

---

# CHANGES IN HOUSEHOLD INCOME AND EXPENDITURE IN SCOTLAND 2008-2014: BENEFITS

---



The Scotland Institute

80 Berkeley Street, Glasgow, G3 7DS, United Kingdom

T: 0141 354 1602 | F: 0141 354 1603 | [www.scotlandinstitute.com](http://www.scotlandinstitute.com)

# Contents

---

<b>About the Scotland Institute.....</b>	<b>4</b>
<b>Introduction.....</b>	<b>6</b>
<b>The legitimacy of the Welfare Cap.....</b>	<b>8</b>
<b>Payment only goes to those out of work? .....</b>	<b>9</b>
<b>Social Security and Poverty .....</b>	<b>11</b>
<b>Conclusions .....</b>	<b>12</b>
<b>References .....</b>	<b>14</b>

© 2016 The Scotland Institute. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from The Scotland Institute.

## About the Scotland Institute

---

The Scotland Institute is a progressive and independent think tank set up to deal with the changing face of Scotland. It aims to investigate the implications of devolution while finding innovative solutions to the old problems of social exclusion, and to encourage Scotland's competitiveness in the global market. Through high-quality comprehensive research and policy making it hopes to put Scotland on a path towards a more competitive, progressive, and optimistic future.

[www.scotlandinstitute.com](http://www.scotlandinstitute.com)

‘We look to Scotland for all  
our ideas of civilisation.’

---

Voltaire

# Introduction

---

Current policy around social security, especially as paid to working age adults, is based on a number of assumptions. Among these are that a number of households in the UK contained multiple generations of workless adults and that too generous social security payments ‘trapped’ people in poverty. Related to this was a belief that there was a need to reduce the cost of labour by eliminating workplace protection and limiting the influence of Trades Unions in negotiating terms and conditions of employment.

Some of these assumptions formed a part of 1997-2010 New Labour administration’s policies<sup>1</sup>, were extended under the Liberal Democrat-Conservative coalition and have been pushed further since the Conservatives were able to form a majority Government at Westminster. In addition to the formal Whitehall policy process, many of the arguments underpinning this approach have been developed by right wing critics of the Welfare State<sup>2</sup> and Ian Duncan Smith’s *Centre for Social Justice*<sup>3</sup>. The quality of this research, as well as the underlying assumptions have often been challenged<sup>4</sup> but the underlying beliefs form a key part of government policy and the enduring narrative about social welfare put out by much of the UK press.

This short paper addresses some of the realities of social security in spending in Scotland<sup>5</sup>. It is part of a series being prepared by the Scotland Institute that tracks household income and costs from the start of the recession in 2008 to the claimed recovery in recent years. While most aspects of social welfare are reserved to the UK Government (and primarily to the Department of Work and Pensions), accurate information is important to inform the discussions in Scotland and how

1 Brewer, M., Muriel, A., Phillips, D. & Sibieta, L. 2009. Poverty and Inequality in the UK. London: Institute for Fiscal Studies, Page, R. M. 2007. Without a Song in their Heart: New Labour, the Welfare State and the Retreat from Democratic Socialism. *Journal of Social Policy*, 3619-37.

2 Bartholomew, J. 2006. *The Welfare State We’re In*, London, Politico Press, Kwarteng, K., Patel, P., Raab, D., Skidmore, C. & Truss, E. (eds.) 2012. *Britannia Unchained: Global Lessons for Growth and Prosperity*, London: Palgrave MacMillan.

3 Centre for Social Justice 2006. The State of the Nation Report: Fractured Families. *Breakdown Britain*. London: Centre for Social Justice, Centre for Social Justice 2008. Breakthrough Glasgow: Ending the costs of social breakdown. London: Centre for Social Justice.

4 Dorling, D. 2015. *Injustice*, Bristol, Policy Press, Mooney, G. 2009. The ‘Broken Society’ Election: Class Hatred and the Politics of Poverty and Place in Glasgow East. *Social Policy and Society*, 8:4, 437-450, Slater, T. 2011. The Myth of ‘Broken Britain’: Welfare Reform and the Cultural Production of Ignorance. Edinburgh: Edinburgh University Institute of Geography.

5 Unless otherwise noted, all tables and figures in this report are extracted from the UK wide Labour Force Survey and the Living Costs and Food Survey obtained from the ESDS under licence 95076

the Scottish Government might be able to use the powers in the current Scotland Act to alleviate some of the flaws in UK policy. With this in mind, the rest of the report is broken down into a number of sections, each reporting on a given theme.

An important aspect to this paper is it concentrates on household not individual income. While there is mixed evidence about a recovery in the wages of some individuals (especially those in full time work<sup>6</sup>) since 2011, this report brings together data on the cumulative impact of lower wages, flexible working contracts and social security reforms on the incomes of households in Scotland.

---

6 Cook, R. 2015. From Recession to Recovery: Youth Employment and Unemployment in Scotland 2008-2015. Glasgow: The Scotland Institute.

## The legitimacy of the Welfare Cap

One argument of the UK Government is the need for a welfare cap on the amount a given household can receive. This is deemed to be essential to limit the total social security bill and to ensure that 'work pays'. The reality is not only does this severely harm the few households affected, it gives a quite deliberately misleading impression of the amount of social security benefits actually paid out to households in Scotland:

**Table 1: Average Weekly benefits**

Year	Average (non-Pensioner Households)	Average (Pensioner Households)	Average (All Households)
2008	£75.54	£193.04	£78.71
2010	£88.38	£193.21	£91.97
2013	£110.77	£205.30	£115.13

To place this in context, the maximum weekly benefit for any non-pensioner household was £561.72 in 2008 and £590.40 in 2013. In 2008, only 1% of all working age households in receipt of benefits received over £400pw and this had increased to 1.5% in 2013. These were all households with 3 or more children and the majority of the payments were in terms of housing benefit.



## Payment only goes to those out of work?

If pensioner households and those households which receive no benefits are excluded then in 2008 only 2% of all households were totally reliant on benefits. In 2010 this had increased to 17% and in 2013 to 19%. The relationship between earnings and benefits is shown below using three different measures:

**Table 2: Relationship between benefits and work**

Year	Proportion of benefits paid to workless households	Proportion of working households for whom benefits are the main source of income
2008	2.41%	12.15%
2010	18.00%	25.88%
2013	20.33%	28.06%

The first column shows how much of the total benefits payments go to households where there is no earned income (in other words all the adults are out of work). To place this into further context, in 2013, 53% of the households where benefits were the only source of income were single person households. In other words very few households, before the recession, with more than one working age adult were reliant on benefits for their full income.

The second column shows how reliant people in work have become on benefits to top up their income. In 2008, just over 12% of those in work received more in terms of benefits than from earned income, by 2013 this is almost 30%. It should be stressed that the reason is not increasingly generous welfare but loss of earned income.

Thus not only do claims of 'generations of workless adults in the same family' have little validity but the great majority of working age social security benefits go to help compensate households for the cost of living and the consequences of low pay.

The table below presents more detail on the interaction between benefits and other incomes in Scotland for working age households.

**Table 3: Earned Income and Social security payments**

Year		Principle source of income			
		Social Security	Wages	Self-Employment	Other sources of income
2008	Average – Social Security income	£198.42	£43.15	£53.94	£128.73
	Average - gross household income	£224.57	£777.85	£917.52	£495.15
	N	97	424	52	95
2010	Average – Social Security income	£195.61	£39.02	£29.47	£122.63
	Average - gross household income	£253.76	£818.80	£913.39	£491.10
	N	133	261	24	50
2013	Average – Social Security income	£223.88	£39.46	£46.50	£143.91
	Average - gross household income	£295.25	£860.26	£915.12	£613.27
	N	129	189	24	69

Several trends stand out. First more households have become reliant on social security as their primary source of income since the start of the recession. Equally, average household earnings, from both wages and self-employment, stagnated between 2008 and 2011 and have only recovered marginally since then.

This strongly suggests that unemployment, falling real wages (the figures above take no account of inflation) and the growth of low pay and low security work are all far better explanations than myths about generations of workless households. Second, regardless of their primary source of income, most households receive a mixture of benefit payments and other income.

## Social Security and Poverty

Although few households only rely on social security, not surprisingly the poorest in Scotland are the most reliant:

**Table 4: Income band and reliance on social security**

Income Decile	2008	2010	2013
10	79.51%	69.70%	66.24%
20	57.29%	74.73%	68.91%
30	36.53%	55.00%	66.42%
40	22.92%	38.92%	40.37%
50	17.29%	27.53%	33.24%
60	9.58%	19.79%	29.98%
70	7.60%	12.55%	18.14%
80	3.87%	7.02%	9.31%
90	2.87%	3.36%	4.49%
100	2.55%	1.65%	1.48%
<b>Median Household Income<sup>7</sup></b>	<b>£598.30</b>	<b>£522.23</b>	<b>£510.55</b>

This table splits up total household incomes into ten even groups and shows the proportion of total income in each category that comes from social security (again this is for working age households only). The median household income has been added to place the data in context.

As in the earlier tables in this report, this stresses just how much earned income has dropped for most households in Scotland since 2008 and how much more reliant households have become on benefits (primarily paid to those in work to supplement their earnings). In 2008, the median households received 17% of their income from social security, in 2013 this had had increased to over 33%.

What stands out in this case is that for all but the richest, income from social security has become increasingly important. In particular, all the groups below the median income level are now much more reliant on social security income to offset the drop in real wages. As in table 3, the explanation is not increasingly generous social security payments but falling wages.

<sup>7</sup> These figures do not exactly match to the data provided by the Scottish Government in their Poverty and Inequality datasets as they are calculated using a combination of ONS and DWP data. However, the trend data follows their findings.

## Conclusions

---

The situation of reduced household income from earnings and increasing reliance on social security payments to supplement household income is not an accident. It is the predictable consequence of an approach to welfare driven by promoting 'flexible' working practices by reducing workplace protection and removing Trades Union involvement in negotiating terms and conditions of employment. So far most criticism of the Government's welfare reforms have concentrated on the reality that they simply do not work (even in their own terms<sup>8</sup>), that they have led to an increase in homelessness<sup>9</sup>, normalised the usage of food banks as part of the state welfare system. These are all valid criticisms but to some extent many critiques of the Government's welfare reforms treat these outcomes as if they were accidental consequences of an otherwise valid approach<sup>10</sup>.

In a specifically Scottish context there are real difficulties in addressing many of the consequences of this policy consensus between New Labour, the Liberal Democrats and the Conservatives at Westminster. First, social security issues are mostly not devolved and the wider framework of employment law is also set at a UK level. Generally there is agreement that since the establishment of the Scottish Parliament, various governments (both Labour-Liberal Democrat and SNP) have done much to offset the worst consequences of UK wide policies<sup>11</sup> but as is clear, the results have been undermined by subsequent UK wide policy changes.

It is welcome that, with the exception of the Conservatives, the various parties in the current Scottish Parliament have indicated strong opposition to the latest attempt to undermine the role of Trades Unions. However, this still raises the issue of what can be done?

It is tempting, and understandable, for the SNP and the wider pro-independence left in Scotland to point to this as proof of the flaws of continued rule from Westminster.

---

8 Webster, D. 2016. *Benefit Sanctions have Failed: a Comprehensive Review is Needed* [Online]. London: London School of Economics. Available: <http://blogs.lse.ac.uk/politicsandpolicy/benefit-sanctions-have-failed-a-comprehensive-review-is-needed/> [Accessed 7 January 2016].

9 Reid, B. 2015. *A conditionality system fit for a fairer Scotland?* [Online]. Edinburgh: Crisis. Available: <http://blog.crisis.org.uk/a-conditionality-system-fit-for-a-fairer-scotland/> [Accessed 20 December 2015].

10 Labour Party. 2014. *Universal Credit has become a complete shambles - Rachel Reeves* [Online]. London: The Labour Party. Available: <http://press.labour.org.uk/post/103542771274/universal-credit-has-become-a-complete-shambles> [Accessed 11 January 2016].

11 Parekh, A., Kenway, P. & MacInnes, T. 2010. *Monitoring poverty and social exclusion in Scotland 2010* York: Joseph Rowntree Foundation.

However, even if independence as such offered a solution (as opposed to the need for a fundamental reform of the basis of the UK economy), the reality is that is unlikely to be realised in the short to medium term. Equally the Labour Party in the period after 1997 enthusiastically created the basis for the current social security system and did little to improve workplace or employment rights. However, the truth is that households across Scotland have seen a substantial cut in their incomes and all the evidence is that this will continue under the economic and welfare plans of the current Conservative government.

Accepting the constraints, there are things that can be done:

- As has often been argued, the Scottish government and the wider public sector should use its purchasing power to influence the approach to wages and conditions of employment by private sector employers;
- If the Scottish Government provides firms with funding to set up business in Scotland then a pre-condition must be that they make no use of abusive work contracts;
- Some powers to amend the UK wide social security system will be devolved when the current Scotland Act becomes law. These are limited, and of course any funding will need to be found out of the already stretched Scottish Government budget. However, as more households become reliant on some social security to compensate for low wages, cuts to that entitlement become even more serious. In this respect, while George Osborne may have backed down over his plan to directly cut working family tax credits, the brutal reality is that those cuts will still take place as households are shifted onto Universal Credit<sup>12</sup>.

In effect, this is a serious challenge to all the parties contesting the May 2016 Scottish Parliamentary elections. What priorities and policies will they set to at least mitigate the current problem of a substantial loss of income for most households in Scotland?

---

12 Child Poverty Action Group 2014. Tax credits – moving on to universal credit. London: CPAG.

## References

---

- Bartholomew, J. 2006. *The Welfare State We're In*, London, Politico Press
- Brewer, M., Muriel, A., Phillips, D. & Sibieta, L. 2009. Poverty and Inequality in the UK. London: Institute for Fiscal Studies.
- Centre for Social Justice 2006. The State of the Nation Report: Fractured Families. *Breakdown Britain*. London: Centre for Social Justice.
- Centre for Social Justice 2008. Breakthrough Glasgow: Ending the costs of social breakdown. London: Centre for Social Justice.
- Child Poverty Action Group 2014. Tax credits – moving on to universal credit. London: CPAG.
- Cook, R. 2015. From Recession to Recovery: Youth Employment and Unemployment in Scotland 2008-2015. Glasgow: The Scotland Institute.
- Dorling, D. 2015. *Injustice*, Bristol, Policy Press
- Kwarteng, K., Patel, P., Raab, D., Skidmore, C. & Truss, E. (eds.) 2012. *Britannia Unchained: Global Lessons for Growth and Prosperity*, London: Palgrave MacMillan.
- Labour Party. 2014. *Universal Credit has become a complete shambles - Rachel Reeves* [Online]. London: The Labour Party. Available: <http://press.labour.org.uk/post/103542771274/universal-credit-has-become-a-complete-shambles> [Accessed 11 January 2016].
- Mooney, G. 2009. The 'Broken Society' Election: Class Hatred and the Politics of Poverty and Place in Glasgow East. *Social Policy and Society*, 8:4, 437-450.
- Page, R. M. 2007. Without a Song in their Heart: New Labour, the Welfare State and the Retreat from Democratic Socialism. *Journal of Social Policy*, 3619-37.
- Parekh, A., Kenway, P. & MacInnes, T. 2010. Monitoring poverty and social exclusion in Scotland 2010 York: Joseph Rowntree Foundation.
- Reid, B. 2015. *A conditionality system fit for a fairer Scotland?* [Online]. Edinburgh: Crisis. Available: <http://blog.crisis.org.uk/a-conditionality-system-fit-for-a-fairer-scotland/> [Accessed 20 December 2015].
- Slater, T. 2011. The Myth of 'Broken Britain': Welfare Reform and the Cultural Production of Ignorance. Edinburgh: Edinburgh University Institute of Geography.
- Webster, D. 2016. *Benefit Sanctions have Failed: a Comprehensive Review is Needed* [Online]. London: London School of Economics. Available: <http://blogs.lse.ac.uk/politicsandpolicy/benefit-sanctions-have-failed-a-comprehensive-review-is-needed/> [Accessed 7 January 2016].