



# Statistics Publication Notice

## Economy Series

March 9th 2006

### SCOTTISH HOUSEHOLDS BELOW AVERAGE INCOME 2004/05

This publication note presents estimates released by the Scottish Executive, of the proportions and numbers of children, working age adults and pensioners living in low income households in Scotland. These estimates are derived from the Department for Work and Pensions' (DWP) Households Below Average Income (HBAI) analysis, which is based on the Family Resources Survey (FRS). The DWP have today published equivalent GB figures (please see <http://www.dwp.gov.uk/asd/hbai.asp>).

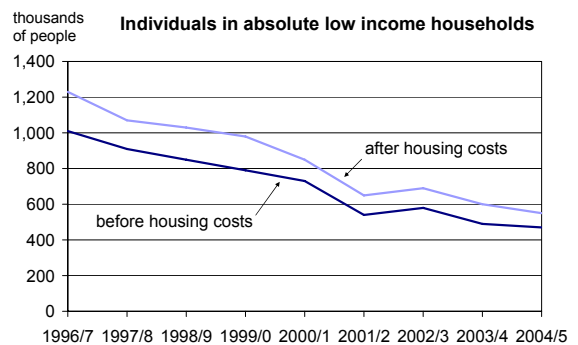
Key results for all individuals living in households below 60 per cent of both the absolute GB median (median at 1996/97 fixed in real terms) and relative GB median (current median income) (see notes and definitions on [page 8](#)) are:

#### Individuals in absolute low income

Absolute low income is a measure of whether those in the lowest income households are seeing their incomes rise in real terms.

The current low income estimates for 2004/05 show that the number of individuals in absolute low income households before housing costs fell from 1,010,000 in 1996/97 to 470,000 in 2004/05. This is a decrease of 53%.

The number of individuals in low income households after housing costs was 1,230,000 in 1996/97, falling to 550,000 in 2004/05. This is a decrease of 55%.

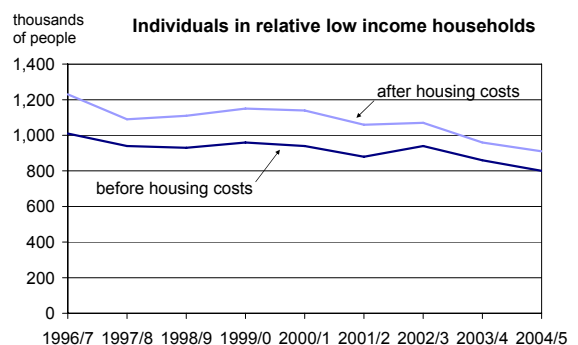


#### Individuals in relative low income

Relative low income 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

The number of individuals in relative low income households before housing costs fell by 21%, from 1,010,000 in 1996/97 to 800,000 in 2004/05.

After housing costs numbers fell by 26%, from 1,230,000 in 1996/97 to 910,000 in 2004/05.



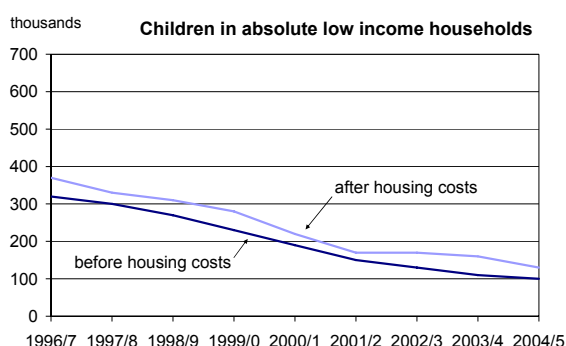
## 2004/05 LOW INCOME RESULTS

The current low income estimates use 1996/97 as the baseline year for absolute measures and McClements equivalisation methodology (please see notes and definitions on [page 8](#)). The figures can be found in [tables 1 to 8](#).

From next year (2005/06 data), all incomes will be equivalised using the modified OECD scale. Current figures calculated using this new scale can be found in [tables 10 and 11](#). Also from next year, the figures for children living in low income will be measured using new child poverty tiers. Figures for tiers 1 and 2 appear in [table 9](#). Please see '[The new child poverty measure](#)' on [page 10](#) for more information.

## ABSOLUTE LOW INCOME

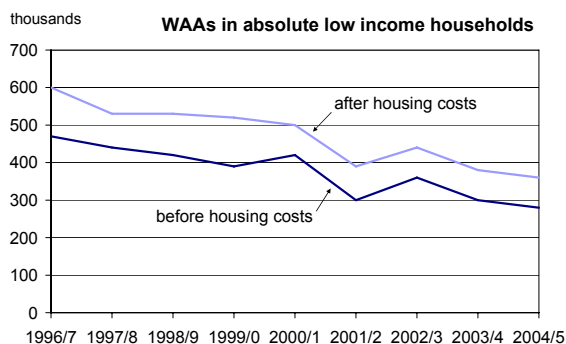
### Children



In 1996/97 the number of children in low income households before housing costs was 320,000 (29% of all children). This had fallen by 69% to 100,000 children in 2004/05 (10% of all children).

After housing costs the number of children in low income households fell by 65%, from 370,000 in 1996/97 (33% of all children) to 130,000 in 2004/05 (13% of all children).

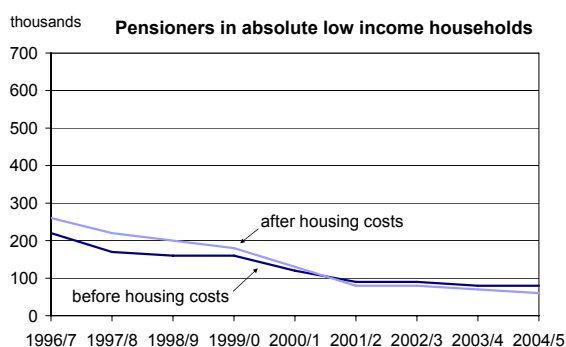
### Working age adults (WAAs)



In 1996/97 the number of working age adults in low income households before housing costs was 470,000 (16% of all WAAs). This had fallen by 40% to 280,000 in 2004/05 (9% of all WAAs).

After housing costs the number of working aged adults in low income households also fell by 40%, from 600,000 in 1996/97 (20% of all WAAs) to 360,000 in 2004/05 (12% of all WAAs).

### Pensioners



In 1996/97 the number of pensioners in low income households before housing costs was 220,000 (26% of all pensioners). This had fallen by 64% to 80,000 in 2004/05 (9% of all pensioners).

After housing costs the number of pensioners in low income households fell by 77%, from 260,000 in 1996/97 (30% of all pensioners) to 60,000 in 2004/05 (6% of all pensioners).

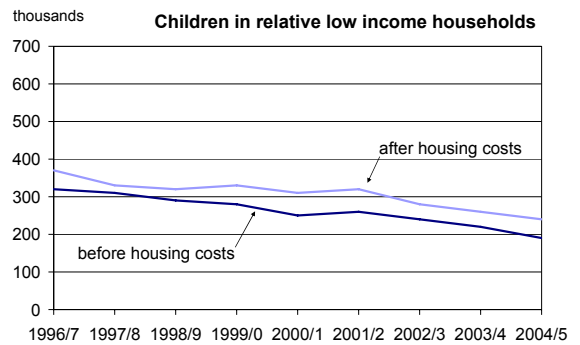
## RELATIVE LOW INCOME

### Children

The number of children in relative low income households before housing costs has fallen by 41%, from 320,000 in 1996/97 to 190,000 in 2004/05 (19% of all children).

The HM Treasury (HMT)/Department for Work and Pensions' (DWP) target to reduce the number of children in low-income households in GB by at least a quarter between 1998/99 and 2004/05 is measured using relative low income households before housing costs. In Scotland, since 1998/99, there has been a 34% decrease.

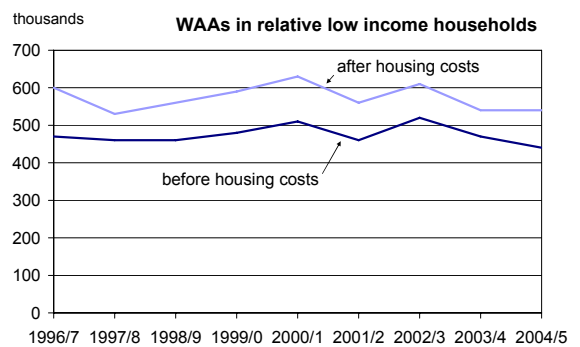
After housing costs the number has fallen by 35% from 370,000 in 1996/97 to 240,000 in 2004/05 (23% of all children).



### Working age adults (WAAs)

The number of working age adults in relative low income households before housing costs has remained steady, from 470,000 in 1996/97 to 440,000 in 2004/05 (15% of all WAAs).

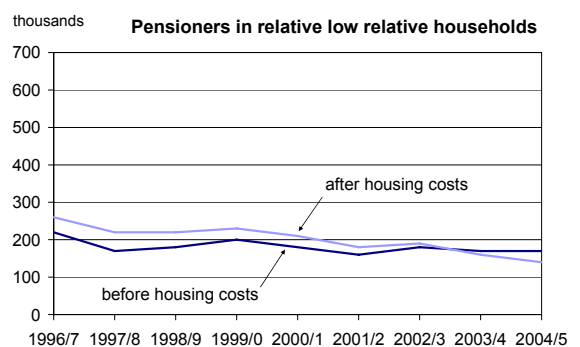
After housing costs the number again has remained fairly steady, from 600,000 in 1996/97 to 540,000 in 2004/05 (18% of all WAAs).



### Pensioners

The number of pensioners in relative low income households before housing costs has fallen by 23%, from 220,000 in 1996/97 to 170,000 in 2004/05 (18% of all pensioners).

After housing costs the number has fallen by 46% from 260,000 in 1996/97 to 140,000 in 2004/05 (16% of all pensioners).



## 2004/05 LOW INCOME TABLES

**Table 1: ABSOLUTE low income (below 60% of GB median) in Scottish households**  
**Current methodology (McClements equivalisation and 1996/97 base year)**

	All individuals				Children				Working Age Adults				Pensioners			
	Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs	
	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)
1994/95	22	1,080	25	1,240	28	310	31	340	18	540	20	620	26	230	32	280
1995/96	21	1,050	25	1,230	29	320	34	370	16	480	19	570	29	250	33	290
<b>1996/97</b>	<b>20</b>	<b>1,010</b>	<b>25</b>	<b>1,230</b>	<b>29</b>	<b>320</b>	<b>33</b>	<b>370</b>	<b>16</b>	<b>470</b>	<b>20</b>	<b>600</b>	<b>26</b>	<b>220</b>	<b>30</b>	<b>260</b>
1997/98	18	910	21	1,070	27	300	30	330	15	440	17	530	19	170	25	220
1998/99	17	850	21	1,030	25	270	29	310	14	420	17	530	18	160	22	200
1999/00	16	790	20	980	22	230	26	280	13	390	17	520	19	160	21	180
2000/01	15	730	17	850	18	190	21	220	14	420	17	500	14	120	14	130
2001/02	11	540	13	650	14	150	17	170	10	300	13	390	11	90	9	80
2002/03	12	580	14	690	13	130	16	170	12	360	15	440	11	90	9	80
2003/04	10	490	12	600	11	110	15	160	10	300	13	380	9	80	8	70
<b>2004/05</b>	<b>9</b>	<b>470</b>	<b>11</b>	<b>550</b>	<b>10</b>	<b>100</b>	<b>13</b>	<b>130</b>	<b>9</b>	<b>280</b>	<b>12</b>	<b>360</b>	<b>9</b>	<b>80</b>	<b>6</b>	<b>60</b>

Note: From 2005/06 the equivalisation scale used to calculate low income statistics will switch from the McClements to the modified OECD equivalisation scales. The measure used this table is defined as the number and proportion of individuals, children, working aged adults and pensioners whose (McClements) equivalised income is below 60% of inflation adjusted GB median income in 1996/97. Modified OECD equivalised figures are shown in table 10. Due to rounding, the estimates for children, working age adults and pensioners may not sum to the total for all individuals.

**Table 2: RELATIVE low income (below 60% of GB median) in Scottish households**  
**Current methodology (McClements equivalisation)**

	All individuals				Children				Working Age Adults				Pensioners			
	Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs	
	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)
1994/95	19	960	22	1,080	26	280	28	300	16	490	18	540	22	190	27	240
1995/96	18	920	22	1,120	26	290	32	350	14	430	17	530	24	210	27	230
<b>1996/97</b>	<b>20</b>	<b>1,010</b>	<b>25</b>	<b>1,230</b>	<b>29</b>	<b>320</b>	<b>33</b>	<b>370</b>	<b>16</b>	<b>470</b>	<b>20</b>	<b>600</b>	<b>26</b>	<b>220</b>	<b>30</b>	<b>260</b>
1997/98	19	940	22	1,090	29	310	30	330	15	460	18	530	19	170	25	220
1998/99	19	930	22	1,110	27	290	30	320	15	460	19	560	21	180	25	220
1999/00	19	960	23	1,150	26	280	30	330	16	480	20	590	23	200	26	230
2000/01	19	940	23	1,140	24	250	29	310	17	510	21	630	20	180	23	210
2001/02	18	880	21	1,060	25	260	30	320	15	460	19	560	18	160	20	180
2002/03	19	940	22	1,070	23	240	26	280	17	520	20	610	21	180	21	190
2003/04	17	860	19	960	22	220	25	260	15	470	18	540	19	170	18	160
<b>2004/05</b>	<b>16</b>	<b>800</b>	<b>18</b>	<b>910</b>	<b>19</b>	<b>190</b>	<b>23</b>	<b>240</b>	<b>15</b>	<b>440</b>	<b>18</b>	<b>540</b>	<b>18</b>	<b>170</b>	<b>16</b>	<b>140</b>

Note: From 2005/06 the equivalisation scale used to calculate low income statistics will switch from the McClements to the modified OECD equivalisation scales. The measure used this table is defined as the number and proportion of individuals, children, working aged adults and pensioners whose (McClements) equivalised income is below 60% of GB median income in the same year. Modified OECD equivalised figures are shown in table 11. Due to rounding, the estimates for children, working age adults and pensioners may not sum to the total for all individuals. The figures shown here for children in low income households before housing costs form the basis of the PSA target to reduce the number of children in low income households by a quarter between 1998/99 and 2004/05.

## CHILDREN IN LOW INCOME SCOTTISH HOUSEHOLDS (BELOW 50%, 60% AND 70% OF GB MEDIAN INCOME)

**Table 3: CHILDREN in ABSOLUTE low income Scottish households  
Current methodology (McClements equivalisation and 1996/97 base year)**

	Below 50% of the median				Below 60% of the median				Below 70% of the median			
	Before		After		Before		After		Before		After	
	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)
1994/95	14	150	20	220	28	310	31	340	37	410	37	410
1995/96	14	160	20	220	29	320	34	370	41	460	43	480
<b>1996/97</b>	<b>15</b>	<b>170</b>	<b>21</b>	<b>230</b>	<b>29</b>	<b>320</b>	<b>33</b>	<b>370</b>	<b>39</b>	<b>430</b>	<b>42</b>	<b>460</b>
1997/98	13	140	20	210	27	300	30	330	38	410	39	430
1998/99	14	150	20	210	25	270	29	310	33	360	36	390
1999/00	11	120	15	160	22	230	26	280	32	350	35	370
2000/01	9	100	11	110	18	190	21	220	29	310	31	330
2001/02	7	70	10	100	14	150	17	170	26	270	29	300
2002/03	6	60	8	90	13	130	16	170	23	240	23	240
2003/04	5	50	7	70	11	110	15	160	22	220	23	240
<b>2004/05</b>	<b>5</b>	<b>50</b>	<b>7</b>	<b>70</b>	<b>10</b>	<b>100</b>	<b>13</b>	<b>130</b>	<b>18</b>	<b>180</b>	<b>19</b>	<b>200</b>

Note: This measure is very similar to the new child poverty tier 1 measure but uses the McClements equivalisation scale (instead of the modified OECD scale) and 1996/97 inflation adjusted GB median income (rather than 1998/99). It is defined as the number and proportion of children in households whose (McClements) equivalised income is below 50%, 60% or 70% of inflation adjusted GB median income in 1996/97.  
Additional 50% and 70% of median figures are shown in support of *Opportunity for all* and give an idea of the depth of low income.

**Table 4: CHILDREN in RELATIVE low income Scottish households  
Current methodology (McClements equivalisation)**

	Below 50% of the median				Below 60% of the median				Below 70% of the median			
	Before		After		Before		After		Before		After	
	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)
1994/95	11	130	17	190	26	280	28	300	35	380	35	390
1995/96	11	120	16	180	26	290	32	350	38	420	39	430
<b>1996/97</b>	<b>15</b>	<b>170</b>	<b>21</b>	<b>230</b>	<b>29</b>	<b>320</b>	<b>33</b>	<b>370</b>	<b>39</b>	<b>430</b>	<b>42</b>	<b>460</b>
1997/98	14	150	21	230	29	310	30	330	39	420	40	430
1998/99	15	170	24	260	27	290	30	320	36	390	36	390
1999/00	13	140	20	220	26	280	30	330	37	400	40	420
2000/01	12	130	16	170	24	250	29	310	35	370	37	400
2001/02	11	120	16	170	25	260	30	320	37	390	40	420
2002/03	11	120	18	190	23	240	26	280	35	360	37	380
2003/04	10	100	18	180	22	220	25	260	29	300	32	330
<b>2004/05</b>	<b>10</b>	<b>100</b>	<b>15</b>	<b>150</b>	<b>19</b>	<b>190</b>	<b>23</b>	<b>240</b>	<b>30</b>	<b>310</b>	<b>31</b>	<b>320</b>

Note: This measure is very similar to the new child poverty tier 2 measure but use the McClements equivalisation scale (instead of the modified OECD scale). It is defined as the number and proportion of children in households whose (McClements) equivalised income is below 50%, 60% or 70% of GB median income in the same year.  
Additional 50% and 70% of median figures are shown in support of *Opportunity for all* and give an idea of the depth of low income.  
The figures shown here for children in households below 60% of median (before housing costs) form the basis of the PSA target to reduce the number of children in low income households by a quarter between 1998/99 and 2004/05.

## **WORKING AGED ADULTS IN LOW INCOME SCOTTISH HOUSEHOLDS (BELOW 50%, 60% AND 70% OF GB MEDIAN INCOME)**

**Table 5: WORKING AGED ADULTS in ABSOLUTE low income Scottish households  
Current methodology (McClements equivalisation and 1996/97 base year)**

	Below 50% of the median				Below 60% of the median				Below 70% of the median			
	Before		After		Before		After		Before		After	
	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)
1994/95	10	320	14	410	18	540	20	620	24	730	25	760
1995/96	8	250	12	380	16	480	19	570	24	720	26	780
<b>1996/97</b>	<b>8</b>	<b>250</b>	<b>13</b>	<b>390</b>	<b>16</b>	<b>470</b>	<b>20</b>	<b>600</b>	<b>23</b>	<b>700</b>	<b>25</b>	<b>750</b>
1997/98	8	240	12	350	15	440	17	530	21	650	23	690
1998/99	8	240	13	380	14	420	17	530	21	630	23	690
1999/00	7	210	11	330	13	390	17	520	21	630	23	690
2000/01	8	240	11	340	14	420	17	500	19	580	22	670
2001/02	6	170	8	250	10	300	13	390	16	490	18	540
2002/03	7	220	9	290	12	360	15	440	17	520	19	560
2003/04	5	170	8	240	10	300	13	380	15	460	17	510
<b>2004/05</b>	<b>5</b>	<b>160</b>	<b>8</b>	<b>250</b>	<b>9</b>	<b>280</b>	<b>12</b>	<b>360</b>	<b>14</b>	<b>420</b>	<b>16</b>	<b>480</b>

Note: This measure is defined as the number and proportion of working aged adults in households whose (McClements) equivalised income is below 50%, 60% or 70% of inflation adjusted GB median income in 1996/97. Additional 50% and 70% of median figures are shown in support of *Opportunity for all* and give an idea of the depth of low income.

**Table 6: WORKING AGED ADULTS in RELATIVE low income Scottish households  
Current methodology (McClements equivalisation)**

	Below 50% of the median				Below 60% of the median				Below 70% of the median			
	Before		After		Before		After		Before		After	
	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)
1994/95	9	290	12	370	16	490	18	540	22	670	23	700
1995/96	7	200	10	310	14	430	17	530	21	650	23	690
<b>1996/97</b>	<b>8</b>	<b>250</b>	<b>13</b>	<b>390</b>	<b>16</b>	<b>470</b>	<b>20</b>	<b>600</b>	<b>23</b>	<b>700</b>	<b>25</b>	<b>750</b>
1997/98	8	250	12	370	15	460	18	530	22	660	23	700
1998/99	9	270	14	420	15	460	19	560	23	690	24	710
1999/00	8	260	13	390	16	480	20	590	24	740	26	770
2000/01	10	300	15	440	17	510	21	630	24	720	27	810
2001/02	9	260	13	390	15	460	19	560	23	680	25	750
2002/03	11	330	15	460	17	520	20	610	24	720	26	780
2003/04	9	280	14	410	15	470	18	540	20	620	23	700
<b>2004/05</b>	<b>9</b>	<b>260</b>	<b>13</b>	<b>390</b>	<b>15</b>	<b>440</b>	<b>18</b>	<b>540</b>	<b>22</b>	<b>660</b>	<b>23</b>	<b>700</b>

Note: This measure is defined as the number and proportion of working aged adults in households whose (McClements) equivalised income is below 50%, 60% or 70% of GB median income in the same year. Additional 50% and 70% of median figures are shown in support of *Opportunity for all* and give an idea of the depth of low income.

## **PENSIONERS IN LOW INCOME SCOTTISH HOUSEHOLDS (BELOW 50%, 60% AND 70% OF GB MEDIAN INCOME)**

**Table 7: PENSIONERS in ABSOLUTE low income Scottish households  
Current methodology (McClements equivalisation and 1996/97 base year)**

	Below 50% of the median				Below 60% of the median				Below 70% of the median			
	Before		After		Before		After		Before		After	
	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)
1994/95	12	100	12	110	26	230	32	280	43	370	46	390
1995/96	13	110	12	110	29	250	33	290	45	390	45	390
<b>1996/97</b>	<b>12</b>	<b>100</b>	<b>11</b>	<b>100</b>	<b>26</b>	<b>220</b>	<b>30</b>	<b>260</b>	<b>43</b>	<b>370</b>	<b>44</b>	<b>380</b>
1997/98	10	90	10	90	19	170	25	220	33	280	36	320
1998/99	8	70	9	80	18	160	22	200	34	300	35	310
1999/00	10	90	10	90	19	160	21	180	31	270	34	300
2000/01	5	50	5	40	14	120	14	130	25	220	27	230
2001/02	4	40	4	30	11	90	9	80	20	170	18	160
2002/03	4	40	4	40	11	90	9	80	21	180	18	160
2003/04	4	30	4	40	9	80	8	70	18	160	15	130
<b>2004/05</b>	<b>3</b>	<b>30</b>	<b>3</b>	<b>30</b>	<b>9</b>	<b>80</b>	<b>6</b>	<b>60</b>	<b>16</b>	<b>150</b>	<b>12</b>	<b>110</b>

Note: This measure is defined as the number and proportion of pensioners in households whose (McClements) equivalised income is below 50%, 60% or 70% of inflation adjusted GB median income in 1996/97.  
Additional 50% and 70% of median figures are shown in support of *Opportunity for all* and give an idea of the depth of low income.

**Table 8: PENSIONERS in RELATIVE low income Scottish households  
Current methodology (McClements equivalisation)**

	Below 50% of the median				Below 60% of the median				Below 70% of the median			
	Before		After		Before		After		Before		After	
	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)	housing costs %	housing costs (000s)
1994/95	9	80	8	70	22	190	27	240	39	340	43	370
1995/96	11	90	8	70	24	210	27	230	41	360	41	360
<b>1996/97</b>	<b>12</b>	<b>100</b>	<b>11</b>	<b>100</b>	<b>26</b>	<b>220</b>	<b>30</b>	<b>260</b>	<b>43</b>	<b>370</b>	<b>44</b>	<b>380</b>
1997/98	10	90	11	100	19	170	25	220	34	300	37	320
1998/99	9	80	10	90	21	180	25	220	37	320	38	330
1999/00	12	110	13	120	23	200	26	230	37	330	38	340
2000/01	8	70	10	90	20	180	23	210	34	300	34	300
2001/02	7	70	8	70	18	160	20	180	32	290	35	310
2002/03	9	80	10	90	21	180	21	190	35	310	36	320
2003/04	8	70	9	80	19	170	18	160	32	290	33	300
<b>2004/05</b>	<b>9</b>	<b>80</b>	<b>7</b>	<b>70</b>	<b>18</b>	<b>170</b>	<b>16</b>	<b>140</b>	<b>31</b>	<b>280</b>	<b>28</b>	<b>260</b>

Note: This measure is defined as the number and proportion of pensioners in households whose (McClements) equivalised income is below 50%, 60% or 70% of GB median income in the same year.  
Additional 50% and 70% of median figures are shown in support of *Opportunity for all* and give an idea of the depth of low income.

## NOTES AND DEFINITIONS

The Department for Work and Pensions' (DWP) Households Below Average Income data are published annually and are used to provide the official snapshot low income estimates for individuals, children, working age adults and pensioners for GB and Scotland. This publication notice provides the headline estimates for Scotland only. For GB estimates (and some regional analysis) please see the DWP publication 'Households Below Average Income: An analysis of the income distribution 1994/95-2004/05' which has been published today on the DWP website: <http://www.dwp.gov.uk/asd/hbai.asp>.

### Income definitions and measures

The income used in the 'low income' estimates is called 'net disposable household income'. It is simply income from all sources, for all members of the household but after deductions for income tax, National Insurance contributions, council tax, pension contributions, maintenance payments and insurance premia. Due to changes in the questions on the FRS, from 2005/06, disposable income to estimate official low income figures will include insurance premia, this change will have very little effect.

### Equivalisation

In order for the net disposable household income to be used as a proxy for living standards it has to be adjusted. This adjustment is called 'equivalisation'. This equivalised income 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. There are several different equivalence scales. The current low income figures in [tables 1 to 8](#) use the McClements equivalence scale. The new child poverty measure, [table 9](#), uses the modified OECD scale. Next year, all low income figures will be based on the modified OECD scale. [Tables 10 and 11](#) show what the current estimates would be if the modified OECD scale were used. The DWP have published a paper with further details about the changes to equivalisation scales. This can be found at the following website: [www.dwp.gov.uk/asd/hbai/nsfr\\_newequiv.pdf](http://www.dwp.gov.uk/asd/hbai/nsfr_newequiv.pdf).

### How is low income measured?

Individuals are defined as being in low income if their equivalised net disposable household income is below 60% of the GB median. The median is the income value which divides a population, when ranked by income, into two equal sized groups. Since the mean is influenced significantly by the highest incomes, median income thresholds are widely accepted as a better benchmark when considering a derived measure for low income. 60% of median is the most commonly used low income measure, however additional 50% and 70% of median figures are shown in [tables 3 to 8](#) in support of *Opportunity for all* and to give an idea of the depth of low income.

For a couple with no children the GB median income before housing costs in 2004/05 was £349 per week, this is a real terms increase of £55 (19%) since 1996/97 (the inflation adjusted GB median income in 1996/97 was £294). After housing costs the increase is from £242 per week in 1996/97 (inflation adjusted) to £304 in 2004/05. This is an increase of 26% or £62.

Consequently, the 60% low income threshold, which is used to derive the low income household figures, has increased by £33 per week (before housing costs) in real terms, from £177 in 1996/97 (inflation adjusted) to £210 in 2004/05. After housing costs the 60% of GB median has increased by £38 per week in real terms, from £145 to £183.

## **Before housing costs (BHC) and after housing costs (AHC)**

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

## **Absolute and relative measures**

There are two further measures that are used to describe trends over time: absolute low income and relative low income. In essence, the absolute measures whether individuals in the lowest income households are seeing their incomes rise in real terms. The relative measures whether those in the lowest incomes are keeping up with the growth of the economy as a whole.

**Absolute low income:** individuals living in households whose equivalised income is below 60% of inflation adjusted GB median income in 1996/97. This is a measure of whether those in the lowest income households are seeing their incomes rise in real terms.

**Relative low income:** individuals living in households whose equivalised income is below 60% of GB 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.

## **Other points to note**

The percentages show the proportion of the population that fall below the threshold in the year in question. Therefore, due to changing demographics, the same number of persons one year may represent a different proportion to the same number in a previous year.

The figures are estimates based on a sample survey – The Family Resources Survey - and are therefore subject to sampling variation. Extreme caution should be exercised in the interpretation of small year-on-year fluctuations. Identification of trends must be based on data for several years. As the Scottish Executive has funded a doubling of the Scottish sample since 2002/03, the Scottish figures from 2002/03 onwards should be less prone to fluctuation within key trends than those for earlier years.

The Household Below Average Income data are grossed up to produce estimates for the overall population. Following a review, the Department for Work and Pensions announced a new grossing regime in February 2005. This new grossing regime, which came into effect last year, improves the accuracy of regional-level counts drawn from the Family Resources Survey (from which the HBAI is based). The full HBAI series from 1994/95 was revised last year in line with the new grossing regime. Further information about the new grossing regime is available at the DWP website: [www.dwp.gov.uk/asd/frs](http://www.dwp.gov.uk/asd/frs).

## THE NEW CHILD POVERTY MEASURE

This year sees the launch of a new child poverty measure. These long term measures were developed by the DWP in response to the Prime Minister's 1999 announcement that the UK Government is committed to eradicating child poverty within in a generation. The Scottish Executive share's this vision.

In April 2002, the DWP launched the 'Measuring Child Poverty Consultation' in order to develop a long term measure of child poverty. The details of this consultation were published in December 2003 (please see [www.dwp.gov.uk/consultations/consult/2003/childpov/final.pdf](http://www.dwp.gov.uk/consultations/consult/2003/childpov/final.pdf)).

The new measure forms the basis of a joint DWP/HM Treasury child poverty target of halving child poverty by 2010 and eradicating child poverty by 2020. The measure will consist of 3 tiers:

**Tier 1, Absolute low income:** number and proportion of children in households whose equivalised income before housing costs is below 60% of inflation adjusted GB median income in 1998/99. This is a measure of whether the poorest families are seeing their incomes rise in real terms.

**Tier 2, Relative low income:** number and proportion of children in households whose equivalised income before housing costs is below 60% of GB median income in the same year. This is a measure of whether the poorest families are keeping pace with the growth of incomes in the economy as a whole

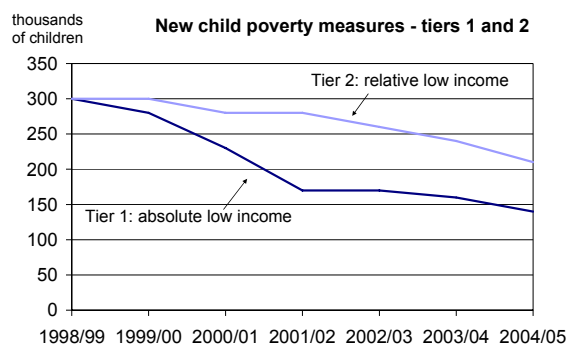
**Tier 3, Material deprivation and low income combined:** Number and proportion of children that are both materially deprived and are in households whose equivalised income before housing costs is less than 70% of the GB median in the current year. This is to provide a wider measure of children's living standards.

Figures relating to the first two tiers (absolute and relative low income) are provided in [table 9](#). The third tier (material deprivation and low income combined) will be published later in the year. In next year's HBAI Statistical Publication Notice, all three tiers will be published at the same time. To allow better international comparisons, the new child poverty measure uses the modified OECD equivalisation scale and, to reflect the year in which the commitment to eradicate child poverty was made, the base line year for the absolute measure (tier 1) is 1998/99. The modified OECD equivalisation scale gives more weight to 0-4 year olds and to 14-15 year olds than the McClements equivalisation scale and less weight to children of other ages. This results in slightly more children being in low income under tiers 1 and 2 than under the current methodology (McClements equivalisation scale, absolute and relative, before housing costs). The trends will remain the same which ever scale is used.

### Results for tiers 1 and 2 ([see table 9](#))

In Scotland, the number of children in tier 1 is down from 28% (300,000) in 1998/99 to 13% (140,000) in 2004/05. This is a decrease of 53%. Tier 1 represents children in absolute low income and is a measure of whether the poorest families are seeing their incomes rise in real terms.

In Scotland the number of children in tier 2 is down from 28% (300,000) in 1998/99 to 21% (210,000) in 2004/05. This is a decrease of 30%. Tier 2 represents children in relative low income and is a measure of whether the poorest families are keeping pace with the growth of incomes in the economy as a whole.



**Table 9: New child poverty measures tiers 1 and 2 (Scotland)**

	Child poverty tier 1		Child poverty tier 2	
	%	(000s)	%	(000s)
1994/95	32	350	28	310
1995/96	33	370	27	300
1996/97	35	390	31	340
1997/98	32	350	30	330
<b>1998/99</b>	<b>28</b>	<b>300</b>	<b>28</b>	<b>300</b>
1999/00	26	280	28	300
2000/01	22	230	27	280
2001/02	16	170	27	280
2002/03	16	170	25	260
2003/04	15	160	24	240
<b>2004/05</b>	<b>13</b>	<b>140</b>	<b>21</b>	<b>210</b>

Tier 1: ABSOLUTE low income: number and proportion of children in households whose (modified OECD) equivalised income BEFORE HOUSING COSTS is below 60% of inflation adjusted GB median income in 1998/99

Tier 2: RELATIVE low income: number and proportion of children in households whose (modified OECD) equivalised income BEFORE HOUSING COSTS is below 60% of GB median income in the same year  
For both tiers income includes insurance premia.

## 2004/05 LOW INCOME TABLES USING UPDATED EQUIVALISATION METHODOLOGY

**Table 10: ABSOLUTE low income (below 60% of GB median) in Scottish households  
Updated methodology (OECD equivalisation and 1996/97 base year)**

	All individuals				Children				Working Age Adults				Pensioners			
	Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs	
	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)
1994/95	23	1150	25	1280	31	340	32	350	18	540	20	620	31	270	35	310
1995/96	23	1150	25	1270	31	350	34	380	17	510	19	580	34	300	35	310
<b>1996/97</b>	<b>22</b>	<b>1090</b>	<b>25</b>	<b>1230</b>	<b>31</b>	<b>340</b>	<b>33</b>	<b>360</b>	<b>16</b>	<b>490</b>	<b>19</b>	<b>580</b>	<b>30</b>	<b>260</b>	<b>33</b>	<b>290</b>
1997/98	19	960	22	1090	29	310	30	330	15	450	17	520	22	190	28	240
1998/99	18	900	21	1040	26	280	29	310	14	420	17	520	22	200	24	210
1999/00	17	850	20	1020	24	260	28	300	14	420	17	530	20	180	22	190
2000/01	16	770	18	880	20	210	22	230	14	430	17	510	15	130	15	130
2001/02	12	580	13	660	15	150	18	190	11	320	13	400	12	100	9	80
2002/03	13	640	14	710	14	150	18	180	13	380	15	450	12	110	9	80
2003/04	11	550	12	620	13	140	16	170	10	310	13	380	11	100	8	70
<b>2004/05</b>	<b>10</b>	<b>500</b>	<b>11</b>	<b>570</b>	<b>11</b>	<b>110</b>	<b>14</b>	<b>140</b>	<b>9</b>	<b>290</b>	<b>12</b>	<b>370</b>	<b>11</b>	<b>100</b>	<b>6</b>	<b>60</b>

Note: From 2005/06 the equivalisation scale used to calculate official low income statistics will switch from the McClements to the modified OECD equivalisation scales.

The measure used this table is defined as the number and proportion of individuals, children, working aged adults and pensioners whose (modified OECD) equivalised income is below 60% of inflation adjusted GB median income in 1996/97.

Due to rounding, the estimates for children, working age adults and pensioners may not sum to the total for all individuals.

McClements equivalised figures are shown in table 1.

Income includes insurance premia.

**Table 11: RELATIVE low income (below 60% of GB median) in Scottish households  
Updated methodology (OECD equivalisation)**

	All individuals				Children				Working Age Adults				Pensioners			
	Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs		Before housing costs		After housing costs	
	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)	%	(000s)
1994/95	21	1040	23	1140	28	310	30	330	17	510	18	560	26	220	29	250
1995/96	20	980	23	1160	27	300	32	360	14	440	18	540	28	240	31	270
<b>1996/97</b>	<b>22</b>	<b>1090</b>	<b>25</b>	<b>1230</b>	<b>31</b>	<b>340</b>	<b>33</b>	<b>360</b>	<b>16</b>	<b>490</b>	<b>19</b>	<b>580</b>	<b>30</b>	<b>260</b>	<b>33</b>	<b>290</b>
1997/98	20	1000	22	1120	30	330	31	330	16	470	18	540	24	210	28	250
1998/99	20	980	23	1130	28	300	31	330	15	450	19	570	26	230	27	230
1999/00	21	1050	24	1200	28	300	32	350	17	510	20	600	27	240	28	250
2000/01	21	1040	24	1220	27	280	32	340	18	540	22	650	24	210	25	220
2001/02	19	960	22	1110	27	280	31	330	16	490	19	570	21	190	24	210
2002/03	20	1000	23	1130	25	260	27	280	18	530	20	620	23	210	25	230
2003/04	19	920	21	1020	24	240	27	280	16	480	18	560	22	200	21	190
<b>2004/05</b>	<b>17</b>	<b>850</b>	<b>19</b>	<b>950</b>	<b>21</b>	<b>210</b>	<b>24</b>	<b>250</b>	<b>15</b>	<b>460</b>	<b>18</b>	<b>550</b>	<b>20</b>	<b>190</b>	<b>17</b>	<b>150</b>

Note: From 2005/06 the equivalisation scale used to calculate official low income statistics will switch from the McClements to the modified OECD equivalisation scales.

The measure used this table is defined as the number and proportion of individuals, children, working aged adults and pensioners whose (modified OECD) equivalised income is below 60% of GB median income in the same year.

Due to rounding, the estimates for children, working age adults and pensioners may not sum to the total for all individuals.

McClements equivalised figures are shown in table 2.

Income includes insurance premia.

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