



COST OF LIVING AND CHILD POVERTY

Scottish Government Debate: Briefing for MSPs

18th April 2023

Child Poverty Action Group (CPAG) in Scotland works for the one in four children in Scotland growing up in poverty. We [campaign](#) for solutions to bring about a society where children have a fair chance in life free from hardship. We provide [training, advice and information](#) on social security to frontline workers to make sure families get the financial support they need. Our [Cost of the School Day](#) project supports school communities and local authorities to remove and reduce financial barriers to education.

Key points

- An unacceptable **one in four (24%) of Scotland's children live in poverty**, even before the cost-of-living crisis. Their families were already often unable to meet ordinary living costs such as heating bills and have nothing left to cut back spending on.
- Real **progress has been made** putting in place the building blocks needed to end child poverty, but rising costs are outstripping additional Scottish Government support. The Scottish Government must:
 - **increase the Scottish child payment now**. High inflation is reducing its real terms value rapidly. The First Minister's leadership campaign promise of an increase to £30 in his first Budget is hugely welcome, but the ongoing cost of living crisis means families can't wait. [Analysis](#) suggests an increase to at least £40 in this parliament will be needed to meet child poverty targets.
 - **mitigate the two-child limit** through an additional payment of Scottish child payment to affected families.
 - **expand the universal funded childcare offer** to one- and two-year-olds, deliver on school age childcare commitments, and **remove wider barriers to decent jobs for parents**.
 - **deliver on universal free school meal commitments**
 - **invest in the Scottish welfare fund** and its administration, to ensure it plays the fullest possible role in ending the need for foodbanks and charity aid.
 - **use Scotland's tax powers** to harness our collective wealth and income to protect and support our children and boost our economy.

Context – child poverty and the cost-of-living

- **One in four (24%) of Scotland’s children were officially recognised as living in poverty even before the cost-of-living crisis.** Their families were already often unable to meet ordinary living costs such as heating bills. The Scottish Parliament must continue to act to end the underlying poverty that has left so many children so brutally exposed to rising prices.
- Rising costs hit families with children particularly hard. They face energy bills on average 30% higher than other households. Children are already at disproportionately high risk of poverty and are at most risk of being pushed into poverty by the current crisis.
- CPAG welcomes the unanimous Scottish Parliament support for the Child Poverty (Scotland) Act with its statutory targets to reduce child poverty to less than 18% by 2024 and less than 10% by 2030. **Real progress has been made putting in place the building blocks needed to meet these targets.** These building blocks include the new Scottish child payment and other family payments, increased hours of funded childcare, increased focus on parental employment and action to reduce the costs families face by extending free school meals and free bus travel.
- As a result of recent Scottish tax and benefit policies the Institute for Fiscal Studies concludes that “amongst the poorest 30% of households, those with children will see their incomes boosted by around a sizeable £2,000 a year” compared to families in England and Wales. Encouragingly forecasts now suggest that the interim target to reduce child poverty in Scotland to less than 18% by 2024 is within reach, despite child poverty rising across the rest of the UK.
- However recent analysis for CPAG from Loughborough University shows a harsh reality of **rising costs outstripping additional Scottish government supports**.

The Scottish child payment

- The increase to the **Scottish child payment** to £25 per week in November 2022 and roll out to all eligible under 16s is providing welcome relief to families across Scotland. However, with inflation remaining high **its real terms value is now falling**. We welcome the new First Minister’s commitment to **increase the Scottish child payment to £30** in his first Budget and “seeing what we can do” to increase the child payment in 2023/24. We urge the new Scottish government to **act now** to increase the payment, to protect children from rising costs and ensure interim child poverty targets are met.
- In order to maintain progress toward meeting statutory child poverty targets analysis by independent think tank IPPR Scotland for Save the Children and the Trussell Trust concludes the **Scottish child payment will need to rise to at least £40** by the end of this Parliament.

The two-child limit

- More is needed to ensure progress in reducing child poverty among those families at greatest risk – the ‘priority groups’, including larger families. Scottish government action to mitigate the UK benefit cap is really welcome. However, an increasing number of families are becoming subject to the two-child limit, missing out on thousands of pounds of vital social security support before they even hit the benefit cap. This UK-wide poverty-generating policy prevents

families in receipt of universal credit (UC) or child tax credits (CTC) from getting a child element for a third or subsequent child born after 6th April 2017, unless one of a small number of exceptions applies. Evidence from [CPAG's Early Warning System](#) and the [Benefit Changes and Larger Families](#) project highlights how families affected by the two child limit are losing significant income. It needs to be scrapped at source, but Scotland's powers can be used to reduce its damaging impact now. Recent Scottish government [analysis](#) suggests that, in terms of reducing child poverty, the most cost-effective UK welfare reform to reverse would be the two-child limit. CPAG analysis suggests that **mitigating the two-child limit alone would lift between 10 000 and 15 000 children in Scotland out of poverty** and cost around £85m. The most practical and effective way to address the impact of the two-child limit is **through an additional payment of Scottish child payment to all households who have a third, or subsequent, child born after the 6th April 2017.**

Investing to reduce child poverty

- The Scottish Government must **continue to prioritise investment in action that reduces child poverty**. That means enhancing and sustaining resources to deliver high quality **funded childcare**, remove barriers to **decent work**, reduce **housing and transport costs** and cut the **cost of the school day**. Government also needs to ensure that there is sufficient funding for those services that are essential to everyone but are particularly important to low-income households.

Childcare

- The expansion of free hours of childcare in England, announced in the UK Chancellor's recent Spring Budget, creates opportunities for the Scottish Government to go further and faster with its already more generous universal funded childcare offer. The universal approach taken for three- and four-year-olds in Scotland ensures all children can benefit, especially those in the lowest income families. Children's access to funded childcare should not be restricted by requiring both parents to be working at least 16 hours, as is the case in England. This prevents children from families on the lowest incomes, who are likely to benefit the most, from accessing places. The Scottish Government should use funding consequential to build on existing commitments in the Tackling Child Poverty Delivery Plan 2022-26 and **expand its universal offer to one- and two-year-olds**, ensuring this is funded adequately to deliver high quality flexible childcare and early learning opportunities.
- Additional funding [recently announced](#) for **school age childcare** is welcome but must be a steppingstone to a more strategic approach to childcare. In our [shared vision](#) CPAG, One Parent Families in Scotland, Close the Gap, Save the Children and Parenting across Scotland call for all parents to have the choice of up to 50 hours of accessible, flexible, high-quality, child centred childcare from the time their child is six months old, free at the point of use.

Free school meals

- The cost of school meals is a significant pressure on increasingly hard-pressed household budgets, particularly for those just above the means-tested threshold for free meals. It

was disappointing that the commitment to roll out free school meals to P6 and P7 by August 22 was not met, but the commitment remains to work with CoSLA to deliver free school meals to all primary pupils. Research continues to show that universal provision is progressive and helps tackle inequality. The Scottish Government should take the same approach towards pupils in high school. We understand that there are capacity and logistical barriers to extending provision in high schools, but an immediate first step could be the extension of free school meals to all families in receipt of universal credit, or an equivalent means-tested benefit as part of a roadmap towards universal provision.

Scottish welfare fund

- The Scottish Government's commitment to a cash first approach to supporting households in immediate crisis is the right approach. The Scottish welfare fund should be a key source of cash first support. However we know [from our work and the work of our partners](#) that many people facing income crisis are unaware of or unable to access the Fund. A recent [independent review](#) for the Scottish Government confirmed the need to increase parity and consistency of application and decision making across the country, as well as improve promotion. We welcome the [Scottish Government commitment](#) to act on the review findings. Further investment in the Fund and its administration is needed to ensure it plays the fullest possible role in ending the need for foodbanks and charity aid when families face income crisis and exceptional pressures.

Child poverty, the economy and taxation

- A recent [report](#) for CPAG estimates the costs of child poverty to the economy due to greater risk of unemployment and lower earnings potential of adults who grew up in poverty, and the additional amount spent on services to help address the damage done to children. **Across the UK the total cost of child poverty amounts to over £39 billion a year.** Investment in reducing child poverty would bring large gains to the economy, as well as avoid the direct damage to children.
- We need to **harness our collective wealth and income to protect and support children and boost the economy.** Scottish Government needs to review all the tax powers it has and make progressive use of devolved taxes to fund the social infrastructure needed to prevent and end child poverty for good. **The new First Minister's [commitment](#) to consider use of wealth taxes is welcome.** The Scottish Government should look at the opportunities for further harnessing Scotland's wealth to tackle child poverty and continue to use Scottish powers over income tax to increase revenues in a progressive way.

Ed Pybus, CPAG in Scotland Policy and Parliamentary Officer

Epybus@cpagscotland.org.uk

Direct: 0141 552 3545 | Mobile: 07903 638 226