Another example of an early intervention for parents is *Triple Ps Positive Parenting Programme*³⁹. The Triple Ps programme is an example of a universal service that also has a targeted element being piloted by NHS Greater Glasgow and Clyde and Glasgow City Council. The programme targets families who are assessed

³⁴ <http://archpedi.ama-assn.org/cgi/content/full/162/12/1133>

³⁵ <http://www.waisman.wisc.edu/cls/PROGRAM.HTM>

³⁶ Currie J, Thomas D. (1995). "Does Head Start Make A Difference?". *American Economic Review* 85 (3): 341–341.

³⁷ www.apa.org/pubs/journals/releases/dev-416885.pdf

³⁸ http://www.dcsf.gov.uk/research/data/uploadfiles/DCSF-RW051_per cent20v2.pdf

³⁹ For more information see: <http://glasgow.triplep-staypositive.net/>

as being at risk according to certain risk factors which include deprivation and poverty. Studies have shown that positive parenting can help ease hardships, such as poverty.

2.72 The findings above are supported by the *Effective Provision of Pre-School Education project (EPPE)*⁴⁰, a large-scale longitudinal study carried out in England (1997-2003) which reported that pre-school attendees showed higher cognitive attainment, sociability and concentration at school start compared with children without pre-school experience. Long-term impacts were also found.

2.73 *Growing Up in Scotland (GUS)*⁴¹ findings support the importance of the home learning environment, suggesting that although family factors such as parents education and socio-economic status can affect a child's cognitive development, the extent of home-learning activities exerts a greater and independent influence on cognitive development at three years of age.

⁴⁰ <http://www.education.gov.uk/rsgateway/DB/RRP/u013144/index.shtml>

⁴¹ <http://www.growingupinScotland.org.uk/>

3 POCKETS: ADDRESSING COSTS, MAXIMISING INCOME AND MINIMISING EXPENDITURE AS IMMEDIATE MEASURES TO ALLEVIATE POVERTY

Introduction

3.1 This chapter sets out the evidence gathered to understand better the role that income maximisation can play in tackling poverty. There are three elements to this chapter: financial capability, benefit uptake and energy costs. Financial capability has an important role to play in tackling poverty in allowing individuals and households to optimally manage whatever resources and income they have. Within this context, we also consider how efforts to increase benefit uptake aim to maximise income for key low income households. Finally, using a spotlight on energy prices, we look at how households are being supported to decrease their energy costs, within a context of increasing energy prices. Therefore this section looks at both 'increasing income' and 'minimising expenditure' elements of financial capability, and feature the role of the private sector and business levers in both the financial capability and the energy prices sections. The elements of 'pockets' considered in this chapter are relevant to all those in poverty, whether in work, able to work or not able to work.

Summary

A lack of **financial capability** can affect anyone but evidence considered by this review highlights that younger people, those on persistently low incomes, those with children and those with poor levels of education are most likely to have low levels of financial capability. There are links between poverty and financial capability: individuals may not be able to access mainstream financial products and services; individuals may not be able to choose appropriate products; individuals may be paying considerably more for goods and services and households may not be able to manage 'shocks' (such as redundancy or partnership breakup). However, the links between financial capability and poverty are not clear cut. Low income households may be making decisions, and coping in the best way they can, against the backdrop of a low income and lack of access to mainstream financial products and services.

Benefits form a key part of the income of people who are out of work or low paid (including tax credits). However, some people who are entitled to benefits do not claim them. Benefits are more likely to be claimed if there is a large amount of money on offer, if help and advice are available to the claiming person, and a significant life event, rather than gradual change, can act as a trigger. Evaluations have suggested that campaigns to help and encourage people to take up their entitlement can be successful.

There are many schemes in place to support households who may be facing hardship due to energy price changes. However many of them have been developed with the aim of reducing carbon emissions or reducing fuel poverty as well as assisting the range of lower income households. Several challenging areas have been identified:

- How to ensure L3 households in Scotland are treated equitably given the climatic differences across the UK;
- How to ensure that there are clear expectations on energy suppliers to provide fair and affordable energy prices to Scottish households (including a review of the use of pre-payment meters which act as a major contributor to the higher cost of energy for some low income families);
- How to ensure that L3 households understand how to operate their heating systems to provide them with adequate thermal comfort at lowest cost.

There is limited evidence in many areas of the real impact of activities. Key gaps are around energy behaviours, energy investment motivations, impact of tariff rule changes on low income households, pros and cons of switching tariff or provider and the impact of increased energy efficiency investment on the cost of the housing product in terms of rent or mortgage.

Tackling Poverty through improved Financial Inclusion and Capability

3.2 Financial inclusion can be conceptualised as having two components:

- consumers need access to appropriate financial services; and
- consumers need to have the skills, knowledge and motivation (financial capability) to make the most of the financial services and products.

3.3 Financially capable consumers are able to effectively manage their finances; plan ahead; efficiently select financial products and understand these products; know where, and how, to seek financial advice; and have the motivation to efficiently manage finances and effect change. There is also a supply-side aspect of financial capability – financial macro-structures need to be in place to enable increased financial inclusion and capability.

3.4 In *Achieving Our Potential* the Scottish Government made a commitment to maximise income for all by addressing the structural barriers that prevent people from prospering are removed. The Scottish Government's strategy is moving from creating products and services for the financially excluded, to focusing upon a preventative approach which ensures that people have the skills to use these products and services effectively. In August 2010 the Scottish Government published a discussion paper⁴² and evidence review⁴³ on financial capability as the starting point for development of a more co-ordinated policy.

Who lacks Financial Capability?

3.5 While a lack of financial capability can affect anyone, some groups are more affected than others. People with persistently lower incomes and fewer assets, for example, often have fewer resources to deal with consequences of financial decisions or shocks. People across society require financial management skills to be in control of their money, regardless of how much money they have. Although

⁴² <http://www.scotland.gov.uk/Resource/Doc/304557/0104164.pdf>

⁴³ <http://www.scotland.gov.uk/Topics/People/tackling-poverty/TacklingScottishPoverty/EvidenceReview>

financial management is important at any time, in the current economic downturn, reaching a wide swathe of the population is even more vital, as an increasing number of people find themselves in difficult financial situations. The groups most likely to have low financial capability are:

- younger people;
- those on low incomes;
- those with children; and
- those with poor levels of education, literacy and numeracy.

3.6 For each of these groups in Scotland those living in the most deprived areas are more likely to be managing poorly financially and to have no savings.

Links between Low Financial Capability and Poverty

3.7 Links between low financial capability and poverty are not clear cut⁴⁴. Weight needs to be given to the context in which financial decisions are made. Low income households may be making decisions and coping in the best ways they can against the backdrop of low income and lack of access to mainstream financial products and services. The main findings show:

- *Individuals may find it hard to make ends meet because of a lack of resources*⁴⁵
The evidence suggests that the unemployed and those who lack a bank account are generally good at budgeting but can find managing on a low income to be difficult because of the lack of resources which can be exacerbated by lack of access to suitable financial products and the 'poverty premium' on some services.

- *Individuals may not be able to access mainstream financial products and services*⁴⁶

Individuals may not be able to access mainstream financial products and services because of issues of geographical access, a lack of income or because mainstream financial services do not meet their needs. Those on low incomes may also face difficulty accessing credit from mainstream financial services and have to use high-cost credit providers.

- *Individuals may not be able to make well informed critical choices about appropriate products and may be paying more for goods and services*

Although doorstep money lenders may be a rational choice for some households (because there is some flexibility in repayment, it is delivered face-to-face, is not secured against other income/assets and is sometimes the only option available) they may not be able to manage the repayments if they experience a loss in income e.g. as a result of redundancy. On the other hand customers may not consider the longer-term implications of taking out these loans and may not be aware of the

⁴⁴ Financial Services Authority (2009) *The impact of life events on financial capability: Evidence from the BHPS* <http://www.fsa.gov.uk/pubs/consumer-research/crpr79.pdf>

⁴⁵ Financial Services Authority (2006). 'Financial Capability in the UK: Establishing a Baseline'. (London: Financial Services Authority)

⁴⁶ Financial Inclusion Taskforce (2010). 'Mainstreaming financial inclusion: Managing money and access to banking'. (London: HM Treasury)

savings they could make by shopping around for alternative products or be thinking about what they could do with the money they save.

- *Households may fall into debt because of 'shocks' (e.g. a faulty washing machine, burglaries, redundancy or relationship breakdown) they do not have the resources to cope with*

Evidence reviewed highlights that shocks or trigger events are the main cause of households falling into debt. These include everyday occurrences, such as a faulty washing machine, and/or a fall in income through redundancy, relationship breakdown, ill health and poor financial management. These shocks and trigger events can have cumulative effects, affecting employment status, health and wellbeing and ability to manage household finances⁴⁷. There are also strong links between debt and stress, which can have an impact on both mental and physical health.

It is mostly a lack of insurance and savings that makes low income households especially vulnerable to financial problems following these shocks or trigger events as they lack a safety net. Low income households may not be able to afford to take out home content insurance or their insurance cover may lapse if money becomes tighter; insurance providers may not target those living in low income areas; and the way in which premiums are collected may not suit the needs of these consumers. In the UK low cost contents insurance is often available to tenants in social housing through insurance with rent and other schemes.

- *Individuals may not be making plans for the future e.g. making non-retirement saving and saving for retirement*

The literature suggests that non-retirement saving is not a priority for low income groups⁴⁸ and that rates of saving increase with income - saving can be difficult for those on low incomes and the repayment of existing debts may be prioritised. Saving for retirement may also not be a priority. Individuals may have a short-term outlook (e.g. because of current financial pressures) and retirement income may only become a more pressing issue as individuals get older, when the time left to start saving will have decreased.

- *Individuals may be compromising their employability*

Unemployment has been linked to financial capability, with the unemployed having fewer resources to make ends meet than those in employment. Becoming unemployed has been found to increase financial problems. Once unemployed, people may find it hard to meet debt repayments. People may not be able to make the most of work opportunities as they may not have the money to pay for transport and smart clothing in order to attend interviews, thus constraining the scope of the job search. Poor financial capability can also have an impact on an individual's ability to sustain new employment, making the transition from benefits to earned income and coping with the costs of working and possibly also becoming liable for debts which were frozen while on benefits. Those in work can also suffer the

⁴⁷ Ben-Galim, D. and Lanning, T (2010). 'Strength against shocks: Low income families and debt'. (Institute for Public Policy Research)

⁴⁸ Hellebrandt, T; Pezzini, S; Saleheen, J and Williams, R (2009). 'The financial position of British households: evidence from the 2009 NMG survey'. *Quarterly Bulletin* 2009 Q4

consequences of a lack of financial capability with financial stress being linked to absenteeism from work.

- *The effects of a lack of financial capability may be felt by the wider community (externalities)*

A lack of financial capability not only influences individuals but affects, and is affected by, their wider family and social networks. Families, friends and neighbours are often an important source of information about financial decisions and can shape attitudes towards the importance of financial products and services. Due to the lack of flexibility in mainstream financial services, and the costs associated with high-cost credit providers, low income households may prefer to borrow money from family and friends or go without.

The consequences of poor financial capability may cost the public purse through the provision of debt advice, health problems related to stress, legal aid, support from social services and evictions due to rent arrears⁴⁹. Local economies may suffer as a result of the lack of financial capability in the population. For example, people may not be aware of all their benefit entitlements and this can affect the local economy as this is where they are likely to spend any extra income.

Tackling Poverty Through Financial Capability

3.8 Having drawn attention to the links between low financial capability and poverty this section considers how poverty can be tackled through initiatives to increase financial capability. It highlights the need for targeted education and advice that addresses an individual's attitudes and motivations; and the necessity for the financial infrastructure to accommodate the needs of low income groups.

- *Education and advice needs to be targeted across the life course and be relevant to individuals*

The Scottish Government and others have supported financial education in primary and secondary schools curriculum through Learning and Teaching Scotland's Scottish Centre for Financial Education. The new Scottish *Curriculum for Excellence* includes the development of financial capability through the numeracy element which is the responsibility of all teachers.

Attitudes towards money are not only formed at an early age and initiatives should be targeted towards individuals at key points across the life-course⁵⁰. People's lives are dynamic. Therefore, a holistic and life-course approach needs to be taken to financial education and advice. Financial education and advice is especially important at transitions points in people's lives such as the birth of a first child and the start of a new job both because there will be an impact on their finances and because people may be more receptive to new ideas and behaviour change.

⁴⁹ Controller and Auditor General (2010). 'Business, Innovation and Skills - Helping over- indebted consumers'. (National Audit Office)

⁵⁰ Dearden, C; Goode, J; Whitfield, G and Cox, L (2010). 'Credit and debt in low-income families'. (Joseph Rowntree Foundation)

- *Financial education can be delivered through the workplace and community settings to ensure the specific needs of different parts of the population are met.*

Evidence examined for this review suggests that the most effective way in which to tackle financial exclusion, a lack of financial capability and poverty is through joint working. A range of sectors and agencies can also be involved in delivering financial education and advice in a variety of settings across the life course. This reflects that individuals may not seek advice only from the mainstream sector but also the community sector and informally.

Many of the individuals and groups for whom financial learning can have a significant impact may also be those in need of literacy and numeracy support. At the same time, money provides a context which is relevant to adults' lives; and approaches to adult literacy in Scotland acknowledge that people are likely to learn more effectively if that learning is relevant and rooted in real, everyday contexts.

- *In order to be effective financial education and advice needs to address an individual's attitudes and motivations*

Economic psychology, behavioural economics and behaviour change theory highlight that financial education strategies need to be able to change behaviour rather than merely imparting information⁵¹. US research has indicated that levels of financial literacy are linked to motivation and to specific goal-orientation (e.g. saving to buy a house) and that the role of individual knowledge and skills should not be overplayed.

Researchers have considered ways in which to change financial behaviour. It has been argued that in order to increase financial capability there is a need to change the environment in which financial decisions take place.

- *Low income groups need more access to financial products and services*

As highlighted earlier, those on low incomes may find it difficult to access mainstream products and services because of their needs. Decisions (e.g. to use doorstep money lenders) may not necessarily be solely indicative of low financial capability, but rather of a lack of access to mainstream financial service providers. Households may simply be coping the best they can with the constraints of their low incomes. However, there are alternatives to mainstream financial services that may be able to provide the low level loans⁵².

Tackling Poverty Through Increased Benefit Uptake

Background

3.9 The following section explores the evidence on links between benefit uptake and poverty. One of the major policy strands of *Achieving Our Potential* aims to reduce Scottish income inequalities by maximising the incomes of households containing the poorest people. While the income maximisation-tackling poverty link appears

⁵¹ For example: Oehler, A and Werner, C (2008). 'Saving for Retirement - A Case for Financial Education in Germany and UK? An Economic Perspective'. *Journal of Consumer Policy*, 31, (3): 253-283

⁵² Department of Work and Pensions (2010). 'Income-related benefits: estimates of take-ups 2008-2009'. Available at: http://statistics.dwp.gov.uk/asd/income_analysis/jun_2010/0809_Summary.pdf

clear, it is useful to articulate the links to ensure that potentially useful policies are not overlooked, nor are the perverse effects of some policies not accounted for.

Income Maximisation

3.10 Incomes can be maximised for workless households by ensuring benefit entitlements are paid, barriers to work are removed, and support is provided for transitions to work and to maintain and support individuals in work. Among income-maximisation policies for low income households, increasing take-up of income-related benefits and tax credits⁵³ has a high potential impact on poverty. For manageability reasons, the focus of this paper is restricted to take-up for DWP income-related benefits. The table below shows the current take-up rates for major benefits, in terms of both caseload and expenditure. The figures are for Great Britain, but there is no evidence to suggest a systematic variation between Scotland and the rest of GB.

Mid-Range take-up rate estimates for income-related benefits in Great Britain 2008-09

	Take-up by caseload	Take-up by expenditure	Difference
Income Support (IS), and Employment and Support Allowance (ESA)	84 per cent	90 per cent	+5 per cent
Pension Credit	68 per cent	76 per cent	+9 per cent
Housing Benefit	82 per cent	86 per cent	+5 per cent
Council Tax Benefit	66 per cent	69 per cent	+3 per cent
Job-Seeker's Allowance (Income-based)	53 per cent	56 per cent	+3 per cent

Source: Department for Work and Pensions (2010) *Income Related Benefits Estimates of Take-Up in 2008-09*.

3.11 Differential take-up rates between benefits, and between caseload and expenditure – with caseload being defined as the percentage of eligible people claiming the benefit, and expenditure being the proportion of the total amount of entitlement which is claimed - are discussed later in this chapter.

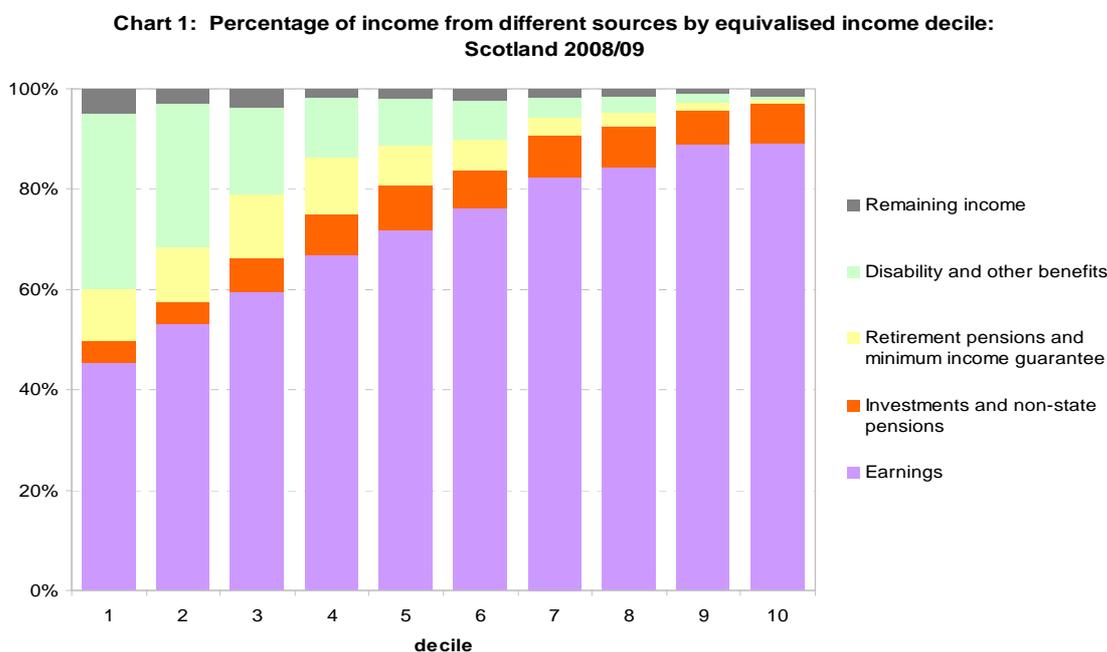
3.12 The focus in this discussion is on those who are income poor in standard UK terms (that is they live in households with equivalised incomes that are below 60 per cent of UK median equivalised income). For some, poverty is temporary while for others it is persistent. For some work is a possible route out of poverty while for others it is not.

3.13 Since DWP's benefits are means-tested, increasing take-up rates increases income flowing to the lowest deciles. Increasing take-up should raise the lowest deciles' share of total income⁵⁴, moving Scotland closer to achieving the Scottish Government's Solidarity purpose target⁵⁵.

⁵³ In UK accounting terms, benefits are not treated as part of the production that goes to make up GDP. They are regarded as transfers to households and what is one household's gain is a loss in the form of tax payments for other households or firms. However, there is an advantage to Scotland that accrues from raising benefit levels in Scotland. Since benefits are transfers from Westminster, raising benefit take-up in Scotland without raising it in the rest of the UK has the effect of raising Scottish incomes relative to the rest of the UK. This is a net gain to Scotland and a net loss to the rest of the UK. It is not an issue for Scotland since the rest of the UK is free to undertake similar programmes.

⁵⁴ The measure chosen for measuring the level of overall income in Scotland in the National Performance Framework is Gross Disposable Household Income (GDHI). Estimation of GDHI relies

3.14 In general, increases in benefit take-up should increase the household income of those at the lower end of the income distribution relative to those at the upper end. This is because the absolute amount of benefits is largest for the lower deciles. The relative importance of benefit income by deciles is shown in the chart below.



3.15 There is a straightforward positive relationship between increasing the levels of benefit take-up and increasing gross disposable household income (GDHI). In addition, as GDHI rises with rising benefit take-up levels, there is an unambiguous decrease in the numbers of people living in poverty.

3.16 Provided the increase in benefit take-up occurs mostly for households below the median level of income, its effect on median income should be negligible. Consequently, the numbers of those rising above the poverty line will not be reduced by any people falling into poverty as a result of a rising poverty line.

Barriers to Take-up

3.17 Reasons for not taking up benefits range from the stigma associated with taking “hand-outs”, to issues regarding the complexity of the system, or poor previous experiences of claiming benefits. Complexity issues are also relevant with regard to encouraging people off benefits and into employment. Unless an individual has confidence that the benefit system will adapt to changing circumstances and provide an adequate standard of living, they are less likely to be prepared to take on new opportunities or accept employment. Differences in cultural and social practices, behaviour and attitude to claiming entitlements among minority ethnic groups can create additional barriers to take-up. These may be exacerbated by poor language

on data collected for the annual *Family Resources Survey (FRS)*. In its definition of income the *FRS* includes wages and salaries, property income, and benefits but only a limited range of non-cash benefits. Increasing non-cash benefits of the poor outside the range that is included in the *FRS* will increase their welfare but not change the measure of their welfare that is used.

⁵⁵ This target is set out in the *Government Economic Strategy* and is “to increase overall income and the proportion of income earned by the lowest three income deciles as a group by 2017”.

and literacy skills which act as an impediment to making claims, with those affected finding it difficult to fill in appropriate forms and lacking confidence to seek advice (Barnard and Pettigrew, 2003)⁵⁶.

3.18 Since the benefits being considered are income-related and reduce as people's income rises, we expect that people on lower incomes are more likely to make claims than those with higher incomes. This is confirmed generally by observing that all estimates of take-up by expenditure are larger than estimates of take-up by caseload. Take-up of Council Tax Benefit (CTB), Housing Benefit (HB), and Income Support (IS) among pensioner households was analysed by Hancock *et al* (2003)⁵⁷ using FRS survey data between 1997 and 2000. They found that over one third of pensioners in their sample were failing to claim at least one of these benefits (caseload), but only one in six of these would have received an increase in their income of 10 per cent or more if they claimed their entitlement to all these benefits (expenditure).

3.19 Van Oorschott (1996)⁵⁸ found that people are more likely to make an application for a benefit if a 'significant event' (losing a job, retirement, having a child) acts as a 'trigger' for the application. Those facing a more gradual change in circumstances might not benefit from such a 'triggering' effect. Among pensioners, a more gradual erosion of private sources of income (such as occupational pensions that are not regularly updated) might not trigger awareness of the benefits that could be claimed.

Effectiveness of campaigns to increase take-up rates

3.20 There are two elements to increasing benefit take-up among eligible non-claimants. The first is to find better ways to identify and reach such people; the second is to ensure that the process they encounter is appropriate and positive, and that they decide to claim what they are entitled to. Essentially, schemes need to identify, 'locate' and understand the circumstances of the eligible non-claimant before tailoring the process and the service through which the benefit will be administered.

3.21 Partly due to the range of benefits being targeted at many different groups and individuals, there are a plethora of targeted campaigns administered by local authority, agency, charity and national bodies, as well as some private firms, such as energy companies. Programmes to improve the take up of benefits generally seem to operate a broad brush approach, adopting a range of measures operating at various levels and targeting a wide number of individuals and groups. This approach makes distinguishing the separate elements of the campaign (and their attributable change) challenging.

⁵⁶ Barnard, H. and N. Pettigrew (2003). 'Delivering benefits and services for black and minority ethnic older people', *DWP Research Report No. 201*, (London: DWP). Available at: http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_201.asp

⁵⁷ Hancock, Ruth, Stephen Pudney, Geraldine Barker, Monica Hernandez, and Holly Sutherland (2003). 'The Take-Up of Multiple Means-Tested Benefits by British Pensioners: Evidence from the Family Resources Surveys', *Mimeo* University of Leicester. Available at: <http://www.le.ac.uk/economics/spe/multitakeup.pdf>

⁵⁸ Van Oorschott, W. (1996) 'Modelling non take-up', in W. Van Oorschott (ed). *New Perspectives on the Non-Take-up of Social Security Benefits*. (Tilburg: Tilburg University Press).

Evaluations

3.22 Across these campaigns, there are remarkably few outcome evaluations of the change achieved as a result of the specific intervention, and increases in take-up rate are noted as measures of success (but cannot always be attributed to the interventions alone). The literature on the barriers facing, and characteristics of eligible non-claimants is much more established and extensive than the evidence on the impact of schemes aimed at increasing take-up (which are many). The need for more thorough evaluation is recognised by DWP, and a number of studies are expected in 2011.

3.23 Such evaluations as there are have shown that a relatively high rate of return can be achieved from benefit take-up campaigns. For example, a Citizens Advice Bureau study (2003)⁵⁹ suggests that for every £1 spent on a campaign, £85 in additional benefit was claimed. However, the weight given to these and other evaluations should be limited by the fact that the evaluations are not of the independence and robustness that would be desirable, with programmes being evaluated, or evaluations commissioned by those who are carrying out the programmes in the first place.

Tackling Poverty Through Supporting Those Facing Hardship as a Result of Energy Prices

Background

3.24 The final section in this chapter explores the evidence about those facing hardship as a result of energy prices. One of the primary requirements for a comfortable home is energy. Within the home energy is required to heat space and water as well as to cook, power lights and power kitchen and home entertainment appliances. High and rising energy prices can mean that households on lower incomes experience difficulties in paying their bills resulting either in debts to energy companies or households living in under-heated homes. In November 2010, 37 per cent of Scottish households⁶⁰ were estimated to be in fuel poverty⁶¹ with 73 per cent of the fuel poor also being in the lowest three income deciles. A 2008 Scottish Government report on fuel poverty also indicated that levels of fuel poverty are highest in owner-occupied dwellings and lowest in the social rented sector⁶².

3.25 The amount of energy required to heat space and water will depend on the type and efficiency of the heating system alongside the amount of insulation to the loft, walls, floor, windows, pipes and tanks. The amount of energy required to power

⁵⁹ Citizens Advice Bureau (2003). *Serious benefits: The success of CAB benefit take-up campaigns*. (London: CAB). Available from:

http://www.citizensadvice.org.uk/index/publications/serious_benefits.htm

⁶⁰ <http://www.scotland.gov.uk/Publications/2010/11/23125350/0>

⁶¹ Fuel poverty is defined as the need for a household to spend over 10 per cent of its income to achieve temperatures required for health and comfort. It arises from a combination of three factors: low income, fuel costs and energy efficiency, and is therefore intimately linked to housing condition and costs since households on low income tend to live in poorer quality housing. A household can be fuel poor even if it is in receipt of a relatively high income, depending on the price of fuel and the energy efficiency characteristics of buildings.

⁶² <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/access/FP/fuelpovertyreview>

lights and appliances will depend on the efficiency rating of the appliances. Over time the energy efficiency standards of many homes have improved, energy efficiency standards of lights and appliances have also improved, but households own more lights and appliances so energy usage has remained relatively stable.

3.26 In 2008, energy prices in the UK remained below average when compared to other European countries⁶³. However prices have continued to rise⁶⁴ with the average standard credit bill for gas in Scotland increasing by £147 between 2008 and 2009 (a 75 per cent real increase since 1999) and the average standard credit bill for electricity increasing by £58 between 2008 and 2009 (a 35 per cent real increase since 1999). Tariffs on prepayment bills tend to be higher⁶⁵ and rise faster than standard payments. Over one in five L3 households use prepayment meters (22 per cent compared to 14 per cent of other households). Therefore, increased prices in this area compound the impact of rising energy prices on poorer households.

3.27 With rising concerns about climate change requiring additional expenditure on renewable energy infrastructure, as well as the long-term security of energy supplies, and rising gas and oil prices on the global markets it is highly likely that energy prices will continue to increase over the next decade.

Key Activities to Address Energy Price Impact

3.28 The full paper identifies a range of activities and policies that have directly or indirectly impacted on the ability of low income households to cope with fuel price rises. The known or intended impact of these activities on three key outcomes are identified through a logic model. Much Scottish activity has been driven by the longstanding declared aim of reducing fuel poverty. However, the desire to reduce carbon emissions from the domestic sector has more recently driven EU, UK and Scottish activities to help households reduce energy consumption which should in turn reduce fuel bills.

⁶³ Europe's Energy Portal <http://www.energy.eu/#Domestic>

⁶⁴ <http://www.decc.gov.uk/en/content/cms/statistics/source/prices/prices.aspx>

⁶⁵ Some providers have tariffs significantly higher than the best buy rates available to customers who choose to pay on-line by direct debit.

KEY CURRENT POLICY (black EU, red UK, Blue Scotland)

Regulation	Product standards for lighting and appliances Requirement for Energy Performance Certificates (EPC) for prospective buyers and tenants Building Standards for new homes and major conversion or refurbishment New energy efficiency regulation for the domestic sector
Fabric upgrades	Carbon Emissions Reduction Tariff (CERT) – due to end in 2012 and be replaced by a new scheme Scottish Housing Quality Standard (SHQS) Home Insulation Scheme (HIS) Energy Assistance Package (EAP) Incentives for private landlords (LESA)
Financial assistance	Winter fuel payment Cold weather payment Green Deal funding – new policy area with little detail available at this stage. Benefits checks through EAP
Energy price assistance	Social tariffs Renewable tariffs Prepayment cards
Information	Improved bill information SMART meters Energy Savings Scotland Advisory Centres and LA schemes Scottish Centre Regeneration Learning Network

Evidence of the Contribution of Activities in Assisting Households experiencing Hardship as a Result of Fuel Prices

Outcome One – Making homes more energy efficient

There is an established evidence base that fitting basic energy efficiency measures to a home will reduce energy demand and thereby reduce fuel bills⁶⁶ enabling many households to heat their homes adequately. Many policy programmes and activities assist households with installing energy efficiency measures in their home, with low income households often getting the measures free through programmes such as the Energy Assistance Package or the CERT programme. Data is regularly published by DECC and Energy Savings Trust showing how many measures have been fitted by different programmes.

3.30 However, this simple picture is clouded by two sets of factors. The first relates to whether the energy efficiency measure actually leads to a change in energy behaviours and a reduction in energy usage and fuel bills. Most energy efficiency analysis relies on modelled information meaning there is a lack of real understanding of energy behaviours and specifically whether households do choose to reduce energy usage or take additional thermal comfort, known as rebound⁶⁷. It is currently

⁶⁶ Scottish Government, 2009, Conserve and Save <http://www.scotland.gov.uk/Publications/2009/10/16124856/7> or WWF, 2009 How Low report http://assets.wwf.org.uk/downloads/how_low_report.pdf backed by considerable academic literature

⁶⁷ a possible behavioural response when heating costs fall is for the household to raise the internal temperature further for improved comfort. Responses such as this, which offset the energy savings calculated on a purely technical basis, are classed as examples of what is now known as the direct 'rebound effect'

considered that around 15 per cent of fuel savings are taken as rebound but this could be significantly higher amongst fuel poor households⁶⁸.

3.31 The second set of factors relate to the motivation to improve energy efficiency. Even in households where there are clear financial benefits to fitting measures there is often a reluctance due to a range of factors such as cost effectiveness, hassle, and for many L3 households the fact that they rent their home means that the landlord needs to be persuaded to pay for the improvement⁶⁹. The combination of factors means that programmes aiming to install energy efficiency measures often get very low take-up rates. For example the Phase 1 Home Insulation Scheme approached 100,000 homes, gave energy advice to half of these but as of December 2010 have installed less than 5,000 measures through the programme⁷⁰. Finally there is the complexity of a correct technical solution. Fitting energy efficiency measures retrospectively to the Scottish housing stock is fraught with difficulties because there is often no clear consensus on the technical solution required⁷¹ or the solution is prohibitively costly.

3.32 *outcome 2 – To make energy bills more affordable*

The Scottish Government's Energy Assistance Package, which takes referrals from the area-based Home Insulation Scheme as well as through many other agencies including the ESSAC network, provides a benefit check to households. Programme statistics are published on the website where it is clear that the programme does assist some households to increase their income by accessing the full range of benefits to which they are entitled. The latest figures (April 09 to Feb 10) suggest that around 9,300 people took up income maximisation referrals with 143 people found to be eligible for additional benefits, gaining an average additional £1,586 per annum.

3.33 The UK Government also has two specific financial policies for households to help with energy bills; the winter fuel payment and the cold weather payment. All pensioners over 60 are granted a winter fuel payment of £250 whilst over 80s receive £400 and in extreme winter conditions there is an additional cold weather payment⁷². These payments will increase income to eligible older L3 households. In Scotland the Energy Assistance Package will help households think about switching provider or tariff to reduce their bills. Tariff structures themselves are set by Energy Supply Companies and regulated by OFGEM. It is not a devolved responsibility. However OFGEM has in recent years introduced new rules to reduce excessive price rises for prepayment meters and in 2007 energy companies began to introduce a new social tariff for more vulnerable households. It is not yet known the full impact of either of these changes, although in the first year of the Energy Assistance Package of the 3,787 households referred for consideration on a social tariff, only

⁶⁸ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/DEMSCOTfuelpricemodelling>

⁶⁹ http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/saving_energy/analysis/analysis.aspx

⁷⁰ <http://www.energysavingtrust.org.uk/scotland/Scotland-Welcome-page/At-Home/Home-Insulation-Scheme/2010-11-statistics-Phase-1>

⁷¹ <http://www.scotland.gov.uk/Publications/2008/10/17095821/0>

⁷² The cold weather payment is an additional £25 paid to eligible low income households when the average temperature is recorded as, or forecast to be, zero degrees Celsius or below over seven consecutive days during the period from 1 November to 31 March.

331 households were moved to a social tariff with an average annual reduction of £127⁷³.

3.34 Again programmes appear to be having a beneficial effect on incomes. However, there are a number of factors which may reduce or even negate this impact. First the UK payments are primarily targeted at all older people meaning that almost half of L3 households do not get any help with winter fuel costs. Secondly, the payments do not take any account of regional differences in weather, so a household in Devon would receive exactly the same fuel payment as a household in Grampian with a much colder climate and longer heating season. Thirdly, the cold weather payment is based on average temperatures whereas household fuel bills are strongly influenced by wind chill effects rather than absolute temperature. Hence, older L3 households in Scotland do benefit from these policies but their relative impact is less than would be experienced by households in other parts of the UK with less inclement climates.

3.35 There are also disbenefits from current policies that mean that while they improve a dwelling's energy efficiency they may reduce income for L3 households. The key UK policy to improve energy efficiency is CERT whereby energy suppliers earn carbon points for providing energy measures to homes. This policy has substantial ability to assist lower income households who may get the measure for free. However, the picture is not simple when considered through a L3 lens because the cost of the CERT scheme (figures quoted vary from £38-£42 per bill per household) increases energy bills. Current analysis by DECC suggests that domestic retail gas prices are estimated to be 18 per cent higher and retail electricity prices 33 per cent higher in 2020 due to energy and climate change policies (compared to prices in 2020 without policies)⁷⁴.

3.36 Likewise some of the programmes to improve energy measures such as the Scottish Housing Quality Standard for social housing, changes to Building Regulations for new housing and improvements to homes by private and social landlords may increase the cost of the housing product. There is no clear evidence base on this yet.

3.37 *Outcome 3 – to assist households to better understand energy usage in the home*

As noted above the development of policies and programmes based on fuel poverty, layered by policies and programmes based around carbon emissions has led to a plethora of advice and information agencies at local regional and national level. However it appears from the evidence that consumers remain confused as to how to reduce energy demand, how to reduce fuel bills, and where to go for help.

3.38 Research consistently reports that most people are unaware of how much energy they use, what tariff they are on (82 per cent do not know this) (EST, Green Barometer 4, March 2008) and how they can reduce their personal carbon footprint. A literature review commissioned by Defra focuses on the effectiveness of feedback

⁷³ Social tariffs are based on current bills so if a lower income household under-heats their home they may not be eligible for a social tariff. If the tariff was based on a standard heating regime more lower income households may become eligible.

⁷⁴ http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/markets/impacts/impacts.aspx

to householders, and specifically the literature on metering, billing and displays (Darby, 2006). As Darby notes “Domestic energy consumption is still largely invisible to millions of users and this is a prime cause of much wastage” (p17). Overall, the Defra review makes a strong case for feedback as an effective and necessary tool in reducing domestic energy consumption although some more recent work has questioned the longevity of any such change⁷⁵.

3.39 Research⁷⁶ also suggests that many households do not know how to manage their heating, especially if they are using newer forms of heating such as heat pumps.

3.40 An independent review of energy efficiency found that the landscape for delivering advice was in need of simplification⁷⁷. In response, the Scottish Government established the Energy Saving Scotland advice centre network, providing a 'one-stop-shop' for advice on a range of issues, including energy efficiency, microgeneration, personal transport and fuel poverty through the Energy Assistance Package. There has been no further evaluation of how the ESSac network is providing a clear and simple route to advice. However there is also some limited evidence that advice may be more effective if given face-to-face and by a known and trusted local source rather than an impersonal national source⁷⁸. Thus there is a balance to be reached between a suitably clear simple picture for low income households to navigate, and finding an approach where households are comfortable in approaching and acting on advice given.

⁷⁵Relevant articles can be found at

<http://www.informaworld.com/smpp/title~content=g926280309~db=all>

⁷⁶ <http://www.energysavingtrust.org.uk/Generate-your-own-energy/Heat-pump-field-trial>

⁷⁷ Halcrow, 2008 Review of energy efficiency and microgeneration support in Scotland
<http://www.scotland.gov.uk/Publications/2008/05/30140737/0>

⁷⁸ For example WWF's publication Street by Street
http://scotland.wwf.org.uk/search_results.cfm?searchText=street+by+street

4 PLACES: ECONOMIC RATIONALE FOR SPATIAL DIFFERENCES IN SOCIAL OUTCOMES

Introduction

4.1 Poverty is more than just about income and income inequality, but it is difficult to argue that it is not a significant factor. Similarly, personal incomes are not always related to the wider economic performance of the location where that person lives and/or works, but more often than not it is likely to be a contributory factor. Therefore, place matters when it comes to economic performance and social outcomes. There are significant spatial differences in both economic and social indicators within most developed economies and the same applies for Scotland whether its comparing, for example, Glasgow and Edinburgh or even at a much lower spatial scale when comparing the east of Glasgow with the west. This section provides an economic rationale for why social indicators may vary from one place to the next⁷⁹. An additional sub-section also considers the important role of housing. Below is a summary of this section.

Summary

- Markets do not always function well i.e. there are failures in the market that prohibit efficient adjustment to, for example, economic shocks which can then lead to undesirable social outcomes.
- The severity of market failures varies across different places and there are place specific factors that can combine with market failures to accentuate economic problems and social outcomes.
- There has been a lack of convergence in social outcomes at the regional level. Moreover, this is also the case for areas at a much smaller spatial scale such as within towns and cities.
- Tackling market failures effectively will help improve economic efficiency and increase growth, thereby reducing both inequalities in social outcomes and the absolute numbers of those in poverty.
- However, it is crucial to note that even where market failures have been overcome, economic theory suggests that convergence between places in terms of income per head may still not occur. This is due to, for example, differences in natural endowments and the existence of agglomeration/clustering.
- Housing interacts significantly and directly with poverty, with poorer people tending to live in poorer types of housing. This may be exacerbated by changes to Housing Benefit which will affect poorer households in the private rented sector, raising demand for social housing.

⁷⁹ The economic analysis in this section is largely underpinned by various publications from the then Office of the Deputy Prime Minister, the Department for Communities and Local Government and HM Treasury. For example, see DCLG (2007). A Framework for Intervention: Economics Paper 1 – A Framework for Intervention; HM Treasury (2007). Review of Sub-National Economic Development and Regeneration and ODPM (2006). An Exploratory Assessment of the Economic Case for Regeneration Investment from a National Perspective. See also <http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/discussion/resources/rationale>

Economic Rationale for Spatial Differences in Social Outcomes

Efficiency

4.2 Economic theory demonstrates that well-functioning markets⁸⁰ will result in an efficient⁸¹ economic outcome. The market ensures this efficiency through the operation of the so-called *invisible hand*⁸². However, in practice, markets do not always function well i.e. there are failures in the market⁸³ that prohibit efficient adjustment to, for example, economic shocks which can then lead to undesirable social outcomes.

Drivers of Spatial Differences in Social Outcomes

4.3 Social outcomes are very clearly not uniform across the country or even over far smaller spatial scales. Clear data are available, via the Scottish Index of Multiple Deprivation (SIMD, see below), that strongly and comprehensively illustrates the spatial concentration of poverty and other factors detrimental to wellbeing – poor health, limited education standards, crime and low quality housing. These relationships are clearly complex and in many cases persist over the medium to long term rather than having immediate impacts. As such, whilst it is difficult to prove causality between poverty and place rather than between individuals and poverty, it is extremely clear that the spatial correlations between the two are extremely high.

4.4 The severity of market failures varies across different places and there are place specific factors that can combine with market failures to accentuate economic problems and then social outcomes. Where these market failures occur, areas can struggle to respond to economic challenges and identify new opportunities. This can lead to such areas being left behind, sometimes over a period of many generations as market failures are reinforced and poverty and social exclusion become entrenched.

4.5 Economic convergence theory suggests that when regions or areas are fully economically integrated with well-functioning markets, firms and people will move so that income inequalities are reduced. Firms will have an incentive to set up in the poorer performing areas because of lower labour costs, thereby creating employment and opportunities for people to move out of poverty. Workers will tend to flow from the poorer area to the wealthier, as they seek better employment opportunities and higher wages. As a result, labour supply in the poorer regions will reduce, pushing up income levels, while the number of workers will increase in the richer regions, slowing wage growth and, as a result, reducing economic and social inequality with the poorer region.

⁸⁰ A market in this context is an economic system where buyers and sellers exchange goods and services for money.

⁸¹ In this context, an efficient market is defined as one where no-one else can be made better off without making another worse-off (see also *pareto optimal*).

⁸² In economics, the invisible hand, is the term used to describe the self-regulating nature of the marketplace. This is a phrase first coined by the economist Adam Smith in *The Theory of Moral Sentiments*. The invisible hand is created by the interaction of self-interest, competition, and supply and demand, which Smith noted as being capable of allocating resources in society.

⁸³ In this context, the key market failures can be regarded as externalities; public goods; merit goods; information failures and coordination failures.

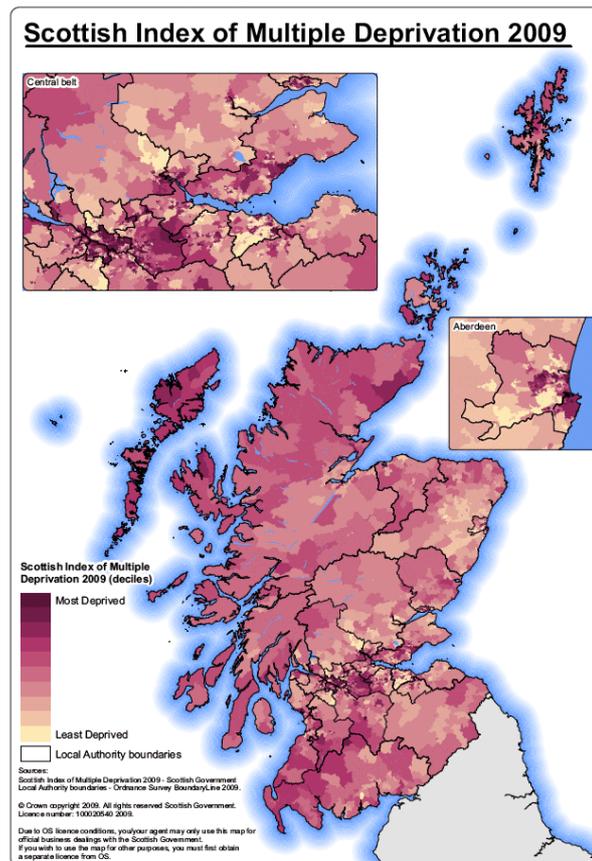
4.6 However, experience has shown that regional economic performance has not converged in practice. Income per head growth rates data for 1971 – 2001 show that both the size of regional differentials and the relative ranking of regions has not markedly altered over that period. In addition, it is clearly evident that there has been a lack of convergence in social outcomes at the regional level. Moreover, this is also the case for areas at a much smaller spatial scale such as within towns and cities.

4.7 The Scottish Index of Multiple Deprivation (SIMD) (<http://www.scotland.gov.uk/Topics/Statistics/SIMD>) has been used to highlight areas of multiple deprivation across Scotland, and track their progress.

4.8 SIMD identifies small area concentrations of multiple deprivation across all of Scotland in a consistent way. It combines 38 indicators across 7 domains, namely: income, employment, health, education, skills and training, housing, geographic access and crime.

4.9 Whilst SIMD 2009 does show some changes in the areas of Scotland which have the highest concentrations of multiple deprivation, around four in every five datazones (81 per cent) that were in the 15 per cent most deprived on SIMD 2004 are still in the 15 per cent most deprived on SIMD 2009.

4.10 Glasgow continues to have the highest concentrations of multiple deprivation in Scotland but it has seen a fall between SIMD 2004 and SIMD 2006 and again to SIMD 2009. This fall has meant increases in other local authorities due to the relative nature of the SIMD, however the *concentrations* of deprivation are becoming more spread out across the country.



4.11 This spreading of concentration is illustrated by the fact that the five local authorities with the most datazones in the 15 per cent most deprived in SIMD 2004 contained two thirds of the 15 per cent most deprived datazones in Scotland but by SIMD 2009, the five local authorities with the highest numbers of deprived datazones contained only 57 per cent of the deprived datazones in Scotland, with the 7 highest local authorities containing two thirds of the deprived datazones.

4.12 Between the versions of SIMD (2004, 2006 and 2009) there is some very limited movement of datazones into and out of the 15 per cent most deprived. The degree of churn is relatively low. Eighty one per cent of datazones which were in the bottom fifteen per cent in SIMD 2004 remained in the bottom fifteen per cent in SIMD 2006 and SIMD 2009. Where there are improvements relative to other areas they

are generally small and most areas which moved out of the 15 per cent most deprived moved from just below the threshold to just above it.

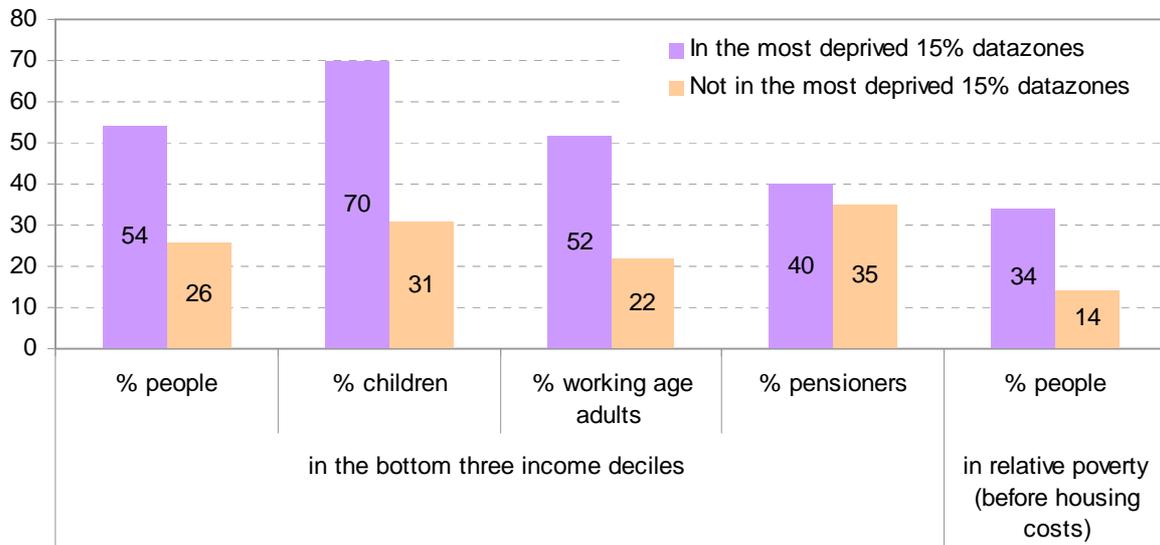
4.13 Of the datazones in the 15 per cent most deprived in SIMD 2009, almost all the datazones in the 5 per cent most deprived have remained in the 15 per cent most deprived since SIMD 2004. 41 per cent of the datazones in the 10-15 per cent most deprived have moved into the 15 per cent most deprived since SIMD 2004. This suggests that the areas with the highest concentrations of deprivation are staying in the 15 per cent most deprived but there is movement in and out of the 15 per cent from areas near the cut off.

4.14 The extent of population churn between areas is difficult to measure. However, there is evidence that its net effect is for poorer people to move into, and for more well-off people to move out of, deprived areas. This means that area-based regeneration initiatives are fighting against the flow of population churn. Researchers at Glasgow University examined the flow of people moving around within the UK (although they ignored people moving into or out of the UK) using data from the 2001 census and their findings supported this. However they found that the overall effect of this flow on the composition of deprived areas was modest, around 1 or 2 residents per thousand per year. See Bailey and Livingston (2007).

4.15 People in the lowest three income deciles are more concentrated in the 15 per cent most deprived datazones than the rest of the country. The chart below shows that in the most deprived datazones 54 per cent of people are in the lowest three income deciles compared to 26 per cent in the rest of Scotland. This difference is larger for children and working age adults. For pensioners however there is little difference between the 15 per cent most deprived areas and the rest of the country. This suggests that whereas low income families with children are more concentrated in deprived areas, low income pensioners are spread more evenly across the country.

4.16 While people with low incomes are more concentrated in deprived areas, most of them live in other locations. Around three quarters of people in the lowest three income deciles live outside the 15 per cent most deprived datazones.

Percentage of children, adults and pensioners in the 15% most deprived datazones which are in the bottom three income deciles: Scotland 2008/09



Source: Scottish Index of Multiple Deprivation, 2009

4.17 The chart also shows that the proportion of people in relative poverty is higher in deprived areas than in the rest of the country. One third of people in the 15 per cent most deprived datazones are in relative poverty before housing costs compared to less than one sixth in the rest of the country. However poverty is not only in deprived areas. Although poverty is more concentrated in the 15 per cent most deprived datazones, three quarters of those in relative poverty are in the 85 per cent least deprived datazones.

4.18 One of the reasons for the lack of convergence between poor and less poor areas, or at best its slow speed, is the existence of market failures, as described above, which inhibit the inter-regional flow of workers and business investment which then has a strong impact on levels of relative poverty between areas.

4.19 Tackling market failures will help improve economic efficiency and increase growth, thereby reducing both inequalities in social outcomes and the absolute numbers of those in poverty. Where market failures occur at sub-national levels, the most efficient policy response is also likely to be sub-national. However, it is crucial to note that even where market and government failures have been overcome, economic theory⁸⁴ suggests that convergence between places in terms of income per head may still not occur.

4.20 One reason⁸⁵ for this is that the local economy in a place is different from one area to the next, as a result of different natural endowments⁸⁶ and economic histories. This means that places may have different skill, demographic and sector compositions. Consequently, even if workers and businesses move so that

⁸⁴ Sometimes referred to as new economic geography theory.

⁸⁵ Other reasons include agglomeration/clustering; path dependency and differences in cost of living across spatial scales.

⁸⁶ Examples would include land, coal, oil, gas, woodland, etc.

convergence occurs as described above, the mix of workers' skills may still differ between places. So while convergence will tend to occur in the incomes of workers with similar skills, the composition differences will mean that the overall average income per head and social outcomes may continue to vary between places, even where there is no market failure.

Interlocking Drivers of Area Deprivation

4.21 Economic inequalities between places are often manifested in concentrated pockets of deprivation. Although the initial underlying causes of deprivation often relate to structural economic change at the national level and personal characteristics, deprivation can become spatially concentrated by place-based factors. However, once concentrated, the symptoms of deprivation can interact with each other and with place specific factors to perpetuate or worsen poor outcomes for a community.

4.22 The inter-locking drivers of area deprivation fall into three categories:

- a weak economic base – barriers to work for individuals, poor skills or connectivity or factors discouraging business investment;
- poor housing and local environments and unstable communities, characterised by concentrations of poor vulnerable residents, high levels of disorder and antisocial behaviour, and poor physical connectivity with labour markets; and
- poor performing public services and delivery of support to deprived areas.

4.23 These drivers differ by area, and occur at different spatial levels. The interlocking drivers of area deprivation lead to cumulative problems. There is also evidence that after a certain 'tipping point' is reached, a complex set of forces can trigger a self-reinforcing cycle of decline, which may require significant investment to turn around. A key driver of the decline is the working of the housing market. In particular, pockets of deprivation may reflect the concentration of affordable or poor quality housing in those neighbourhoods, with the 'sorting effect' of the housing market resulting in the less well-off being constrained to live together in poorer areas.

Interaction between Economic Change and Market Failure

4.24 The argument that economic change is the root cause of decline can be evidenced by analysing the patterns of deprivation across the country. An economic history of the UK can trace the current patterns of deprivation back to areas, particularly in the North and Midlands, South and East London and West and Central Scotland where economic restructuring has seen a decline of traditional manufacturing industries. Conversely, the least deprived areas of the country tend to be in the more productive areas, which have higher concentrations of skilled labour and stronger economic performance, often linked to agglomeration economies⁸⁷.

⁸⁷ The economies of agglomeration describes the theory and process where firms locate next to each other to take advantage of economies of scale (benefits derived from being large) and network effects (benefits derived from operating within a network of competitive firms often within the same sector e.g. skilled workforce, knowledge transfer and developed infrastructure).

4.25 It is important to recognise that changes to local economies do not necessarily represent a failure of the market. In some cases shocks can be seen as part of a modern dynamic national or regional economy that is seeking to become more productive by adjusting to changing competitive pressures.

4.26 How the local market responds to changes will be dependent upon the strength of the economic base in the area and the attributes of places which impact upon productivity. Areas with a diverse economic base, a skilled labour force and good social and physical infrastructure will often see the market respond quickly to economic shocks, and restructure to find a new role.

4.27 In other areas, it may take some time for the area to develop a new role. One of the primary constraints that areas in transition are likely to face is in adapting local infrastructure and skills to provide for new opportunities. In many areas commercial and industrial premises, local transport, housing, and skills have been developed to serve particular industries and ways of life that are no longer applicable. The speed with which communities are able to adapt these in response to challenges and opportunities is critical: during this transition, some people could be adversely affected by the shock and subsequent adjustment, and many areas can be left behind. Policy will have a role to play in facilitating this transition, and enabling places to find a new role in the wider economy.

4.28 In areas which have a weak and inflexible economic base the market can persistently struggle to adjust to a change in the local economy. Such areas may be characterised by:

- a low skills base – areas which have either a low or narrow skills base will struggle to adapt to changes in the local economy;
- high worklessness – areas which currently have high levels of worklessness may suffer disproportionately from wider changes and shocks to the labour market;
- lack of diversity in economic activity – areas with a narrow economic base can suffer significantly if this sector is affected by a shock;
- poor transport connections – areas that are on the periphery of a labour market may suffer disproportionately and take longer to recover in response to change;
- poor housing on offer – areas that have high concentrations of poor quality housing that lead to concentrations of vulnerable people and restrict mobility; and
- high levels of social housing – the operation of the social housing system may impede mobility of workers.

4.29 When the labour market does not initially respond well to a shock, or responds only partially, then market failures can interact with characteristics of the place, accentuating economic decline and leading to the creation of deprived communities. While most labour markets restructure to some extent, they may do so only partially, and while some areas will embrace the new opportunities provided by restructuring, others may be left behind, unable to adapt to the new environment.

Neighbourhood Effects

4.30 Space and spatial differences in an economic geography and social context can be considered across all scales from continents right down to towns and cities. Moreover, places below the town and city level can also be considered. 'Neighbourhood effects' is the impact that living in a particular area has on individual outcomes such as health, employment, educational attainment and income. A variety of mechanisms through which the neighbourhood effect could work have been suggested, including:

- role-model effects;
- peer-group influences;
- social and physical disconnection from job-finding networks;
- discrimination by employers and/or gatekeepers;
- access to low-quality public services; and
- high exposure to criminal behaviour (van Ham and Manley, 2010).

4.31 However, the extent of such effects is inconclusive. Quantitative analysis of large data sets has tended to conclude that neighbourhood effects are marginal when compared to the importance of individual and family characteristics (which may be structural and economic led) in explaining economic and social outcomes. However, the available quantitative research is likely to have underplayed neighbourhood effects due to methodological limitations in capturing the complexity of neighbourhoods, especially the social and cultural impacts of neighbourhoods.

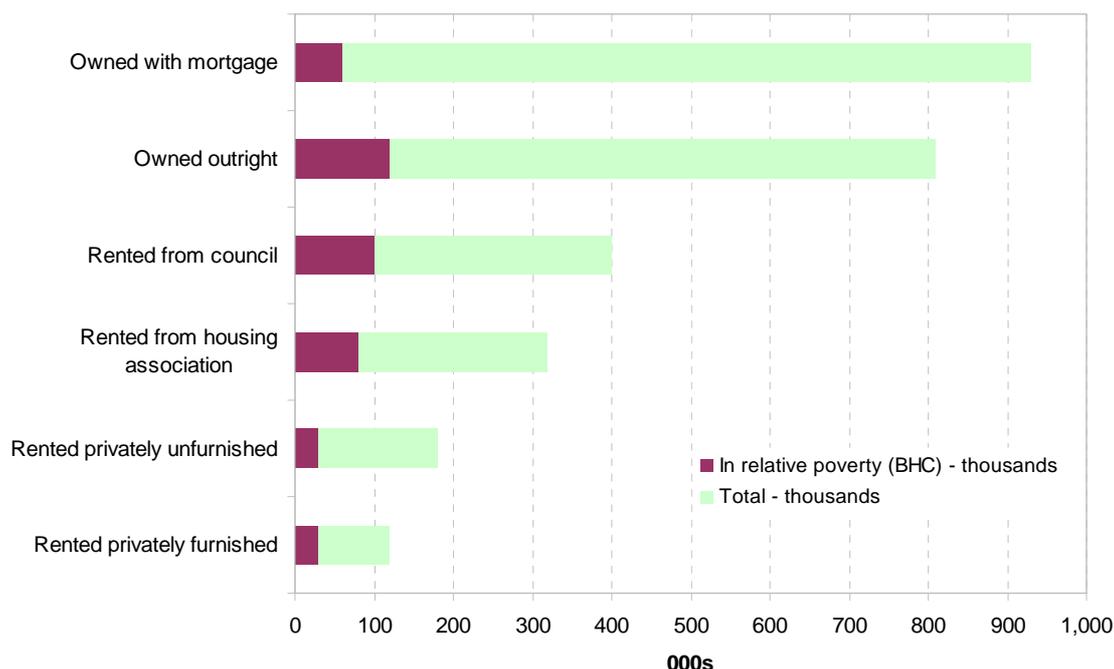
Housing and Poverty

Links between housing and poverty

4.32 Housing interacts significantly and directly with poverty, with poorer people tending to live in poorer types of housing. The chart below breaks down the number of households in relative poverty (before housing costs) by whether they are renting or own their own house. It shows that:

- 'owned with mortgage' is the most common household tenure across Scotland. 870 thousand households have this type of tenure. Relative poverty is rare in this tenure with 93 percent of these households classed as 'not poor' by this measure;
- poverty is most prevalent among social renters (those that are renting from the council or housing associations) and households that are owned outright. Around a third of households of these tenure types are in relative poverty (before housing costs); and
- it is perhaps surprising that such a high proportion of households which are owned outright are in relative poverty. The poverty measure which is used here is based on income and does not include assets. Many of these poor homeowners are pensioners.

Relative poverty (before housing costs) by tenure: Scottish households 2008/09



Source: Family Resources Survey, 2010

4.33 This broad correlation between housing and poverty may be exacerbated by changes to Housing Benefit (and a range of other benefits to be subject to a conditionality regime) which will affect poorer households in the private rented sector, raising demand for social housing during a time when there is less money to build new homes. Indeed, there has been considerable debate generated around the UK government's proposed changes to Housing Benefit and the hardship that this will cause, particularly for households in larger urban areas in England⁸⁸.

4.34 More indirectly, people may lose their homes, or be at risk of losing these when they experience a fall in income due to loss of employment, under-employment, and/or increasing debt, and thus fall into poverty or worsening poverty. The current economic climate, which has significantly affected housing, means that increasing numbers of people, including more homeowners, may be experiencing financial hardship, and in more extreme cases, poverty; though it is likely that low interest rates have offset the likelihood of this for many households.

4.35 Housing and the effect that this can play in alleviating poverty cannot be considered in isolation from a broad range of other social variables. This is recognised in *Equally Well* (2008a) which highlights three key areas which are fundamental to tackling health inequalities. One of these is that the physical conditions in which people live exert a significant impact on health. Furthermore, that good quality housing is necessary for good physical and mental health, and that homelessness is best tackled through partnership working. GoWell⁸⁹ research of

⁸⁸ For example, see National Housing Federation website: <http://housingcrisis.org.uk/2010/11/29/housing-benefit-cap-to-be-postponed-until-january-2012/>.
⁸⁹ http://www.gowellonline.com/index.php?option=com_content&task=view&id=107&Itemid=1

deprived neighbourhoods in Glasgow has found that more progress in terms of physical than social regeneration has been achieved. The study has not yet been able to observe connections between physical changes and health outcomes, but we might expect these to become clearer in future stages of the study. The GoWell research has emphasised the importance of interventions focused on infrastructure, organisation and functioning of communities as well as people-based interventions targeted at individuals in need of support. The Scottish Government acknowledges that more general action on poverty, employment, and physical and social environments will interact positively with housing improvements.

4.36 There have been several developments in housing which may be argued to have had an impact on reducing poverty, albeit indirectly⁹⁰. Housing Benefit is a subsidy which allows households to pay rent either in full or partially for a home, whilst a range of government initiatives in housing have allowed those on lower incomes an opportunity to enter the housing market at the lower end, through the Right to Buy (RTB) social housing and the Low Cost Initiative for First-Time Buyers⁹¹ (LIFT) schemes, for example. However, in Scotland, new social housing tenants will no longer have the right to buy their homes, a change set out in the Housing (Scotland) Bill⁹². The Scottish Government's rationale for the change in direction was that this will safeguard social housing for future generations. The Scottish Government has also put in place various measures designed to help homeowners who find themselves in financial trouble and cannot afford to pay their mortgage⁹³.

4.37 *Achieving our Potential* (2008b) sets out the government's framework approach to tackling poverty, including longer term measures to tackle poverty and the drivers of low income. The report draws attention to several key areas that need to be addressed to break what is recognised as an inter-generational cycle of poverty. These include focussing on particular drivers of policy, including inequalities in the attainment of children and young people in Scotland, as well as the lack of good quality, accessible and affordable housing – particularly, within more deprived areas. To deliver good quality affordable housing for all, the Scottish Government aims to implement the approach set out in *Responding to the Changing Economic Climate: Further Action on Housing* (2008c) through a range of measures including affordable housing investment, exempting new social housing from the right to buy, increasing finances for LIFT, funding the provision of debt advice and the home owner support fund.

3.38 Poverty is a feature of contemporary Scotland, and is primarily an urban phenomena in terms of its extent and intensity (Johnstone and McWilliams, 2005:159), though it is increasingly recognised that there are significant levels of poverty in rural areas (Scottish Government, 2009b). For example, in 2008/09, 18

⁹⁰ See <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/reform> which provides details on the Scottish Government's vision for housing to 2020.

⁹¹ See <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/BuyingSelling/lift> for more details on the various LIFT initiatives.

⁹² See <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/16342/rtb> for more information on Right to Buy including recently introduced legislation which limits its scope.

⁹³ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/access/Repossession>

per cent of individuals in urban areas were in relative poverty (before housing costs); whilst in rural areas the figure was 13 per cent (Scottish Government Statistics⁹⁴).

4.39 In terms of addressing poverty and its relationship to housing, the Scottish Government is committed to the social regeneration of deprived communities. Action targeted at regenerating communities includes supporting the six Urban Regeneration Companies (URC) throughout Scotland to help transform the most deprived areas, and to lead improvements in employability, educational attainment, community safety and health in those areas. In addition, £435 million has been committed between 2008-11 through the Fairer Scotland Fund (of which around one third is allocated to Glasgow) to assist people living in poverty, tackle high levels of multiple deprivation and overcome barriers to work; and £30 million of Wider Role funding supporting the work of Registered Social Landlords to reduce poverty and financial exclusion in communities.

Housing Benefit/Local Housing Allowance

4.40 Housing Benefit and Local Housing Allowances are reserved to Westminster and supplied by the Department for Work and Pensions. These benefits have significant impacts on the relationship between housing and poverty, though it is the amount left over after housing costs which is generally used as a measure of the standard of living. The benefit is available to those whose income falls below a certain threshold or who are in receipt of state benefits. Local Housing Allowance does not apply to council tenants, or those renting from a housing association. It was introduced nationally from 7 April 2008 and now applies to most new claims by private tenants. Housing costs met by Housing Benefit or Local Housing Allowance do not prevent all households in receipt of these from living in poverty, since housing costs must be met. It is the income levels after housing costs which are significant in determining whether a household is living on a low income or at poverty level.

4.41 In Scotland, the local authorities which contain the greatest number of Housing Benefit claimants include Glasgow, Edinburgh, South Lanarkshire, Fife, Dundee and Highland⁹⁵, which all contain areas characterised by high poverty levels. The UK Government's changes to the Housing Benefit rules, and to benefits more generally (the Universal Credit⁹⁶), includes a reduction in Local Housing Allowance rates. The changes are complex and act cumulatively along with the proposed Universal Credit and are due to come into effect from April 2011 onwards. The Scottish Government has published, in conjunction with wider stakeholders, an assessment of the impacts in Scotland⁹⁷, is continuing to analyse the implications and will sit on the steering group of the Housing Benefit reform evaluation being taken forward by the DWP.

4.42 The changes involve adjustments to the level of Housing Benefit paid through Local Housing Allowance to those in the private sector though capping the overall

⁹⁴ <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/CoreAnalysis>

⁹⁵ http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_jul10.xls

⁹⁶ Universal Credit replaces a range of existing benefits and tax credits, including Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit. It is assessed and paid on a household basis. See Welfare Reform and the Universal Credit (Kennedy, 2010)

⁹⁷ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/hbchangesscottishimpact/>

level, setting rates in accordance with the lower third of rents rather than the average and uprating by the Consumer Price Index rather than by market evidence. Additionally, the age under which single applicants are only entitled to a Single Room Rate (rather than a full dwelling) will be extended from 25 to 35 and non-dependant reductions will be increased. In the wider social sector, there will be restrictions aimed at “under-occupying” social tenants. The culmination will be the introduction of a capped Universal Credit in 2013 onwards.

5 PROSPECTS: TACKLING POVERTY THROUGH REDUCING BARRIERS TO EMPLOYMENT

Introduction

5.1 This chapter considers the role that skills and childcare play in tackling poverty through reducing barriers to employment. Evidence has shown that the most effective long-term route out of poverty is through sustained and flexible employment. The chapter presents the background evidence to the current skills situation in Scotland, and then focuses on the 'More Choice More Chances' (MCMC) group to illustrate how efforts to remove or protect this group from poverty are working, and where the key challenges remain. Then the chapter considers the role that childcare plays as an enabler of employment as a route out of poverty. It is recognised that other caring responsibilities carry similar impacts upon the potential workforce, but childcare considerations will highlight the complexity of replacing the care provided by parents in the home, to allow them to enter the paid workplace. A summary of this chapter is provided below.

In terms of **skills**, employment and poverty in Scotland, most working age people in Scotland are in employment and the majority of young people make positive transitions into employment, education or training on leaving school. However, there are strong links between early disengagement from education, low qualifications, worklessness and poverty.

It is estimated that 36,000 young people in Scotland are not in employment, education or training. This represents 13.8 per cent of the age 16-19 population. Those most at risk of needing 'more choices and chances' to fulfil their potential include: looked after young people and care leavers; young offenders; those with additional support needs; those with limiting long-term illness; those from low income households; those who have disengaged from education; those with low/no qualifications; and young carers.

There is clear evidence that policies which encourage and facilitate continued post-16 learning make a positive contribution to young people's economic and social prospects. The evidence on effectiveness of such initiatives in Scotland is limited as the initiatives are in their early stages with full evaluations not yet conducted. There is some indication of likely positive outcomes from some of the initiatives and more evidence will become available in due course.

Childcare can be seen as reducing social inequalities in two ways:

1. allowing parents to return to work, reducing their dependency on government support and increasing overall income; and
2. reducing the conditions in childhood that may lead to social inequalities later in life e.g. as a result of poorer educational outcomes, employment opportunities, and health difficulties.

Research has documented that while the mere provision of childcare may be suitable to alleviate social inequality to a degree through allowing parents to return to work, quality childcare is required to benefit the children themselves.

The majority of parents who use childcare do so in order to work. Patterns of childcare are associated with parental employment patterns. The provision of universal, free nursery education narrows the gap in childcare use between lower and higher income families. Lower income families tend to rely more on informal providers yet evidence suggests that their access to informal provision is more limited than among higher income families.

Evidence shows that for many unemployed parents, childcare can be seen as a barrier to employment. The main barriers have emerged as affordability, accessibility and availability/flexibility (e.g. during school holidays), with other barriers including lack of information and perceptions of quality.

A key time of risk for parents is the transition from benefits to employment. This is often a period of significant financial concern as childcare costs have to be paid and assistance with childcare may take time to commence. Parents also voice concerns about balancing work and childcare and worry that they will not find employers with flexible working arrangements.

Skills, Employment and Poverty in Scotland

- Most people of working age in Scotland are in employment. However, labour supply is outstripping demand as there are currently more people than jobs.
- There are more people with qualifications than there are jobs that demand those qualifications for entry.
- Education has wider benefits to individuals and society, beyond work.
- Individuals base employment participation decisions on a complex and connected variety of factors e.g. family, lifestyle, available transport, household income, health, dependents etc.

LABOUR FORCE				
		Labour Supply: skills available		
		Labour Demand: skills required		
Vacancies 69,800		EMPLOYMENT 2,490,400		
		Un-Employed 177,800	Inactive 656,100	
Skill shortage	Non-skill shortage vacancies			Migrants 20,000
1 in 4 vacancies	3 in 4 vacancies			Skill gaps 1 in 12 employees
			(189,400 want to work)	
			Over qualified 2 in 5 workers	

Source: Annual Population Survey (January – December 2009)

- As discussed in chapter one, workless families are more likely to be poor than working families. Workless families make up 68 per cent of those in the lowest three income deciles whereas families with either all adults working full time or one working full time and the other part-time make up 65 per cent of those in the top three deciles.
- People who have qualifications are more likely to be working than those with no qualifications. More than half of all people with no qualifications are without work. Each level of qualification held reduces the chances of being without work. However, the returns to qualifications are not uniform - they vary by mode of study; age when qualification is obtained; individual ability; and occupation and/or industry of employment. Finally, across all qualification levels, there is a higher proportion of people in Glasgow without work compared with other areas across Scotland.

Barriers and incentives for individuals moving into work

Individuals	Barriers	Enablers
Young people	Fewer jobs for young people/less recruitment Labour market “bumping down”, squeezing out those at the lower end Modern Apprenticeships not attractive - low pay offered by female dominated sectors	Clear routes into post-16 learning and training opportunities Appropriate personal support and careers information, advice and guidance for all young people approaching school leaving age Financial support for continued post-16 learning for the most disadvantaged young people
Older workers	Poor health Age discrimination Benefits trap Disconnected from labour market for a long time Skill obsolescence/long-term underinvestment in skills Lack of available jobs which meet the needs of older workers	Further qualifications or skills training Targeted job search Job placement programmes
Women	Lack of affordable childcare Personal circumstances Quality of part-time work	Tax incentives
MCMC	Deprivation Low qualification levels Financial exclusion Poor support mechanisms Stigma and attitude of others	Personalised intensive support services
Young Offenders	Poor use of local Labour Market Information in progression planning and Information, Advice and Guidance Significant additional support issues: addictions, homelessness	Gaining specific skills that are needed in a local labour market setting Support for employers who may wish to employ ex-offenders

Skills Focus: More Choices, More Chances

Introduction

5.2 *More Choices More Chances*⁹⁸ (2006) is the Scottish Government's strategy to reduce the proportion of young people not in education, employment or training (NEET) in Scotland. The policy focuses on young people aged between 16 and 19 who face particular barriers to learning and employment and aims to improve their outcomes through a range of measures which will encourage, enable and incentivise continued post-16 learning and ease transitions into positive post-school destinations.

5.3 Evidence of the negative impact of leaving school early with few or no qualifications is well documented. The longer-term consequences of youth unemployment and disengagement from learning include poor health outcomes, involvement in crime, lower income potential, and less job security⁹⁹. The benefits of remaining engaged in learning after age 16 are therefore now widely recognised, as ongoing participation and increased attainment has been shown to strengthen young people's progression to further learning, training and sustained employment.

5.4 The MCMC strategy aims to make a contribution to tackling poverty and increasing social mobility through increasing skills development, employability and income potential for the most vulnerable young people in society, thus assisting them to avoid the more long-term 'permanent scars' of youth unemployment. Joint planning for post-16 transition must start early and reflect the circumstances of the individual young person. The foundations for successful transition should be laid throughout a young person's education. *Getting it Right for Every Child* provides a framework for ensuring a coherent approach to service delivery to ensure children and young people can access the support they need. In the context of post-16 transitions, specific support should be put in place from age 13-14 for those who have been identified as having barriers to learning.

Who is currently in need of More Choices and More Chances?

5.5 Evidence suggests that those who need MCMC are not a homogeneous group, but a diverse range of young people with differing backgrounds who often have multiple and complex support issues.

5.6 Research has identified core sub-groups of young people within the larger MCMC group who share common risk factors, many of whom may require considerable support to make a positive post-school transition. However, it also appears that there is considerable 'churn' in the NEET rate as large numbers of young people move in and out of temporary employment, unemployment and inactivity. Each of these groups requires a different policy approach to provide the support they require to make more positive progressions.

5.7 Those most at risk of needing more choices and chances to fulfil their potential include: looked after young people and care leavers; young offenders; those with additional support needs; those with limiting long-term illness; those from low income households; those who have disengaged from education; those with low/no qualifications; and young carers.

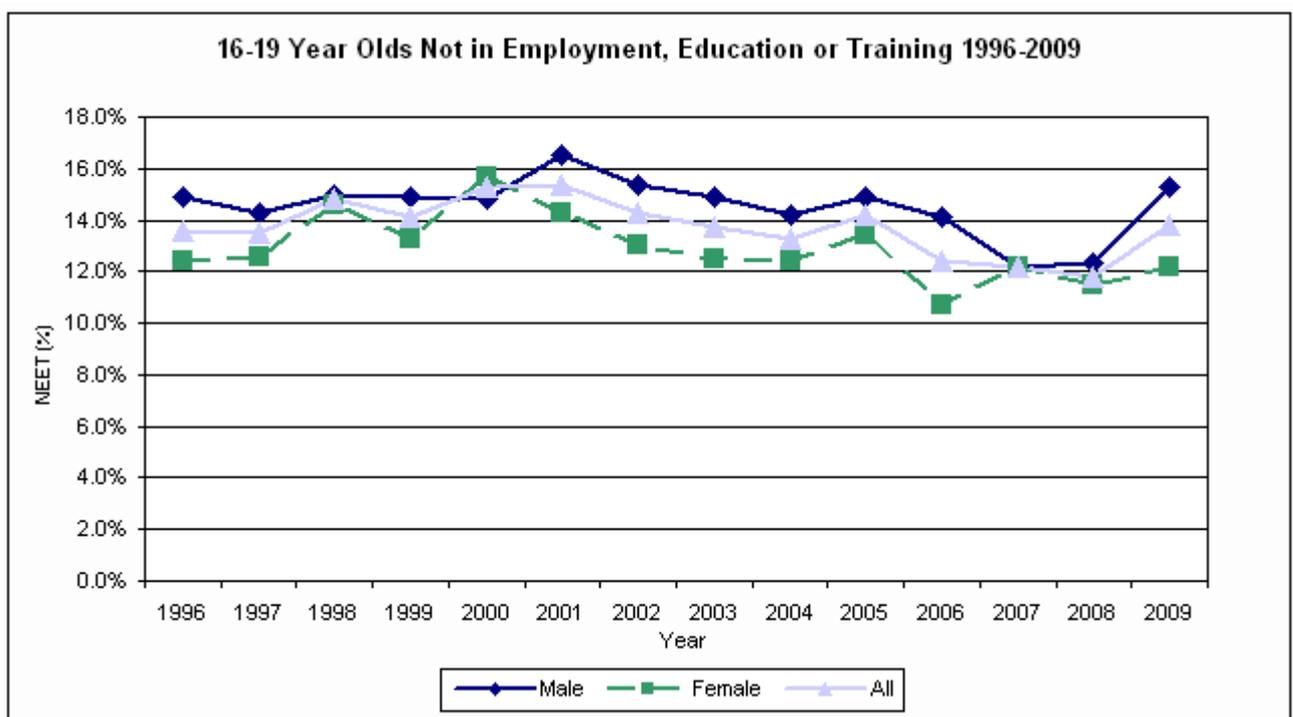
⁹⁸ <http://www.scotland.gov.uk/Publications/2006/06/13100205/0>

⁹⁹ D. Bell and D. Blanchflower (2009) *What should be done about rising unemployment in the UK?*
<http://www.dartmouth.edu/~blnchflr/papers/speech379paper.pdf>

Current statistics on the MCMC group in Scotland

5.8 NEET rates in Scotland are measured in two ways. Firstly, the Annual Population and Labour Force Surveys (APS and LFS) provide estimates of economic activity (based on rolling nationally representative samples) and secondly data from the School Leaver Destination Return and the Claimant Count is combined to provide data on young people's post-school economic activity and claims for Job Seekers Allowance¹⁰⁰.

5.9 The most recent APS data (Jan – Dec 2009) estimates that 36,000 young people in Scotland are not in employment, education or training. This represents 13.8 per cent of the age 16-19 population. Broken down further, the APS data estimates that slightly more males than females are not in employment, education or training, with 15.3 per cent of the age 16-19 male population being in this category, compared to 12.2 per cent of the age 16-19 female population; the majority (66.1 per cent) of this group are unemployed and seeking work and 25.3 per cent of this group have no qualifications. The chart below shows the trends in estimates of young people not in employment, education or training in Scotland. It is worth noting that there was a clear downward trend in the overall estimate from 2005 to 2008, but the estimate rose steeply again in 2009:



Source: Labour Force Survey (LFS), Quarters combined for 1996-2002. The 2003 figures are taken from the Annual Scottish LFS (ASLFS). Data from 2004 onwards are taken from the Annual Population Survey (APS). The APS and ASLFS include boosts to the main LFS.

¹⁰⁰ For more information on how MCMC and NEET figures are calculated in Scotland, please see: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Labour-Market/MCMCLMSTATS>

5.10 The School Leaver Destination Return (2009-10) shows that 86.8 per cent of school leavers are in positive destinations (this includes: higher education, further education, employment, training and voluntary work), up from 86.4 per cent in 2007-08 and 85.7 per cent in 2008-09. Of those who did not go into positive destinations within 3 months of leaving school, 11.3 per cent of school leavers were (initially) unemployed and seeking work. Vulnerable school leavers, such as those from more deprived areas, with additional support needs, or looked after children, continue to be less likely to enter positive destinations¹⁰¹.

MCMC-related policies and evidence of impact

5.11 Preventative programmes for MCMC are mostly delivered in school, prior to young people leaving compulsory education. These are focused on encouraging and enabling continued post-16 participation in education for young people identified as being at risk of entering a negative destination on leaving school. These programmes are mostly delivered by local authorities and include the *16+ Learning Choices* 'offer' which all young people approaching minimum school leaving age are now entitled to as part of the Senior Phase of Curriculum for Excellence.

- *16+ Learning Choices*¹⁰²

16+ Learning Choices is the Scottish Government's model to support young people into positive and sustained destinations after age 16 (post-compulsory education). 16+ Learning Choices provides young people with an offer of appropriate, relevant and attractive post-16 learning in advance of their completing compulsory education (at minimum age 16 and before leaving any subsequent episode of learning (broadly up to age 18). The offer has three components: the right provision; the right personal support and information advice and guidance, and the right financial support. It is concerned with planning for the points in time where young people are planning for the transition from compulsory education to further learning, training or employment. It is a universal offer but gives particular attention to those at risk of moving to a negative destination.

- *Activity Agreements*

As part of 16+ Learning Choices, Scottish Government are piloting a new programme of *Activity Agreements* for young people who are most vulnerable, furthest from the labour market and already NEET. An Activity Agreement is a tailored package of learning and support, targeted at those most vulnerable young people who are not able to sustain school nor to progress into a positive destination.

- *Skills Development Scotland 16+ Data Hub*

Skills Development Scotland are responsible for delivering careers information, advice and guidance to young people in the Senior Phase of Curriculum for Excellence. In order to deliver the 16+ Learning Choices offer effectively and efficiently, and to ensure that young people continue to be supported appropriately

¹⁰¹ For further information from the SLDR 2009-10, see:

<http://www.scotland.gov.uk/Publications/2010/11/30144422/10>

¹⁰² Available at: <http://www.scotland.gov.uk/Topics/Education/skills-strategy/progress/sg/economicimprovement/16PlusLearningChoices>

throughout the senior phase, reliable and robust administrative data must be collected, collated and shared across stakeholders and delivery partners. Skills Development Scotland are setting up the '16+ Learning Choices Data Hub' to provide this data collection and collation facility.

- *Education Maintenance Allowance*

Education Maintenance Allowance (EMA) provides financial support to young people from low-income households undertaking appropriate full-time courses at school or college. Disadvantaged and vulnerable young people from low-income families are less likely to stay in formal education after compulsory education has ended, may leave school without qualifications and are thus at risk of unemployment, insecure employment and social exclusion. EMA aims to reduce financial barriers to staying on, and thus improve post-16 participation, retention and achievement rates in education among young people from low-income families.

5.12 There are also a number of wider policy areas with which MCMC is closely aligned and which are included in the logic model. These include Curriculum for Excellence, Getting it Right for Every Child, Corporate Parenting and a learning strategy for Young Offenders.

What currently works in tackling issues related to MCMC?

5.13 *16+ Learning Choices and Activity Agreements* – the recent evidence review suggests that the 16+LC 'offer' should have a positive effect on young people's decision-making, and the intensive and personalised support offered should facilitate progression into positive and sustained destinations but there is little evidence as these programmes are in their implementation phase and have not been fully evaluated.

5.14 *16+ Learning Choices Data Hub* – still in the development phase and therefore no data on impact or effectiveness is available yet. The evidence review has identified data management as a key issue for development, thus there is considerable scope for the data hub to make a positive contribution.

5.15 *Education Maintenance Allowance* – previous evaluations in Scotland and England are now out of date and suggested mixed results in terms of impact. EMA appears to be successful in encouraging attainment, attendance, participation (for some) and better behaviour, but makes little impact on removing financial barriers or influencing post-school decision-making.

Childcare in Scotland

Introduction

5.16 One of the underpinning elements of *Achieving Our Potential* is to tackle the root causes of poverty. Although not specifically concerned with childcare, *Achieving our Potential* does consider the importance of having good quality childcare in place to ensure that those taking up, or already in, employment are able to engage fully, without having to consider what may have previously been a barrier to employment

for them. The rest of this chapter explores the evidence linking childcare and poverty.

5.17 *Achieving Our Potential* highlighted how the Scottish Government proposed to get as many people into sustainable, high quality employment as possible. In doing so it was acknowledged that high quality, accessible childcare must be available to encourage those most removed from the job market to consider taking the first steps towards it.

While aiming to maximise the potential for people to work *Achieving Our Potential* highlights the importance of:

“...removing the barriers to their employment, including through the provision of more accessible and affordable childcare, and learning the lessons from projects such as *Working for Families*.” (page 10)

This in turn will assist in the longer-term aims of making work pay and maximising income for all.

5.18 This section presents the findings from a literature review on the relationship between childcare and poverty, exploring employment as a route out of poverty, and childcare as a barrier to employment. The review reflects the focus in *Achieving Our Potential* on the impact of childcare for parents. The section also explores evidence related to increasing the provision of more accessible and affordable childcare in Scotland and how this may impact on poverty. Good quality childcare is an important aspect of parents trusting (and therefore using) childcare providers, but this section only looks briefly at the impact of quality on outcomes for children. It also does not attempt to explore evidence about whether childcare is the best option for the child.

Parental worklessness and poverty

5.19 A considerable amount of evidence suggests that parental worklessness is a key factor associated with families experiencing poverty including generational poverty. Further evidence suggests that facilitating suitable employment opportunities for parents in workless families can help to bring those families out of poverty:

- a wealth of evidence indicates that for parents, being in employment, whilst not necessarily preventing poverty, significantly reduces its likelihood; and
- the *Millennium Cohort Study* (Sullivan and Dex, 2009)¹⁰³ findings show that in Scotland, the lowest rates of poverty were found for couples where both were in employment (7 per cent), while high rates of poverty were found for couple households where neither were working (90.2 per cent) or non-working lone parent households (91.5 per cent); and
- Upon finding work, approximately three-quarters of lone parents were able to move themselves out of poverty two years later (*Families and Children Study: Barnes et al. 2008*)¹⁰⁴.

¹⁰³ Sullivan, A. & Dex, S. (2009). *Millennium Cohort Study: Sweep 3 Scotland Report*. Edinburgh: Scottish Government Social Research.

¹⁰⁴ Barnes, M., Lyon, N. and Millar, J. (2008) *Employment transitions and the changes in economic circumstances of families with children*, Department for Work and Pensions research report no.506, Leeds: Corporate Document Services.

Employment and Childcare

5.20 Caring responsibilities represent a significant barrier preventing many parents from obtaining and sustaining employment. As such, the development of effective childcare policies which permit parental employment are considered an important route in reducing poverty amongst families. Evidence shows that parents are more likely to return to work as their child ages, and particularly so when they enter compulsory schooling. Similarly, when free provision of nursery education is made available the majority of parents will make use of it, with a proportion of them using it to return to the workplace. This suggests that for some parents, the responsibilities of caring for their children are preventing them from gaining employment. Further findings about childcare and employment are:

- facilitating work is one of the principal reasons given by parents when asked why they use childcare provision – from either formal or informal sources of childcare;
- however, finding suitable childcare is also a key barrier cited by unemployed parents preventing them from returning to work. In the Growing Up in Scotland study, a little over half of unemployed parents (55 per cent) report that they would prefer to work or study if they were able to afford good quality, reliable and convenient childcare (Anderson et al. 2007)¹⁰⁵. Other evidence suggests that 62 per cent of non-working parents and 53 per cent of working parents consider childcare to be a major factor in their decision to work (Hay et al. 2007)¹⁰⁶; and
- childcare is more often cited as a barrier to employment amongst more disadvantaged families than amongst less disadvantaged families.

Patterns of childcare use

5.21 The majority of parents who use childcare do so in order to work; patterns of childcare are also closely related to parental work patterns with increasing rates of formal childcare used amongst working parents. Patterns of childcare use amongst lower income families are distinct from those reported amongst higher income families. A key driver of this is the different pattern of employment amongst the two groups. Higher income families are more likely to be in couples with both parents employed thus requiring more childcare. They are also more able to afford formal childcare costs and thus more likely to use it.

5.22 Lower income families have a lesser need, with lower employment rates and a greater tendency to work part-time. They tend to rely more on informal providers such as grandparents and other family members, than formal care for their children. Despite a greater reliance on informal care, lower income families report this to be a more limited resource than do parents in higher income families. Also, when free, universal formal care is provided – such as in the provision of statutory pre-school places - patterns of use amongst different family types are almost identical

¹⁰⁵ Anderson, S., Bradshaw, P., Cunningham-Burley, S., Hayes, F., Jamieson, L., MacGregor, A., Marryat, L., & Wasoff, F. (2007). *Growing Up in Scotland: Sweep 1 overview report*. Edinburgh: Scottish Executive.

¹⁰⁶ Hay, J., Boyle, J., Patterson, K., Shaw, L., & Harkins, J. (2007). *Parents' access to and demand for childcare survey 2006: Final report*. Edinburgh: Scottish Government Social Research.

suggesting that universal provision is effective at encouraging childcare use across all families. Further findings about patterns of childcare use can be found below:

- patterns of childcare use are associated with parental employment patterns. This is particularly notable in use of formal provision. Households where one or both parents work full-time are considerably more likely to use formal childcare provision than households where parents work part-time or are not working (Bradshaw et al. 2008)¹⁰⁷;
- the provision of universal, free childcare narrows the gap in childcare use between higher income and lower income families. Whereas when children are aged under 3, lower income families are significantly less likely to use childcare than higher income families, when their children are aged 3-4 and are thus eligible for statutory pre-school, this distinction narrows considerably (Bradshaw et al. 2008);
- lower income families rely more heavily on informal providers yet evidence suggests that their access to informal sources of childcare is more limited than amongst higher income families; and
- there is some evidence that patterns of childcare use differ between ethnic groups. In part this is likely to be attributable to income differences and rates of lone parenting, as well as attitudes and preferences towards childcare.

Barriers to childcare use

5.23 Childcare acts as a barrier for a range of linked reasons. The two most prominent are affordability and accessibility. Childcare can be, especially for those in more disadvantaged groups, expensive.

5.24 Cost is a key consideration for parents when selecting childcare, particularly those parents on lower incomes, and many using childcare report difficulties in meeting the costs. Perceptions of affordability are also important as many parents believe that childcare is too expensive. These real and perceived costs lead out of work parents to conclude that, in having to meet such costs whilst working, they would be financially worse-off than whilst out of work and receiving benefits. This is one of a number of 'risks' workless parents consider when assessing the gains from employment compared with claiming state benefits. There is evidence from employment programmes, such as Working for Families, which indicates that providing assistance with initial childcare costs can help with these issues and reduce the perceived risk for parents (McQuaid et al. 2009)¹⁰⁸. Further findings on the affordability of childcare are below:

- cost is a key barrier to accessing childcare amongst low income families. In choosing a childcare provider, 28 per cent of low income families (families with a household income of less than £24,999) reported cost being the most important factor, as did 47 per cent of lone parent families (Hay et al. 2007);

¹⁰⁷ Bradshaw, P., Martin, C., & Cunningham-Burley, S. (2008). *Growing Up in Scotland study: Exploring the experiences and outcomes of advantaged and disadvantaged families*. Edinburgh: Scottish Government Social Research.

¹⁰⁸ McQuaid, R., Bond, S., Fuentes, V. and the Working for Families Evaluation Team (2009) *Evaluation of the Working for Families fund*, Edinburgh: Scottish Government

- perceptions of affordability also vary - parents in the most disadvantaged families have much more negative views of affordability than those in the least disadvantaged families (Kazimirski et al, 2008)¹⁰⁹; and
- lone parents and parents from lower income groups are also more likely to report difficulty paying childcare costs.

5.25 Parents' ability to access childcare varies according to several factors. For example, couple families are more likely to be able to share responsibilities for childcare and there is less economic pressure for both to be in employment. Similarly those in good contact with relatives may be able to call upon them for informal childcare, whereas those on higher incomes are better placed to pay for more formal childcare.

5.26 Parents on lower incomes are more likely than those on higher incomes to encounter problems with the provision of suitable childcare in their local area, yet childcare supply figures suggest a significant number of vacancies. Two factors are likely to contribute to this mismatch – a lack of appropriate suppliers providing the type of care needed at suitable times and reasonable cost, and a lack of awareness amongst certain families of the availability of appropriate childcare locally. The Neighbourhood Nurseries Initiative (NNI) and Working for Families (WFF) programmes have demonstrated successful ways of tackling each of these issues – either through the provision of local childcare places or the provision of tailored advice and assistance with sourcing childcare - resulting in positive, employment-related outcomes for the parents involved (NNI; La Valle *et al*, 2007¹¹⁰ and WFF; McQuaid et al. 2009). Further findings about accessibility of childcare are below:

- low-income families were more likely than those with higher incomes to mention problems related to finding suitable childcare as a reason for not working; and
- finding childcare to cover atypical work patterns and school holidays is consistently reported as problematic. Despite the majority of employed parents working at least some atypical hours there is a lack of formal cover available with families thus generally relying on informal care. Covering gaps in childcare during school holidays leads to many parents needing to take days off work, and accounts for the majority of temporary changes in childcare reported.

5.27 Being informed about the childcare options available to them and believing that the formal childcare available in their local area is of good quality and affordable, are likely to be influential factors affecting parents' choice about whether to use childcare, which types to use and when. Sources of information used by parents vary according to their family circumstances, although word of mouth emerges as a key source. Those who are out of work are significantly more likely to obtain or seek information from Jobcentres, a source which, given the experience of the Working for Families programme, could perhaps be developed. Differences in knowledge of different government assistance programmes, such as Working Tax Credit and Child Tax Credit, are also likely to impact on parents' decisions around formal childcare.

¹⁰⁹ Kazimirski, A., Smith, R. Butt, S., Ireland, E. and Lloyd, E. (2008) *Childcare and Early Years Survey 2007: Parents' Use, Views and Experiences*. London: London: Department for Children, Schools and Families.

¹¹⁰ La Valle, I., Smith, R., Purdon, S., Bell, A., Dearden, L., Shaw, J. and Sibieta, L. (2007) *National Evaluation of the Neighbourhood Nurseries Initiative: Impact Report*, London: DCSF

5.28 A time of key financial risk for parents is the transition from benefits to employment. A parent on low income who moves into work will become eligible for assistance with childcare if they work at least 16 hours a week (and Welfare Reform eligibility may make fewer parents eligible). However, for many disadvantaged parents the transition period between existing benefits ending and income from employment or new employment-linked benefits commencing is a period of significant concern as childcare costs still have to be paid and often in advance. Risks voiced are not just financial, with some parents concerned about balancing work and childcare and worried that they will not find employers with flexible working arrangements allowing for time off should a child take ill. Further findings about barriers to using childcare are below:

- parents in more disadvantaged families are more likely to report a lack of knowledge about local childcare provision than are those in less disadvantaged families (Speight *et al*, 2010)¹¹¹;
- risks to income during the transition from benefits to employment, combined with fears about (and experiences of) additional costs associated with the move to work – including childcare costs – act as a deterrent for many workless parents; and
- perceived quality of childcare is also a barrier to its use. Such perceptions varied amongst parents with those living in areas of higher deprivation, or who experienced greater disadvantage, much less likely to believe that the quality of local childcare was good.

¹¹¹ Speight, S., Smith, R., Lloyd, E., Coshall, C. (2010). *Families experiencing multiple disadvantage: Their use of and views on childcare provision. Research Report no: DCSF-RR191*. London: Department for Children, Schools and Families.

6 THE IMPACT OF PROJECT EVALUATION REPORTS ON POLICY DEVELOPMENT

Introduction

6.1 This chapter summarises research conducted to explore how evaluative evidence and policy development and implementation interact in Scotland. Whereas the other chapters in this report summarise the available evidence on poverty in Scotland and the impact of some of the mechanisms we have used to tackle poverty, the Tackling Poverty Board wanted to also explore the impact of evidence in policy development to provide a full picture of both the evidence itself and its current role in policy making.

6.2 The purpose of the research was to explore how evaluative evidence and policy interact in Scotland by investigating how evidence from evaluation reports is used to inform national and local and policy development. To do so research focused on the impact of three national and two local public health demonstration projects because of their potential learning for tackling poverty and inequality in Scotland, as follows:

National Evaluations¹¹²:

- Working for Families Fund 2004-2008 (WfF)
- Multiple and Complex Needs 2006-2008 (MCN)
- The New Futures Fund 1998-2005 (NFF).

Local Public Health Demonstration Project Evaluations¹¹³:

- Have a Heart Paisley 2000-2008 (HaHP)
- Starting Well 2000-2006.

6.3 The research also investigated how other project evaluation findings and sources of research evidence are used to inform national and local policy development.

What the research consisted of

6.4 The research was structured around: eleven interviews with Scottish Government policy makers and external colleagues (NHS Health Scotland and the Glasgow Centre for Population Health) – interviewees were recommended by the Tackling Poverty Board; and, a survey (using Questback) of local authority researchers, policy makers and those working broadly on tackling poverty and inequality – seventeen responses were received. Due to the small sample sizes and the selective recruitment of interviewees, findings should not be regarded as representative or generalisable.

¹¹² For more information on these national evaluations see their evaluation summaries at:

Working for Families: <http://www.scotland.gov.uk/Publications/2009/04/20092556/0>

Multiple and Complex Needs: <http://www.scotland.gov.uk/Publications/2009/10/01090418/0>

New Futures Fund:

<http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=289>

¹¹³ For more information on these local project evaluations see their evaluation summaries at:

Have a Heart Paisley: <http://www.scotland.gov.uk/Publications/2005/03/3193441/34423>

Starting Well: <http://www.scotland.gov.uk/Publications/2005/04/20890/55054>

Summary

This research indicates that there is widespread commitment from research and policy officers as well as national and local politicians to evidence- driven policy making however it also indicates that awareness of evaluation evidence may be higher than actual use made or impact on subsequent policy development. Here research participants highlighted that policy making and research activity do not operate in isolation and at times the effective use of evaluation recommendations may clash with the demands of the policy cycle and new political imperatives. Considerable concern was also expressed about lack of time, resource capacity and funding.

On the latter, participants feared that growing institutional commitment to using evaluation evidence would be compromised by the reality of budget cuts. As well as asserting real restrictions on the ability to adopt recommendations it was also felt that this economic climate might introduce a less progressive policy making culture in more general terms.

Although limited in scope, findings from this research do provide a picture of how evaluation material is currently viewed and utilised. Alongside highlighting examples of where evaluation evidence and evidence more widely has impacted on subsequent policy development, participants identified factors which restrict access to and the adoption of such reports whilst also making a number of simple, practical suggestions for how evaluation evidence can be used more effectively. While there are more deep seated structural considerations which cannot be directly influenced by local and Scottish Government policy and research officers, it is also clear that many of the recommendations contained in this report could be acted upon and could substantially contribute to the improved adoption of evaluation evidence in the public sphere. It is hoped that this report will provide the impetus to review project reporting more widely and work with relevant partners to improve the use made of this facility.

Recommendations – How to write a successful evaluation report

“I think there should be a law that you shouldn’t be able to publish a report that’s more than thirty pages long” (Scottish Government policy officer).

6.5 Participants (interviewees and survey respondents) had clear views on what a successful evaluation report should consist of. Views concentrated on: structure and content; timing; dissemination; and policy relevance and usefulness.

Structure and content:

- be **concise** (accompanied by briefing papers, policy specific summaries, learning notes and a maximum 12 page summary as well as a full research report online if required).

- maintain a workable balance between **research integrity and what policy colleagues need**.
- be **accessible**, in plain English and “*not too technical*”; three interviewees particularly mentioned academics writing for academic audiences rather than policy audiences.
- demonstrate that a **robust** monitoring and evaluation framework was in place.
- have **clear aims and objectives** and then **outcomes, recommendations** and/or action points and a conclusion. Recommendations should be short and practical.
- demonstrate **impact** - what has been learned and what has changed as a result of the findings.
- **highlight the way forward in policy terms**.
- demonstrate a **clear understanding of the Scottish context**, systems and structures.
- have – before publication - a period of **reflection** for those involved (e.g. communities, practitioners and national and local policy leads).

Timing:

- evaluations should be properly built into the policy planning process and be **responsive** to any changes in the policy landscape.
- the research process should be **iterative** and findings should be produced and disseminated as quickly and effectively as possible (as interim findings if possible) in order to inform the live policy development process.

Dissemination:

- should **not be done to tick a box** in order to say a report has been produced.
- reports should not be an end in themselves but should be used as a “**learning resource**” nationally and locally.
- reports should be **followed up more effectively** for example with direct dialogue/engagement with stakeholders (getting out there, spending more time out of the office, speaking and listening to people, presenting at conferences and so on).
- should be **accompanied by learning notes, short briefing papers, action enquiry groups** and “**how to guides**” targeted at different audiences; thus building dissemination in from the outset.
- reports should be disseminated more effectively through **national and local learning networks**.

Policy relevance and usefulness:

- have a **pre-implementation stage** – establish ownership and commitment and involving as many stakeholders as possible – ensure everybody concerned is clear from the outset what the evaluation is intended to achieve and how it will make an impact.
- prioritise effectively and if necessary produce less work that is more relevant. For example, **be clearer with partners about what to prioritise** and encourage them to work together to break cycles of poverty and secure savings.
- have **engaged**, interactive and “*hands on*” **evaluators**.

- **accurately identify and address the target audience.**
- produce **a useful document** which will not simply “sit on peoples’ shelves.”
- **translate evidence into practice and national strategies/policies into local contexts** (and on the latter vice versa).

Recommendations - Practical actions to improve research impact

Scottish Government policy officers:

1. Develop and agree (between analysts and policy officers) a **house style and guidelines** on what evaluation reports should consist of, what they should achieve and how they should be presented and disseminated.
2. **Undertake a cross-government check** on who else might be working on a particular policy/evaluation area and examine how the work will impact on other parts of the Scottish Government’s research and policy work.
3. **Establish a “policy forum”** on the intranet through which to briefly post current policy developments, their aims and objectives, target group/s, analytical input, outcomes and possible overlap with other policy areas – this would provide colleagues across government with an accessible overview of current policy developments and related research and avoid duplication whilst ensuring more effective cross-team working.
4. Provide **training for policy officers** on how to make the best use of research and evaluation evidence.
5. Produce **a supplementary 2-4 page policy specific evaluation report summary template** (as an alternative to the current Social Research Findings Report template).
6. Act as a nucleus for gathering and disseminating local, national and international evidence on specific thematic areas – these **“bulletins”** could be disseminated through various professional and strategic networks and would help to inform colleagues and external partners and prevent duplication of effort.
7. Make more effort to **speak directly to the analyst involved** in producing the evaluation in order to gain a better understanding of the data.
8. **Work more collaboratively** with key organisations that focus on social determinants of health and poverty such as the Glasgow Centre for Population Health and NHS Health Scotland.
9. **Engage champions** to share evidence and lessons learned (the Chief Medical Officer and the Glasgow Centre for Population Health were particular mentions).

Local authority survey respondents:

1. Ensure **“colleagues value the contribution and act upon evaluation evidence.”**
2. **Develop closer working relations** between Scottish Government researchers and local government officers.
3. **Use the opportunities of Single Outcome Agreement**, their links and structures, to develop better networking and draw clearer links to the **National Outcomes**.
4. Develop **more time and opportunities for strategic discussion** and capacity for internal consultancy and project groups.

5. **Encourage ownership of and commitment to evaluation work** by ensuring interested groups commission the work themselves.
6. **Develop more joined-up and consistent approaches** to research and policy development.
7. Undertake more **longitudinal studies**.

7 SUMMARY

7.1 The Tackling Poverty Board's remit has been to:

- Scan the horizon so that new challenges and opportunities are identified as early as possible.
- Monitor and challenge how partners are implementing the key actions in *Achieving our Potential*, and the action being taken to meet the UK Child Poverty targets and the Scottish Government Solidarity purpose target.
- Identify and promote actions that can make a real impact on tackling income inequality, poverty and the drivers of low income.

7.2 This has all been set firmly within the context of the additional challenges created by the economic downturn and long-term reductions in public spending.

7.3 Increasingly, *Achieving our Potential* is regarded as the “poverty lens” of the three Scottish Government and COSLA social policy frameworks (along with *Equally Well*¹¹⁴ focussing on health inequalities and the Early Years Framework¹¹⁵). These three social policy frameworks recognise that children's start in life, cycles of poverty and poor health are interlinked and that complex problems, involving complex solutions, require a long-term approach. Central to the collective force of the frameworks is the principle of *early intervention* - moving from crisis management to *prevention* and breaking cycles of poor outcomes in people's lives. Our evidence review has focused on policy areas to address here-and-now experiences of low-income people and places as well as their longer-term prospects.

Broad Principles

7.4 The Tackling Poverty Board's summary Statement (published in January 2011) presents seven broad principles which we believe should guide action to reduce and prevent poverty in Scotland. These are:

1. Paid work continues to be a route out of poverty, but we need to do more to recognise and tackle in-work poverty which accounts for a rising share of family poverty. This will require concerted action at Scottish and UK level.
2. Dignity, rights and respect around entitlement must be the hallmark of engaging with public services in Scotland. We should avoid language that stereotypes people, the reasons for their poverty or need for services.
3. We recognise that both people and place-based interventions matter for tackling poverty. Place-based interventions should operate alongside the personalisation agenda in relation to anti-poverty policy.
4. Services should place people at the centre by providing flexible, responsive and personalised care and support which continues across sectors and agencies providing an individualised common thread of service provision.
5. There should be continued momentum on growing ‘what works’ at local and national level, and sharing learning about good practice. The Scottish

¹¹⁴ <http://www.scotland.gov.uk/Publications/2008/06/25104032/0>

¹¹⁵ <http://www.scotland.gov.uk/Topics/People/Young-People/Early-years-framework>

Government should continue to provide leadership and set expectations to drive this forward.

6. Poverty and current rates of income inequality are not inevitable and we must not be fatalistic about our ability to make transformational change, even in challenging economic times. Progress over the decade up to the eve of recession shows the potential for improvement given circumstances of economic growth, targeted policies and progressive tax and benefit reform.
7. Poverty compromises our abilities to improve outcomes across all social policies. Anti-poverty action must be a mainstream priority and the responsibility of every Community Planning partner.

Broad Recommendations

7.5 On the basis of these principles, the Board's Statement then makes ten broad recommendations:

1. Leadership and direction on tackling poverty is important, *even where powers are reserved to the UK Government*. Political leaders and other influential figures should speak out commending positive action as well as putting the spotlight on areas of bad practice that disproportionately affects poor people – for example high-cost lending, energy tariffs which disadvantage those on the lowest incomes and breaches of employment rights.
2. Central and local government must further embed early intervention and prevention into core service delivery, promoting any shared services agenda which helps to deliver this. Reducing demand for services by acting to prevent and alleviate poverty is cost effective to both service providers and, more importantly, to households at risk.
3. The Board wishes to reinforce the importance of financial inclusion as a powerful lever in tackling poverty. It endorses the recommendations in the Financial Capability strategy¹¹⁶ and the recommendations related to tackling poverty in the *Equally Well Review*¹¹⁷, in particular that public sector organisations should apply mainstream successful approaches to income maximisation and financial inclusion.
4. Financial capability services, which help people build the skills and motivation to make informed decisions about money, should be regarded as preventative spend and protected on that basis against cuts to funding levels. There is a need to highlight the huge impact that low income has on financial capability, and that low income should be seen as part of the problem. However, financial capability shouldn't be regarded as a substitute for the provision of simple, low-cost and accessible financial products and services.
5. We strongly endorse the principles of welfare reform in seeking to make work pay and providing stability through transitions, but have concerns about affordability and the impact of change on some of our most vulnerable people. We need to have a shared understanding of the impact of Welfare Reform on Scotland and identify agreed national and local responses appropriate to protect the most vulnerable across our communities.

¹¹⁶ <http://www.scotland.gov.uk/Topics/People/tackling-poverty/TacklingScottishPoverty/Financial-Capability>

¹¹⁷ <http://www.scotland.gov.uk/Publications/2010/06/22170625/0>

6. We must continue to promote and support local innovation, leadership, participation and improvement and to meaningfully engage with local communities in designing service provision. We need to 'sustain momentum in the co-production approach with Scottish Government, COSLA and service users but we must not underestimate the resources needed to include people effectively'¹¹⁸.
7. We should highlight what works and maintain a position that what works should continue to be funded, such as services that support access to affordable credit and consumer protection. We should also prioritise learning around good practice and consolidate good practice that already has a robust evidence base e.g. Working for Families.
8. The Board supports the principles and priorities contained in the three social policy frameworks which underpin the Child Poverty Strategy, and expects partners to work across sectors with a renewed vigour in tackling the causes and consequences of child poverty, with a particular focus on the importance of boosting parents' employability. The Child Poverty Strategy needs to be embedded across Scottish Government and Community Planning Partnerships with clear ownership and leadership driving this forward.
9. The Board acknowledges that the traditional model of childcare provision does not necessarily suit the circumstances of modern employment, especially among lower income earners. There is a need to broaden and diversify models of delivery and to develop locally appropriate needs-based solutions.
10. The Board recognises the critical role of skills and employability policies in tackling poverty and the importance of closely aligning the agendas to deliver identified local needs and national outcomes. A particular focus must be placed on supporting young people at risk of long-term unemployment and the associated consequences.

¹¹⁸ "Consistent and meaningful community engagement will increase peoples' sense of control over the range of local services which they use and on which they depend...Meaningful engagement recognises the benefit that can be gained by mobilising the assets that communities themselves represent". (Equally Well Review, 2010).

Evidence Review: Summary of Conclusions

7.6 Our evidence review has focused on a number of policy themes selected from the *Achieving our Potential* policy commitments. We believe these have significant potential to reduce poverty in Scotland. These cover mainly devolved and local powers, where we need to maximise the impact of investment. The review has presented, in brief, the best evidence available into three broad groups: Pockets, Places and Prospects. A summary of conclusions and recommendations related to these policy themes follows:

Pockets

Financial capability

7.7 We have considered evidence from Scotland and elsewhere concerning how financial inclusion and financial capability impact on tackling poverty as they relate to disadvantaged groups. Financially included consumers have access to appropriate financial products and services; and the financial capability to use these financial products and services effectively. The evidence suggests that those on low incomes are more likely to be financially excluded and to suffer lower levels of financial capability.

7.8 A lack of financial capability can affect anyone, but low-income younger people, families with children and those with poor levels of education are most likely to have low levels of financial capability. The review has highlighted the links between low financial capability and poverty. For example, individuals may not be able to access mainstream financial products and services; they may be unable to choose appropriate products; they may be paying more for goods and services; and households may be unable to manage 'shocks' (such as redundancy or relationship breakup). However the links between financial capability and poverty are not clear cut. Low income households may be making decisions, and coping in the best way they can, against the backdrop of a low income, lack of access to mainstream financial products and services and limited choice.

Income maximisation through benefit uptake

7.9 The effects of increased benefit take-up on *income inequality* are contingent and mixed. The overall result is that, in the short-term, increased benefit take-up reduces income inequality since the alternative for a person is no or very low income. In the long-term, because of (potential and small-scale) negative effects on workforce participation, take-up of means-tested benefits can reduce the likelihood of employment or of increased working hours, and so may maintain long-term income below what it could be.

7.10 The number of hours of work undertaken has a significant impact upon income maximisation. The current system penalises those who work more than 16-20 hours per week, by reducing eligibility for tax credits and benefits at a very high marginal rate. This helps to explain the persistence of in-work poverty. The UK Government's proposal to introduce a Universal Credit may ease this situation. However, more details will be necessary before the impacts of any changes can be fully analysed.

Energy prices

7.11 Many schemes are in place to support households who may be facing hardship due to rising energy prices. Many of them have been developed with the aim of reducing carbon emissions or cutting fuel poverty as well as assisting the range of lower income households. The review has considered these activities through the specific lens of L3 households and has identified several challenging areas:

- How to make carbon-saving energy efficiency improvements without further driving up fuel bills, rent or other payments for lower income households.
- How to provide a clear path to advice which is accessed and trusted by lower income and/or vulnerable households.
- How to ensure L3 households in Scotland are treated equitably given the climate differences across the UK (e.g. Scotland's longer heating season and lower average winter temperatures).
- How to ensure that there are clear expectations on energy suppliers to provide fair and affordable energy prices to Scottish households.
- How to ensure that L3 households understand how to operate their heating systems to provide them with adequate thermal comfort at lowest cost.

7.12 The review highlights the relatively limited evidence in many areas of the real impact of these activities. Key gaps are around energy behaviours, energy investment motivations, the impact of tariff rule changes on low income households, and the impact of increased energy efficiency investment on the cost of housing in terms of rent or mortgage.

Place

Affordable Housing

7.13 Spending on housing can help to offset poverty by providing accommodation which is affordable for those on lower incomes, and also by helping to mitigate against homelessness. However, as the review notes, since housing costs are a given - that is, they must be met - it is the level of income which remains *after housing costs* which drives a household's standard of living and this needs to be factored into any calculation of whether a household is deemed to be living in poverty. Many households in Scotland are living on low incomes or at officially recognised poverty levels. The review highlights how these tend to be concentrated in particular areas, and particular tenure types, though current economic difficulties have challenged the assumption that homeownership is associated with higher levels of wealth. Lower interest rates have been of considerable benefit to many households, though this will be severely compromised once rates start to rise again. There have been some notable improvements amongst particularly vulnerable groups such as children and the elderly, though it is of considerable concern that in-work poverty has risen.

7.14 Investment in housing alone cannot address poverty in Scotland, but a range of initiatives can improve people's access to housing and their ability to remain in stable housing which the Scottish Government is committed to. The provision of Housing Benefit and Local Housing Allowances is a key cornerstone, along with the 2012

homelessness target, though there is a tension and considerable challenges with the proposed changes to benefit eligibility under Welfare Reform. Further investment in affordable housing through the building of new homes, whether for social rent or for low cost home ownership, will continue to be a positive government strategy to assist those on lower incomes. Other strategies include: increasing the stock by exempting new social housing from the Right to Buy, increasing finances for LIFT (Low-cost Initiative for First Time Buyers), funding debt advice and the homeowners support fund, as well as a commitment to the regeneration of deprived communities.

Prospects

Skills

7.15 Most working age people in Scotland are in employment and the majority of young people make positive transitions into employment, education or training on leaving school. However, there are strong links between early disengagement from education, low qualifications, worklessness and poverty. There is clear evidence that policies which encourage and facilitate continued post-16 learning make a positive contribution to a young person's economic and social prospects and potential throughout their lifetime.

Childcare

7.16 Childcare can be seen as reducing social inequalities in two ways. The first is in allowing parents to return to work, reducing their reliance on benefits and increasing the family's overall income. The second way is in reducing the conditions in childhood that may lead to inequalities later in life e.g. as a result of poorer educational outcomes, employment opportunities, and health difficulties.

7.17 Previous research has shown that, while the mere provision of childcare maybe suitable to alleviate social inequality to a degree via the first method, quality childcare is required to benefit the children themselves. For disadvantaged children, centres with children from a mix of social backgrounds were found to be more beneficial than settings that were more homogenous in backgrounds.

7.18 The difference in the use of formal and informal childcare according to income and relationship status has implications for children's later development. While the issue of whether placing children into childcare has beneficial or negative impacts on their development is contentious, a great deal of research suggests that using some form of childcare – dependent upon time per week and source – can have a positive effect on children.

7.19 The impact of attending a quality childcare provider has been found to be particularly beneficial for children from a disadvantaged background. For example, analysis of Millennium Cohort Study data found that there were differences in the impact on language and behaviour at age 3 of being cared for by grandparents compared to formal childcare providers. While grandparent care was found to be related to improved vocabulary test scores amongst children from more advantaged backgrounds, no beneficial effect was found for children from disadvantaged backgrounds - and there was a detrimental impact upon behaviour among children

from all backgrounds. In contrast, formal group care was associated with better school readiness across all children, with no associated impact upon behaviour.

Reporting on policy evaluations: what makes sense for success?

7.20 In addition to the thematic evidence review, a related project scoped the impact of a sample of high-quality policy evaluations at national and local level in Scotland. The project aimed to identify what difference our evidence makes when it comes to tackling poverty. While small in scale, the research explored the role of evaluation evidence in the context of policy-making at various levels. It found that a successful evaluation report should:

- be concise and accompanied by briefing papers, policy specific summaries, learning notes and a maximum 12 page summary with a full report online if required.
- be accessible, in plain English and “not too technical.” Interviewees particularly mentioned academics writing for other academics rather than policy audiences.
- demonstrate that a robust monitoring and evaluation framework was in place.
- have clear aims and objectives leading to outcomes, recommendations and/or action points and a conclusion.
- demonstrate impact - what has been learned and what has changed as a result of the findings.
- highlight the way forward in policy terms.
- demonstrate a clear understanding of the Scottish context, systems and structures.
- have – before publication - a period of reflection for those involved e.g. between communities, practitioners and national and local policy leads.
- be properly built into the policy planning process and be responsive to any changes in the policy landscape.
- be part of an iterative process, with findings produced and disseminated quickly and effectively (as interim findings if possible) in order to inform the live policy development process.

Recommendations

For Scottish Government policy officers:

1. Develop and agree (between analysts and policy officers) a house style and guidelines on what evaluation reports should consist of, what they should achieve and how they should be presented and disseminated.
2. Undertake a cross-government check on who else might be working on a particular policy/evaluation area and examine how the work will impact on other parts of the Scottish Government’s research and policy work.
3. Establish a “policy forum” on the intranet through which to briefly post current policy developments, their aims and objectives, target group/s, analytical input, outcomes and possible overlap with other policy areas – this would provide colleagues across government with an accessible overview of current policy developments and related research and avoid duplication whilst ensuring more effective cross-team working.
4. Provide training for policy officers on how to make the best use of research and evaluation evidence.

5. Produce a supplementary 2-4 page policy specific evaluation report summary template (as an alternative to the current Social Research Findings Report template).
6. Act as a nucleus for gathering and disseminating local, national and international evidence on specific thematic areas – these “bulletins” could be disseminated through various professional and strategic networks and would help to inform colleagues and external partners and prevent duplication of effort.
7. Make more effort to speak directly to the analyst involved in producing the evaluation in order to gain a better understanding of the data.
8. Work more collaboratively with key organisations that focus on social determinants of health and poverty such as the Glasgow Centre for Population Health and NHS Health Scotland.
9. Engage champions to share evidence and lessons learned (the Chief Medical Officer and the Glasgow Centre for Population Health were particular mentions).

For local authority survey respondents:

1. Ensure “Colleagues value the contribution and act upon evaluation evidence.”
2. Develop closer working relations between Scottish Government researchers and local government officers.
3. Use the opportunities of Single Outcome Agreement, their links and structures, to develop better networking and draw clearer links to the National Outcomes.
4. Develop more time and opportunities for strategic discussion and capacity for internal consultancy and project groups.

Areas for future work

7.21 Finally, the Tackling Poverty Board Statement identifies a small number of areas for future work. These are proposed as ways to improve our understanding of evidence gaps, policy and practice changes needed and their like impact:

- Identifying potentially negative impacts of Welfare Reform on those in poverty in Scotland, and planning to mitigate the impact.
- Looking at how to further shift resources from crisis intervention to early intervention and prevention work in relation to poverty.
- Addressing the ways in which we can reduce income inequality.
- Taking action to improve links between the provision of childcare and sustainable work for those in or at risk of poverty.
- Engagement with the private sector around its contribution to tackling poverty and inequality as both employer and service provider.
- Continuing to address gaps in both evidence and policy action around poverty and the Equalities agenda, notably higher levels of disadvantage affecting low-income women, minority ethnic groups and people with disabilities.

ANNEX A

LOGIC MODEL DEVELOPMENT

What is a logic model?

A logic model aims to set out a shared understanding of the relationship between inputs and activities that are intended to lead to a specified outcome and how activities *are expected* to bring about change – together with assumptions and other influences, including those that are unintended. It emphasises linking inputs with outcomes through tracing all linkages between them.

Very simply a logic model is a systematic and visual way of presenting and sharing understanding of the relationship between the resources of a programme, the planned activities and the anticipated changes or results.

Logic models were designed for four of the key policy areas explored in this report¹¹⁹. Each of these models is presented in the full report of the summary chapter, which can be found on the Tackling Poverty Board website.

Interactive workshops were held with key internal and external stakeholders. The main areas for discussion were:

- Agreeing a definition of the relevant policy;
- Explore how the policy can contribute to tackling poverty, in general terms;
- Agreeing the reach of the logic model;
- Defining and agreeing the short, medium and long term outcomes.

Each logic model illustrates discussions that took place in the workshops. The models set out key relevant (both current, planned and some aspirational) activities and the associated anticipated short, medium and long term outcomes that would lead to the overall outcome of tackling poverty in the 3 lowest income deciles.

Designing a logic model

To design a logic model you need to consider:

- What resources (inputs) are brought to this area?
- What are the (planned) activities in this area?
- What could be the consequences (intended or not) of the activities?

The key stages in constructing a logic model are:

- (i) Identify the main strategic aims and the intended long-term outcomes (including any targets identified for these);
- (ii) Identify the main actions; group these under each of the strategic aims (useful to differentiate between actions related to the achievement of key outcomes and actions related to building capacity and infrastructural support for those involved in delivery);

¹¹⁹ The four areas are Financial Capability, Benefit Uptake, Energy Pricing and Childcare.

- (iii) Identify what underlying assumptions are being made concerning the delivery of the actions;
- (iv) Identify the short-term and medium-term outcomes that might be expected to arise from each strategic group of actions; agree timescale by which these are likely to be observed;
- (v) Check whether short-, medium- and long-term outcomes are logically linked and plausible, testable and do-able;
- (vi) Identify the external factors that will influence the outcomes identified and in what ways/directions these are likely to impact; and
- (vii) Develop a framework for outcomes to guide data collection.

Taken from Health Scotland's *Logic Models* available at:

<http://www.healthscotland.com/understanding/evaluation/support/logic-models.aspx>