

Scottish Child Payment

Submission by:

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Dear committee members,

Many thanks for the invitation to give evidence as part of your inquiry, and for the opportunity to share some of the key findings from our research with you all. At the evidence session there were requests for some additional information on a couple of points, and also a lengthy discussion about the appropriateness of judging the success of the SCP against the poverty line. We also ran out of time a bit to discuss the question of tapering and so wanted to add some supplementary information regarding this as well.

We wanted to write and follow up on these points in the hope that this will be useful to the recommendations you are able to make in the inquiry. If you would like anything further, or would like to discuss them with us in more detail please do let us know. We are very keen to do all we can to help you ensure that your recommendations are grounded in a robust evidence base.

Below, we set out the further points and evidence we thought it would be useful to share.

1. Targets and judging the success of the SCP against the poverty line

In the session on 23/05/24 there was a lengthy discussion about this, in which it was suggested that the poverty line is an arbitrary one and that it is inappropriate to judge the success of the policy against it. Professor Dorling also made points about the failures of the last Labour Government, as judged by the stunting of children which began from 2005 onwards. We praised the Scottish Government for having a poverty target, and flagged that this sets Scotland apart from the rest of the UK.

Any single poverty line is inevitably arbitrary in some sense and we agree that care should be taken in reaching simple conclusions about 'success' or 'failure' based on a single line (note that the UK Child Poverty Act 2010 included four different indicators of success).

However, we strongly disagree with Professor Dorling's claim that the Labour Government's approach led to children being 'tipped' from one side of a particular line to the other, without significant impact on the overall distribution. On the contrary, all evidence suggests that the measures Labour took to tackle poverty did shift the overall

distribution, reducing the poverty headcount against multiple different lines (e.g. 50% or 70% of median income, 'fixed income' measures and multiple deprivation indicators) and reducing the depth of poverty for families who remained below the line. The [IFS Living Standards spreadsheet](#) provides some of the relevant data and we can point the committee to more if this is helpful. In truth, it is extremely difficult to design policies that target families just below a given poverty line and give them just enough extra support to lift them over it. While a poverty target focuses government attention on getting more financial support to families in poverty, it is hard to see how it can distort the allocation of that support in the way Professor Dorling implies. (Contrast this with the example of targets that aim to get a certain number of children over the pass mark in an exam: in this case it is quite straightforward for teachers to identify the children in the class who might make it and focus attention on them, perhaps at the expense of those already doing well and those with no chance of passing.)

We were also surprised by Professor Dorling's comments about stunting. We are not familiar with the evidence he refers to but we can point you to evidence of narrowing inequalities in multiple indicators of child health and development during Labour's years in office including infant mortality rates, low birthweight and the Early Years Foundation Stage Profile (see for example [Stewart and Obolenskaya 2013](#); [Stewart and Reader 2021](#)).

We do want to make it clear that while financial transfers are absolutely crucial for tackling child poverty, this should by no means be seen as the only investment needed to ensure children flourish. It is equally important that children and families have access to high quality public services including early childhood services, health, education and parenting support. A child poverty target *could* distort investment in favour of reductions in income poverty at the expense of investment in services. In practice, it would be entirely inaccurate and unfair to make this criticism of the Labour Government, which invested very strongly in both cash benefits and services for children, as the [body of work](#) done at CASE over many years has testified. But it is something to keep in mind. Publishing a wider range of indicators capturing different aspects of children's well-being may be a good way to support a broader 'both-and' approach to policies for children.

2. Tapering SCP to avoid cliff edges

Means-tested benefits have the unavoidable problem that they by definition have to be withdrawn. Mostly, benefit systems have moved away from 'cliff edge' withdrawal, which mean an effective marginal tax rate (EMTR) of more than 100% at a particular earnings point, replacing them with the gradual withdrawal that we see in Universal Credit - which reduces the EMTR from very high levels but means families face a heightened EMTR over a much larger range of the distribution. There is no way for the SCP to avoid this basic trade-off. In general, gradual withdrawal is the more sensible approach - less

distortionary and less arbitrary - which is why benefit systems have moved in this direction as they become more sophisticated. We hope our planned mixed methods work will be able to look into whether in practice the current SCP cliff edge is distorting labour market decisions.

However, moving towards gradual withdrawal (or indeed moving the cliff edge higher up the distribution) is clearly challenging in the case of the SCP. Either support needs to be withdrawn over the current UC income range - which would clearly significantly reduce its impact for UC-recipient families. Or Scotland will need to extend means-testing up the income distribution, so that families above the UC cut-off are still eligible, which will significantly increase administration costs and mean a whole lot more families need to report on their incomes and on income changes. The history of the UK's child tax credit system, which effectively brought 90% of families with children into means-testing, is interesting in this regard: it is possible to make this work and the system improved significantly over time, but there were considerable teething difficulties. How high up the distribution SCP should reach before complete withdrawal is a matter of judgement, but the JRF Minimum Income Standard would be a good place to look for an assessment of what families need in order to fully participate in society, and therefore what level of income to use as a cut-off.

An alternative worth considering is to make the SCP universal. This would clearly make the policy much more expensive for the same rate of poverty reduction. But it would also make it much more straightforward to administer, and coupled with progressive taxation it would continue to be highly progressive. There is evidence that universal benefits have more buy-in and support (see for example [Brady and Bostic, 2015](#)). With no universal Child Benefit any longer in the UK (unlike most other countries in Europe) this would also shift Scotland's system further towards European norms.

3. Evidence base on the two-child limit and the benefit cap

Committee members were interested in the evidence base on the impact of the two-child limit and benefit cap. This evidence base includes the findings from a four year mixed-methods project, which examined the impact of both policies on families with three or more children. All study publications and findings can be accessed [here](#), but it is worth emphasising the following:

- This project found that both policies are failing, even in their own terms, and when considering the aims set out for them by policymakers. For example, the two-child limit is not leading to a reduction in fertility nor is it impacting positively on employment rates.
- Both policies are key drivers of poverty (we describe them as poverty-producing policies) which cause real and sustained harms to the families they affect. This impacts negatively directly on children and is an important example of what happens

when cash-based social security support is withdrawn.

- Both the benefit cap and the two-child limit are examples of policies that sharply and decisively sever the link between need and entitlement within our social security system. This has the effect of stopping the social security from fulfilling an essential role with regard to meeting higher needs at particular times through the life course, and we have a very strong evidence base now on the impact of doing so. For example, maternal mental health is damaged, and children are impacted negatively as parents struggle to meet even the most basic of needs (nappies, clothing, food)..
 - The Scottish Child Payment, by contract, has a very explicit role to play in recognising and helping address the needs that come with children. This is a vital role that the social security system can and should play both in reducing poverty, but also in preventing it from arising.
4. The involvement of people with lived experiences of poverty in policy making discussions and processes

In our evidence, we emphasised the value of drawing on the expertise of experience in evaluating and better understanding the impact of the Scottish Child Payment on poverty. There is scope here to speak directly to parents who are receiving the payment to better understand their experiences, and how the money is being spent. We would like to alert you to the nationwide participatory programme - [Changing Realities](#) - which brings together over 100 parents and carers from across the UK to document everyday life on a low-income and to advocate for change. There are parents involved in this project with experience of SCP, and so do please get in touch if you might be interested to invite them to speak to you at some point.

29 May 2024