

BENEFITTING SCOTLAND?

The case for reforming Scottish welfare

February 2026



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About the Centre for Social Justice

Established in 2004, the Centre for Social Justice (CSJ) is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions.

The CSJ's vision is to give people in the United Kingdom (UK) who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential. The majority of the CSJ's work is organised around five "pathways to poverty", first identified in our ground-breaking 2007 report, *Breakthrough Britain*. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, in March 2013, the CSJ report *It Happens Here* shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the government passed the *Modern Slavery Act 2015*, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners and policymakers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises, and other grassroots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2026 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.

Executive Summary

Since 2016, the Scottish Government has built a welfare system that is overbudget, overly complex and underachieving. For all the profusion of new payments and expenditure, Scotland has the highest proportion of children in long-term workless households in Great Britain; economic inactivity is two percentage points higher than in England; and the Scottish Government has missed its own interim child poverty targets.

Disability benefits are the largest category of welfare administered by Social Security Scotland. Scotland has long had health-related caseloads greater than England even after adjusting for differences in age and health. Rather than tackling this long tail of excess claims, the Scottish Government has copied the eligibility requirements and value of UK-wide disability benefits, changing only the branding and the leniency of assessments. In 2023/24, Scottish disability benefits cost £175 million more than the Block Grant Adjustment (BGA) allotted to them by the UK Government.

Most of the rest of Scotland's welfare budget goes on a profusion of payments and grants aimed at reducing child poverty. This is a worthy goal, but the Scottish Government's targeting of relative low-income means they are expending huge effort moving children from marginally below 60 per cent of the median income to marginally above it. Those who are measurably materially deprived, however, remain largely *in situ*.

Scotland risks wasting this opportunity to be truly innovative and steal a march on the rest of the UK.

A more effective approach would start by reforming disability benefits. Only one comparable country outside the UK offers disability benefits as a purely financial payment unlinked to specific costs or receipts.¹ The Scottish Government should review alternatives, including in-kind support and direct care offers.

They should start by stopping eligibility for less severe mental health conditions – the group for whom payments have the least obvious benefit and may in fact be detrimental. This would save £480 million per year to re-invest in expanding NHS Psychological Therapies and primary care mental health services to tackle the root causes of mental ill-health directly.

The Scottish system should also recognise that the most sustainable route out of poverty is work and that children growing up in workless households are far less likely to work themselves. A couple with three children living in Glasgow can receive almost £45,500 per year by combining benefits, while a similarly situated working couple would need £69,000 pre-tax from a single wage to earn the same. Even if a working parent claims in-work benefits, they can lose as much as 79p for every extra pound they earn as benefit tapers combine with income tax, national insurance, and pension contributions. These disincentives are UK-wide, but Scotland should seize the chance that devolution gives to mitigate them.

The Scottish Child Payment should be frontloaded and should, in turn, absorb the Best Start Grants. Children flourish most when they experience warm, loving relationships with their primary caregiver

¹ Department for Work and Pensions (13 Jun 2024), 'Modernising support for independent living: the health and disability green paper: Annex B'. Accessed via: [Modernising support for independent living: the health and disability green paper - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/124444/modernising-support-for-independent-living-the-health-and-disability-green-paper-annex-b.pdf)

during their first two years.² Restricting eligibility for the Scottish Child Payment to children below school age and raising it by £5 per week - funded by absorbing the separate Best Start Grants - would support parents to care for their children in that essential period, taking time away from work where necessary. Some of the (at least) £340 million per year saving should then be re-invested in helping parents return to work once their child is three years of age.

Finally, the Scottish Government should increase Whole Family Wellbeing Funding by £150 million per year. This could be funded by taking just one sixth of the savings from our other recommendations. Most Whole Family Wellbeing Funding has so far gone to Children's Services Planning Partnerships, funding hubs that offer stay-and-play, parenting support, and advice about debt, housing, and welfare. Increasing this funding would ensure support goes to helping families who are materially deprived with the root causes of poverty.

Our recommendations would save over £800 million, freeing up funds to treat mental health conditions properly, help parents into work, and support families out of material deprivation.³

² For a summary of this evidence, see our 2024 report *Give Families the Credit*, accessible via: [Give Families the Credit](#)

³ If the Scottish Government re-invests half of the savings from Recommendations 2 and 5, the net saving from our recommendations would be £275 million.

Introduction

Since the Scotland Act 2016 devolved significant welfare powers, the Scottish Government has added new layers to the welfare state with abandon. The Act gave the Scottish Government powers to replace British disability, industrial injuries, carers', maternity, funerary, and heating benefits, to top up reserved benefits, and to create new benefits out of the Scottish Consolidated Fund.⁴ The Scottish Government has exercised them all, as Table 1 shows.

For all the Scottish Government's efforts, there is minimal evidence that its welfare system is succeeding, even on its own terms. The Child Poverty (Scotland) Act 2017 set interim targets for 1 April 2023, primarily reducing the proportion of children in relative low-income households to less than 18 per cent.⁵ Yet, the proportion remains five percentage points above target, while absolute poverty is six percentage points above target.⁶

Table 1: Devolved and reserved benefits, and Scottish supplements

	Benefit category	UK benefits	Scottish replacements	Scottish supplements
Devolved	Disability, industrial injury, and carers' benefits	Attendance Allowance, Carer's Allowance, Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefit, Severe Disablement Allowance	Adult Disability Payment, Carer Support Payment, Child Disability Payment, Pension Age Disability Payment, Young Carer Grant	Carer's Allowance Supplement, Child Winter Heating Payment
	Benefits for maternity, funeral and heating expenses	Cold Weather Payment, Funeral Payment, Healthy Start Card, Sure Start Maternity Grant, Winter Fuel Payment	Best Start Foods, Best Start Grant: Pregnancy and Baby Payment, Funeral Support Payment, Winter Heating Payment	Pension Age Winter Heating Payment
	Other benefits	Discretionary Housing Payments	Discretionary Housing Payments	
Reserved	Unemployment benefits	Universal Credit, Jobseeker's Allowance	N/A	Job Start Payment
	Incapacity benefits	Universal Credit Health,	N/A	
	Housing benefits	Universal Credit Housing Element, Housing Benefit	N/A	
	Children's benefits	Universal Credit Child Element, Universal Credit Childcare Element	N/A	Best Start Grant: Early Learning Payment, Best Start: School Age Payment, Scottish Child Payment

4 Scotland Act 2016, c.11, s.22 – s.35. Accessed via: [Scotland Act 2016](#) (Accessed: 15 January 2026)

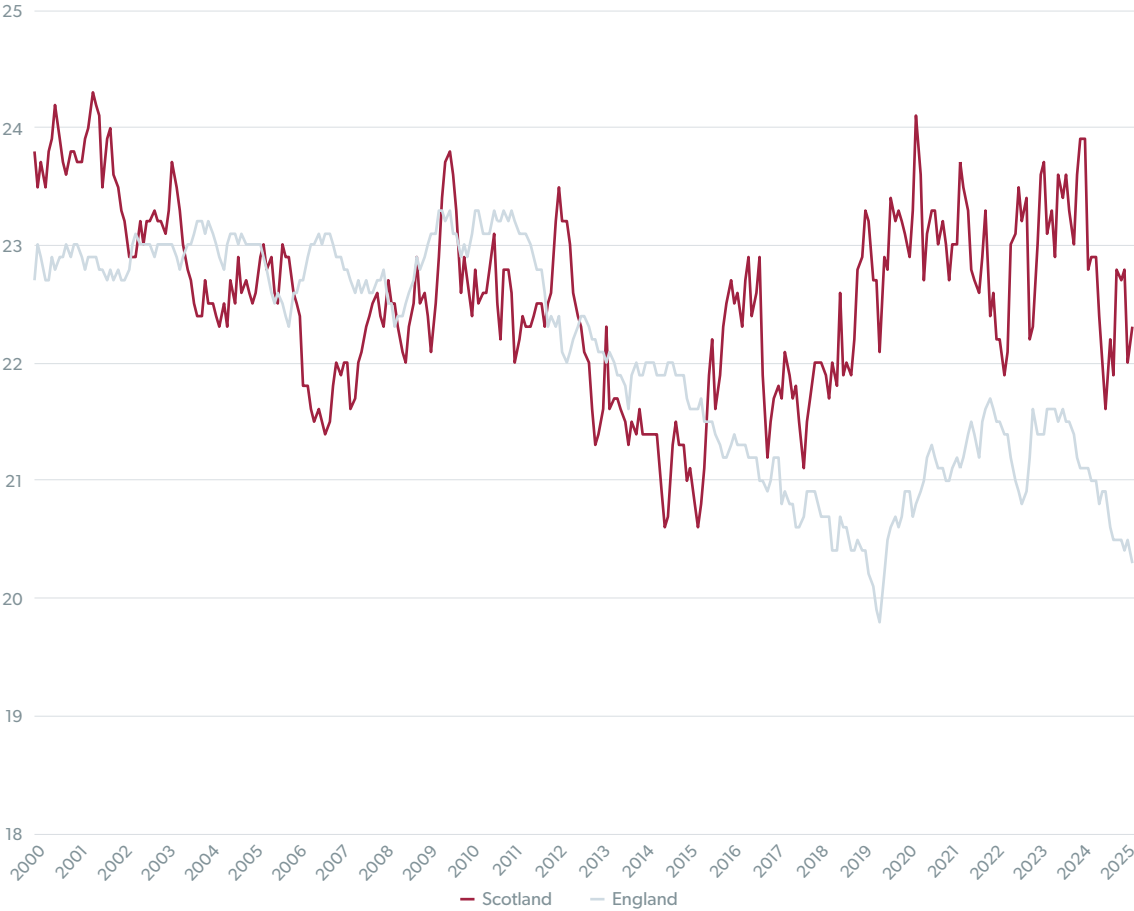
5 Child Poverty (Scotland) Act 2017, asp.6, s.2. Accessed via: [Child Poverty \(Scotland\) Act 2017](#) (Accessed: 23 January 2026)

6 Scottish Government (2025), 'Child poverty target measures by priority group, Scotland'. Accessed via: [1+-+Target+measures+by+priority+group+202124.xlsx](#) (Accessed: 23 January 2026)

Economic inactivity in Scotland is also two percentage points higher than in England. Figure 1 shows that economic inactivity steadily grew in Scotland even between 2016 and the Covid-19 pandemic, even as it fell in England. Consequently, Scotland has the highest proportion of children living in long-term workless households, at 11.3 per cent, locking in all the disadvantages of worklessness for another generation.

The Scottish system is failing on its own terms, and it is failing to support people back into work. The rest of this briefing surveys where the Scottish Government has gone wrong and recommends several improvements.

Figure 1: Economic inactivity in Scotland and England since 2000, percentage of population aged 16 to 64, seasonally adjusted



Source: The Office for National Statistics

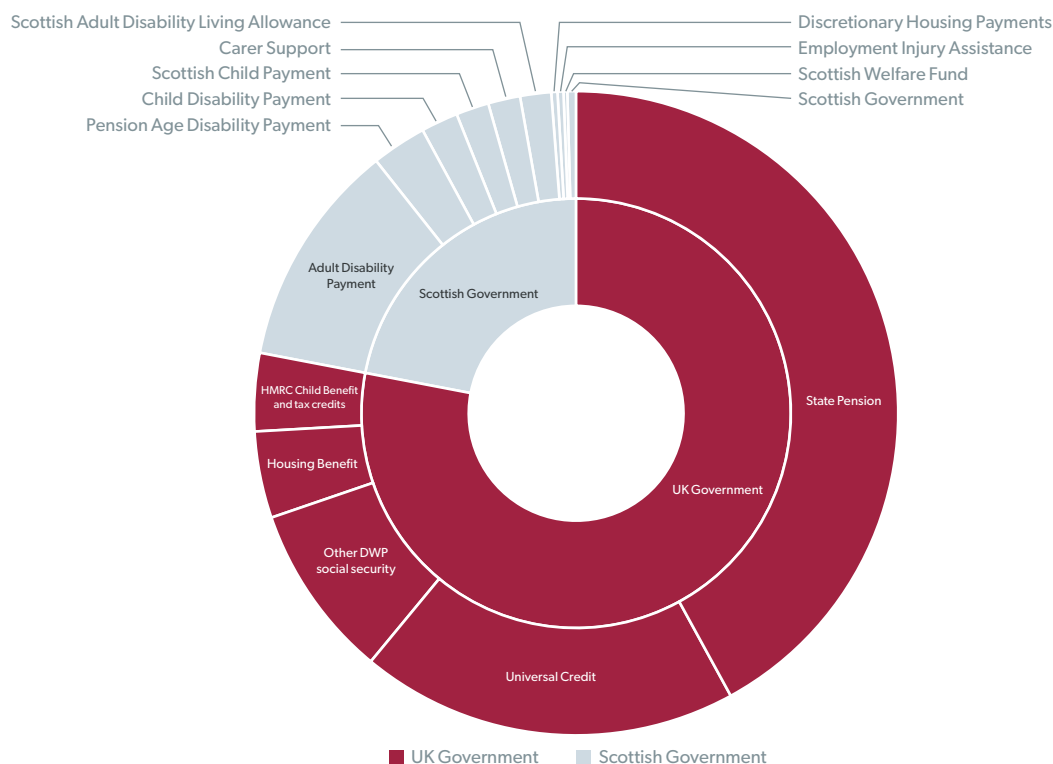
Chapter One: The Scottish way

Funding the system

Most of the welfare system in Scotland is still funded and managed by the Department for Work and Pensions (DWP). Of the £28 billion spent on welfare in Scotland in 2024/25, the DWP spent £21.6 billion – mainly on the state pension, making up £11.6 billion, and Universal Credit, another £5.2 billion - while Social Security Scotland administered £6.1 billion.

That £6.1 billion is largely funded through Block Grant Adjustments (BGAs). The UK Government pays the estimated amount it would spend within Scotland on the UK-wide equivalent of each devolved benefit to the Scottish Government. Any spending above a BGA, or supplementary Scottish benefits, are then be funded out of devolved tax revenues and the rest of the Block Grant.⁷ Such excess spending is, therefore, the direct result of decisions taken by the devolved administration.

Figure 2: Expenditure on welfare within Scotland, 2024/25



Source: Scottish Fiscal Commission

⁷ Scottish Affairs Committee (Jul 2025), 'The Financing of the Scottish Government: First Report of Session 2024-2025', HC 456, p. 4. Accessed via: [The financing of the Scottish Government](#) (Accessed: 19 January 2026)

In 2024/25, the Scottish Government spent nearly £1 billion more than the total BGAs and the Scottish Fiscal Commission estimate this will rise to £1.2 billion by 2030/31.⁸ Most of the excess comes from the supplements listed in Table 1, with over £600 million spent on benefits unique to Scotland. £186 million stems from excess spending on BGA-funded replacement benefits – mostly the Adult Disability Payment (ADP) - with a final £159 million from replacement benefits not covered by a BGA.⁹

Scotland is, simply, spending more than the rest of the UK on welfare with – as the following chapters detail – questionable benefit.

From first principles

The Scottish Government's approach to social security is set out in the Social Security (Scotland) Act 2018. Section One of the Act established eight social security principles. Under Section Two of the Act, any court or tribunal may 'take the Scottish social security principles into account' in civil or criminal proceedings.¹⁰

The Scottish social security principles¹¹

The Scottish social security principles are—

- a. social security is an investment in the people of Scotland,
- b. social security is itself a human right and essential to the realisation of other human rights,
- c. the delivery of social security is a public service,
- d. respect for the dignity of individuals is to be at the heart of the Scottish social security system,
- e. the Scottish social security system is to contribute to reducing poverty in Scotland,
- f. the Scottish social security system is to be designed with the people of Scotland on the basis of evidence,
- g. opportunities are to be sought to continuously improve the Scottish social security system in ways which—
 - i. put the needs of those who require assistance first, and
 - ii. advance equality and non-discrimination,
- h. the Scottish social security system is to be efficient and deliver value for money.

While we welcome the Scottish Government setting out the principles and aims of its welfare policy, some of these principles are wrongheaded. Social security *can be* an investment in the people of Scotland, but there are instances where a welfare-based policy solution is detrimental to individuals.

8 Scottish Fiscal Commission (Jan 2026), 'Scotland's Economic and Fiscal Forecasts', p. 84. Accessed via: [Scotland's Economic and Fiscal Forecasts January 2026](#) (Accessed: 15 January 2026)

9 Scottish replacements not covered by the BGA include the Best Start Grant Pregnancy and Baby Payment, Best Start Foods, some Discretionary Housing Payments, Funeral Support Payment, Employability Services, and the Scottish Welfare Fund.

10 Social Security (Scotland) Act 2018, asp.9, s.2. Accessed via: [Social Security \(Scotland\) Act 2018](#) (Accessed: 20 January 2026)

11 Social Security (Scotland) Act 2018, asp.9, s.1. Accessed via: [Social Security \(Scotland\) Act 2018](#) (Accessed: 20 January 2026)

For example, our report, *Change the Prescription*, found that treating mental ill-health as a purely biochemical problem puts the focus on symptom removal, missing underlying social causes.¹² By offering purely financial support and putting claimants through a process that emphasises their disability, the health-related benefit system accepts such a mistaken model and can isolate the individual while re-affirming and financially incentivising the repetitive negative thinking that only worsens mental ill-health.¹³ In the next chapter, we recommend a better approach. We expect to research the health-related benefit system across the UK further later this year.

We also reject the rights-based perspective of principle (b). Rights are one side of a web of moral obligations: over-emphasising rights diminishes those obligations and flattens society to a court room of claim and counterclaim – hence, the grandiloquent promise of principle (b) is constrained by the blithe utilitarianism of principle (h). Individuals have a right to social security insofar as we, as a society, have a duty to ensure no one is abandoned to penury. Social security is one of the possible means to that end, not the end itself.

Rather, social security is a means to prevent people falling into poverty and to support and encourage them into independent lives where they can participate in and contribute to the common good of society. That entails, to be clear, freeing carers to undertake their caring responsibilities and supporting the social participation of those with severe disabilities as much as it entails helping the workless into work, while allowing that both carers and those with disabilities can – with the right support – work too. Welfare is not a limitless right constrained only by costs; it is a prudential measure determined by its effectiveness in achieving such ends.

RECOMMENDATION 1

The Scottish Government should review the Scottish social security principles to make sure they are compatible with welfare being a *means* to supporting people in and into independent lives where they can participate in and contribute to society, not an *end* that leaves people dependent.

¹² Centre for Social Justice (Jan 2025), '*Change the Prescription*', p. 118. Accessed via: [Change the Prescription](#)

¹³ Centre for Social Justice (Jan 2025), p. 109.

Chapter Two:

The health benefits

Adult Disability Payment

Adult Disability Payment (ADP) is the largest benefit administered by Social Security Scotland with 491,370 claimants. It is Scotland's main disability benefit, replacing Personal Independence Payments (PIP) for working-age claimants, and cost £3.1 billion in 2024/25 - £168 million more than the PIP BGA.

Eligibility conditions and the value of ADP remain identical to PIP. The benefit aims to cover the additional living costs of having a disability, regardless of income. Claimants receive a mobility and/or a daily living component: the former is worth £29.20 per week for on a standard award and the latter is worth £73.90. These increase to £77.05 and £110.40, respectively, for an enhanced award.

Individuals are assessed and awarded points based on their ability to perform 10 daily living activities and two mobility activities, receiving a score of eight or more results in a standard award and a score of 11 or more results in an enhanced award.¹⁴ The descriptors for awards are, again, identical to PIP.¹⁵

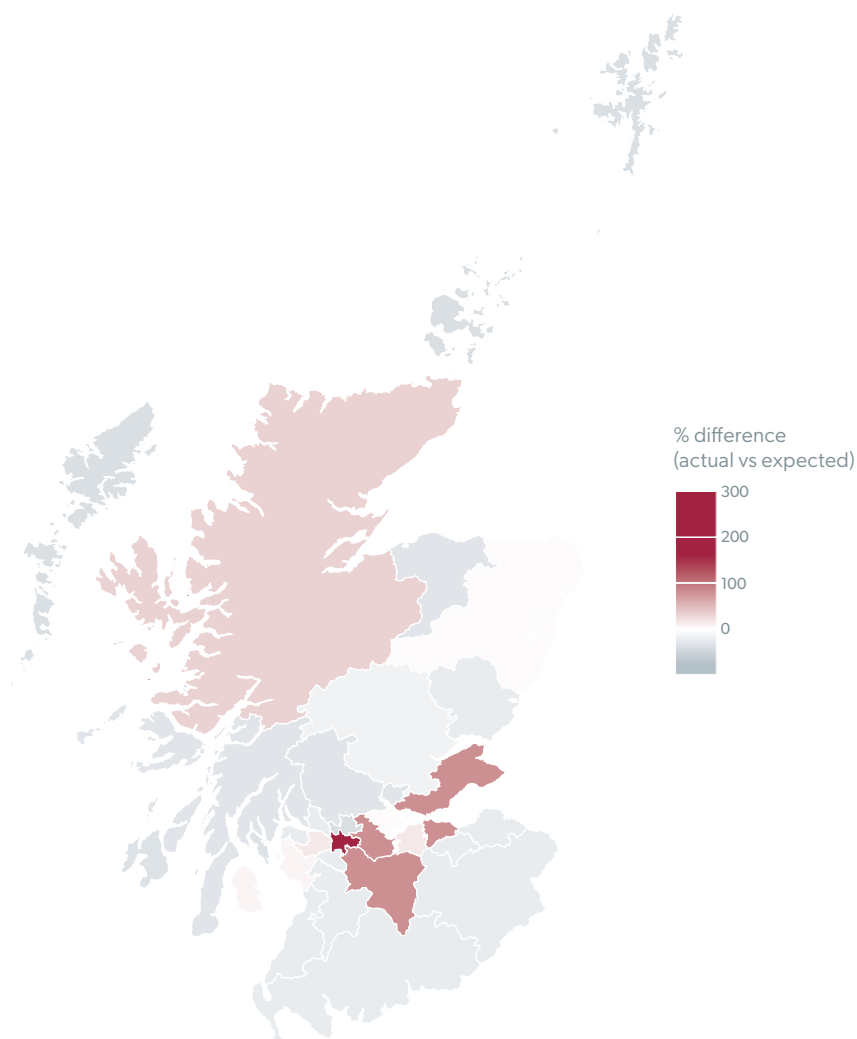
Where ADP differs from its UK equivalent, however, is its administration. The application process is explicitly designed to be less onerous for claimants, prioritising paper-based reviews of evidence from healthcare professionals and remote-first consultations rather than face-to-face or telephone assessments. This does not seem to have made decision making much more lax, with 45 per cent of applications approved at initial decision since ADP's national rollout in August 2023 compared to 46 per cent for PIP over the same period.

It may, however, be leading to higher applications in the first place. Roughly eight per cent of the Scottish working-age population applied for ADP since August 2023 compared to six per cent of the English and Welsh population applying for PIP. Indeed, the proportion of Scots on disability benefits remains higher than the proportion in either England or Wales. Figure 3 shows this is mainly driven by claims in the central belt, especially Glasgow, where the rate of ADP claims is 310 per cent higher than the English and Welsh average of PIP claims even after adjusting for differences in age-standardised mortality.

14 The Disability Assistance for Working Age People (Scotland) Regulations 2022, SI 2022/54. Accessed via: [The Disability Assistance for Working Age People \(Scotland\) Regulations 2022](#) (Accessed: 19 January 2026)

15 The Social Security (Personal Independence Payment) Regulations 2013, SI 2013/377. Accessed via: [The Social Security \(Personal Independence Payment\) Regulations 2013](#) (Accessed: 19 January 2026)

Figure 3: ADP caseloads compared to expected PIP caseloads



Source: CSJ analysis of ADP and PIP caseload data.

Note: The figure compares the actual rate of ADP claims in each local authority to the average rate of PIP claims across England and Wales adjusted for the age standardised mortality of the local authority.

It would be wrong to blame this entirely on ADP. Disability caseloads in Scotland were higher than England and Wales under PIP too. Rather, the Scottish Government has missed an opportunity to tackle the root causes of Scotland's continuously higher caseloads. Demand for health-related benefits often reflects deeper socioeconomic problems, with caseloads lowest in strong labour markets even after adjusting for differences in health and age.¹⁶

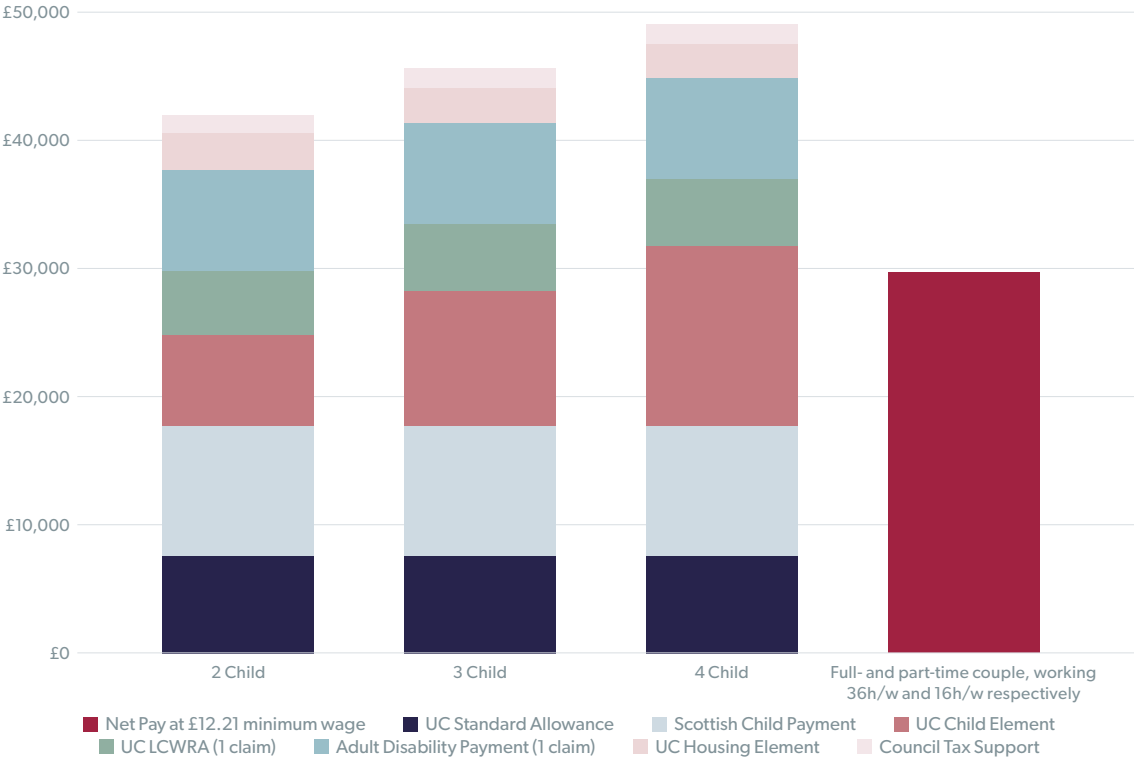
It is notable, in this context, that only six comparable countries outside the UK offer disability benefits as purely financial payments. Five of those six countries tie those payments to specific additional costs, often proven with receipts.¹⁷ We are concerned that the UK's current approach to disability benefits is failing to target funds well while distorting incentives within the welfare system.

¹⁶ Beatty, Christina; Fothergill, Steve, 'The persistence of hidden unemployment among incapacity claimants in large parts of Britain', Local Economy. Accessed via: <https://doi.org/10.1177/02690942231184815> (Accessed: 19 January 2026)

¹⁷ Department for Work and Pensions (13 Jun 2024), 'Modernising support for independent living: the health and disability green paper: Annex B'. Accessed via: [Modernising support for independent living: the health and disability green paper - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/123456/modernising-support-for-independent-living-the-health-and-disability-green-paper-annex-b.pdf)

Figure 4 shows the scale of the financial incentive that exists within the welfare system to claim health-related benefits. A couple with three children living in a Band C property in Glasgow can make £45,500 per year by combining benefits, equivalent to a single, pre-tax income of £69,000. If both worked, to optimise their personal tax allowances, the couple would still need to earn £55,000 before tax to achieve the same net income. The couple could retain some benefits when entering work, but the salient point is the level of income that they can achieve claiming benefits without the effort of working.

Figure 4: Earnings from combined benefits compared to wages after tax for a couple in a Band C property in Glasgow, 2024/25



Source: CSJ analysis of DWP, Social Security Scotland, OBR, ONS, HMRC
 Note: The graph shows the net income of a couple in Glasgow City living in a Band C property, with one of the couple claiming Adult Disability Payments and UC LCWRA. The Council Tax Support Scheme offers 100 per cent Council Tax relief with the relief reduced by 20p for every £1 of earnings above £25 per week.

A particular area of concern is the rise of mental and behavioural conditions as the main driver of demand for disability benefits. Over a third of applications to ADP and 40 per cent of people in receipt of ADP, have mental and behavioural issues as their main condition. Yet, there is limited evidence that simply paying an individual for a mental health condition is helpful.

In our report *Change the Prescription: Update*, we recommended that the UK Government target UC Health and PIP to those with the most mental health severe conditions and reinvest £1 billion of the resulting £7.4 billion annual saving in NHS Talking Therapies.¹⁸ Were eligibility for ADP similarly changed, we estimate that it would save £482 million. The Scottish Government could then reinvest a portion of this saving in NHS Psychological Therapies and primary care mental health services to treat less severe cases of mental ill-health directly.

¹⁸ Centre for Social Justice (Jun 2025), 'Change the Prescription: Update – Reforming welfare to expand mental health treatment', p. 8. Accessed via: [Change the Prescription: Update](#) (Accessed: 20 January 2026)

RECOMMENDATION 2

Of the 490,000 claimants of ADP in October 2025, 84,000 had mental or behavioural health conditions on the standard rate of the daily living component of ADP.

Taking this figure as a proxy for those with less severe mental health conditions, we estimate that withdrawing eligibility for ADP for less severe mental health conditions would produce a saving of £482 million per year. This is likely to be an underestimate, given the growth in health-related benefit claims forecast across the UK over the next five years.

We recommend that the Scottish Government withdraw eligibility for ADP from those with less severe mental health conditions and re-invest some of the resulting savings in directly treating the root causes of mental ill-health through NHS Psychological Therapies and primary care mental health services.

Pension Age and Child Disability Payments

Pension Age Disability Payment (PADP) and Child Disability Payments (CDP) are Scotland's replacements for Attendance Allowance and Child Disability Living Allowance, respectively, as non-means tested disability benefits for pensioners and children. They are the second and third largest benefits for Social Security Scotland: PADP was worth £762 million in 2024/25, and CDP was worth £514 million. PADP overspent the Attendance Allowance BGA by £12 million in 2024/25, while CDP underspent its BGA – which it shares with the Scottish Adult Disability Living Allowance – by £5 million.¹⁹

The eligibility requirements and regulations for both benefits align almost exactly with the benefits they replace, except for CDP allowing children to retain their claim until they are 18 rather than requiring them to apply for adult disability benefits at 16. The main difference with the UK-wide welfare system is in the benefits' administration.

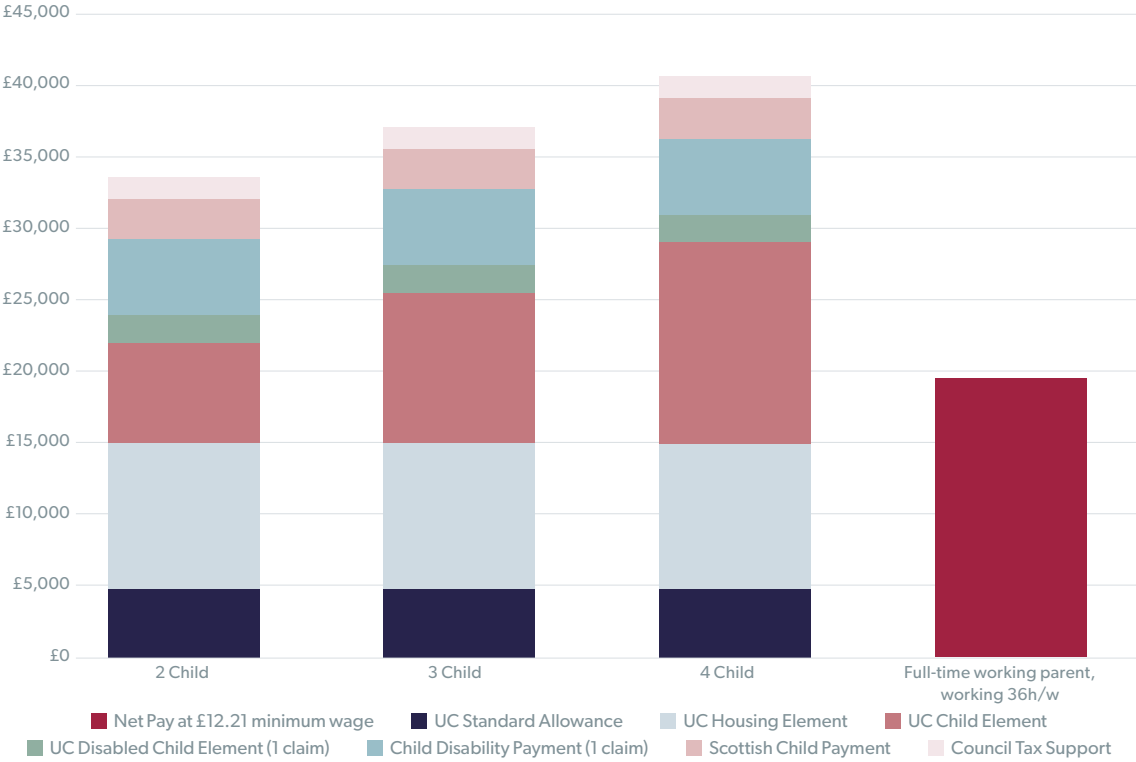
CDP caseloads are around 10 per cent of the population of under 16-year-olds in Scotland compared to Child DLA caseloads making up seven per cent of the under-16 population in the rest of the UK. The reverse is true for pensioner's disability benefits, with caseloads for Attendance Allowance making up 15 per cent of the over 64-year-olds in the rest of the UK and PADP caseloads reaching eight per cent of the over 64 population in Scotland.

The margin between the CDP and PADP and their UK equivalents is, therefore, relatively minor. This is not necessarily a good thing: demand for Child DLA has been rising precipitously, mainly due to mental health conditions. Child DLA caseloads rose 27 per cent between August 2023 and May 2025 – the latest month with data available – but CDP caseloads rose marginally more, by 30 per cent. The main driver of this rise is mental ill-health. Nearly three quarters of CDP cases have a mental or behavioural condition as their primary disability.

¹⁹ Scottish Fiscal Commission (Jan 2026), 'Scotland's Economic and Fiscal Forecasts: Chapter 5 – Supplementary Figures', Figure S5.13. Accessed via: <https://fiscalcommission.scot/wp-content/uploads/2026/01/Jan-2026-SEFF-Publication-Chapter-5-Social-security-Supplementary-figures.xlsx> (Accessed: 20 January 2026)

Figure 5 shows the scale of the incentive to claim CDP on behalf of a child and move out of the workforce, given both the value of the benefit itself, the incapacity benefits that can be layered on top of it, and the passported benefits that follow. A lone parent with two children in the same locale as Figure 5 would have to earn £45,500 before tax to have the same net income from work alone.

Figure 5: Earnings from combined benefits compared to wages after tax for a lone parent household in a Band C property in Glasgow, 2024/25



Source: CSJ analysis of DWP, Social Security Scotland, OBR, ONS, HMRC
 Note: The graph shows the net income of a lone parent in Glasgow City living in a Band C property, with one child on Child Disability Payment and UC Disability. The Council Tax Support Scheme offers the lone parent 100 per cent Council Tax relief with the relief reduced by 20p for every £1 of earnings above £25 per week

As with ADP and PIP, it is doubtful that simply paying children’s parents, for CDP, or individuals, for PADP, for mental ill-health is helpful or, indeed, that the overall British model of simply offering payments for disabilities is the right approach. We recommend the Scottish Government review alternative approaches to supporting those with disabilities – whether children, working-age, or pensioners – such as in-kind benefits, starting by tightening eligibility for those with less severe mental health conditions.

RECOMMENDATION 3

The Scottish Government should review alternative approaches to supporting disabled people – including adults, pensioners, and children - with the additional living costs caused by their disabilities, such as in-kind benefits or direct care.

This should start with restricting eligibility to ADP, CDP, and PADP for those with less severe mental health conditions.

Chapter Three:

The other benefits

The Scottish Government has added layers of supplementary benefits to the Scottish welfare system costing about £768 million in spending in excess of the BGAs. The largest is the Scottish Child Payment, which cost £456 million in 2024/25, offering £27.15 per week per child to households on means-tested benefits. The rest is constituted of a myriad of passported payments and grants, including the Best Start Grants and several heating payments.²⁰

The primary aim of these supplements is to contribute to principle (e) of the Scottish social security principles: 'reducing poverty in Scotland'. The Scottish Government widely touted the Scottish Child Payment and the Best Start Grants as its flagship solutions for child poverty.²¹ It estimated that its welfare policies keep around 90,000 children out of poverty.²²

However, our analysis below suggests the picture is rather more complex. Our argument is not that additional benefits provided by the Scottish Government are absolutely bad, but that they are a blunt instrument relative to the alternative policy options.

Measuring poverty

The first thing to note about the Scottish Government's claims is that they rely on *relative low-income* as their primary metric, measuring the number of children in households with incomes below 60 per cent of the median. Their second most used metric – deep poverty – is similar, measuring children in households earning below 50 per cent of the median.²³

Strictly speaking, both these metrics measure inequality. Relative low-income became the standard metric of poverty in the 1970s based on the argument popularised by Peter Townsend and Brian Abel-Smith that the acceptable minimum standard for living is set by societal customs, with poverty occurring when people's income falls so far below the average that they are excluded from that way of life.²⁴

There are two problems with this. Firstly, using relative low-income fails on its own terms. It does not measure whether those below 60 per cent of the median income actually lack the resources that constitute a socially acceptable minimum standard of living, it simply assumes that they do – an especially salient point when the poverty line is measured nationally, with little regard for differences in the costs of living beyond housing. Secondly, a fall in median incomes reduces poverty under the relative low-income metric even if the poor households' circumstances are unchanged. Following the 2008 Recession,

20 The Best Start Grant – Pregnancy and Baby Payment has a UK-wide equivalent in the Sure Start Maternity Grant, though it is £267.50 more for a first child and offers payments for second and later children. The Early Learning and School Age components of the Best Start Grant have no direct equivalent.

21 Scottish Government, 'Poverty and social justice: Child poverty'. Accessed: Child poverty - Poverty and social justice - gov.scot (Accessed: 20 January 2026)

22 Scottish Government (Mar 2022), 'Tackling child poverty delivery plan 2022-2026 - annex 4: cumulative impact assessment'. Accessed via: Tackling child poverty delivery plan 2022-2026 - annex 4: cumulative impact assessment - gov.scot (Accessed: 21 January 2026)

23 Scottish Parliament (Jun 2025), 'Meeting of the Parliament [Draft] - Meeting date: Tuesday, June 17, 2025', Official Report. Accessed via: Meeting of the Parliament: 17/06/2025 | Scottish Parliament Website (Accessed: 21 January 2026)

24 See especially, Townsend, Peter (1979); 'Poverty in the United Kingdom: A Survey of Household Resources and Standards of Living', Allen Lane & Abel-Smith, Brian; Townsend, Peter (1965); 'The Poor and the Poorest, a New Analysis of the Ministry of Labour's Family Expenditure Surveys of 1953-54 and 1960', Bell.

for example, the stagnation and later reduction in median incomes between 2009 and 2011 sparked an apparent reduction in the number of children in households in relative low-income though other measures barely changed.²⁵

A better metric of poverty is those households that are in relative low-income *and* materially deprived. Material deprivation measures whether individuals lack certain items due to financial constraints. Every individual gets a list of 11 household-based questions plus eight to 11 individual questions based on whether they are working-age, a pensioner, or answering for a child. If an individual lacks four or more items, they are counted as materially deprived. The list of questions is chosen by surveying the general population on what they believe is required for an acceptable minimum standard of living.²⁶

Whereas 21 per cent of children lived in relative low-income after housing costs in Scotland, according to the latest Family Resource Survey, only four per cent were also materially deprived (all statistics are, henceforth, after housing costs unless otherwise noted).²⁷ The median non-benefit (equivalised)²⁸ household income of children in relative low-income and material deprivation is £50 lower per week than the median income of those just in relative low-income, and materially deprived households are eight percentage points more likely to be workless. They are those on the furthest left of Figure 6.

Figure 6 shows the distribution of household incomes for children in relative low-income households before housing costs.²⁹ The red distribution shows household incomes without benefits included, and the blue shows household incomes with benefits included. The dashed line is the relative low-income line: 60 per cent of the median, gross, equivalised household income excluding benefits before housing costs. It is a static analysis: we cannot show how the inclusion of benefits affects, for example, household labour supply to change wage earnings.

However, Figure 6 illustrates why an anti-poverty strategy that focuses primarily on relative low-income can go awry. A small section of those whose income before benefits placed them below the relative low-income line move above it with benefits. But this is largely a cohort who were only just below the line anyway. The median, non-benefit, equivalised income of escapees from relative low-income was £426 per week. It was £149 per week for those who remain in relative low-income. The Scottish Government is crowing about moving people from marginally below an arbitrary line to marginally above it.

25 Institute for Fiscal Studies (May 2011), 'Poverty and Inequality in the UK: 2011', IFS Commentary C118, pp. 36-38. Accessed via: https://ifs.org.uk/sites/default/files/output_url_files/comm118.pdf (Accessed: 21 January 2026)

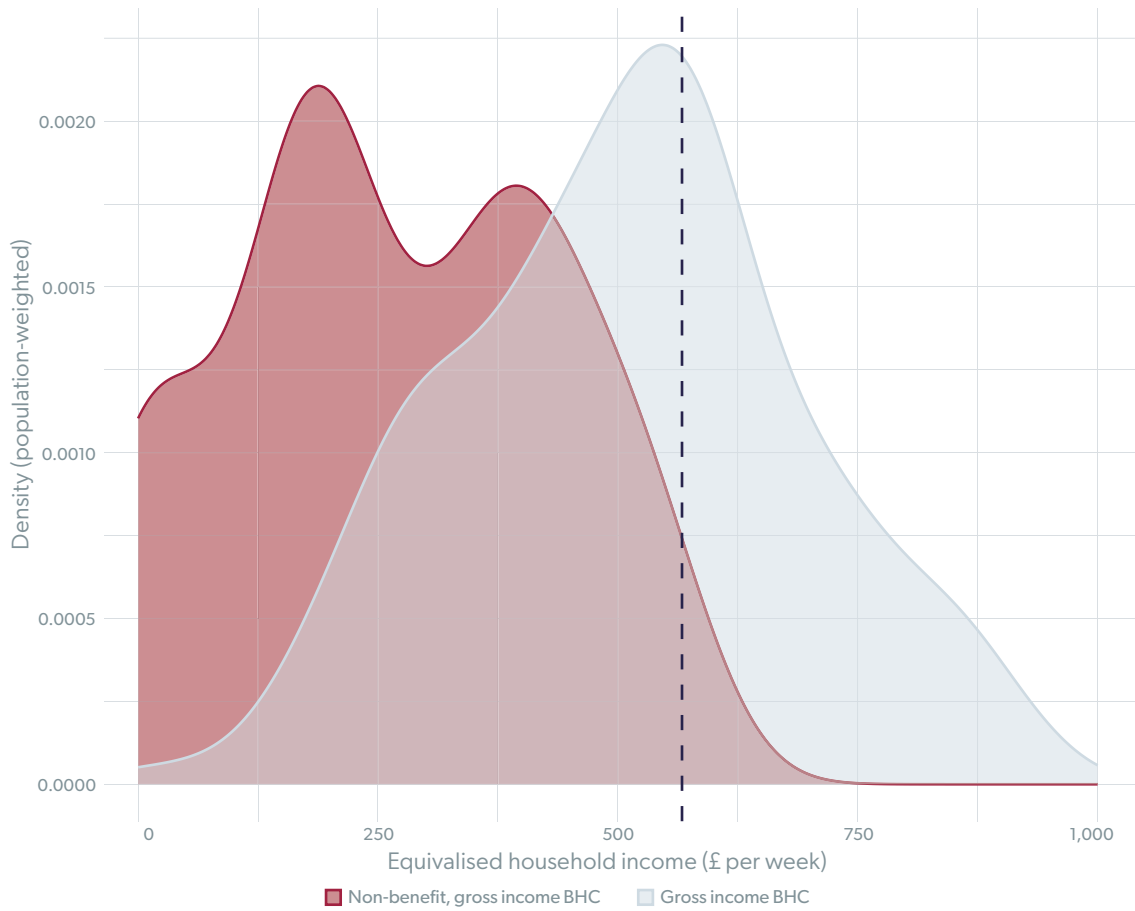
26 Department for Work and Pensions (May 2025), 'Technical report: update to measures using material deprivation for households below average income FYE 2024'. Accessed via: Technical report: update to measures using material deprivation for households below average income FYE 2024 - GOV.UK (Accessed: 21 January 2026)

27 The Family Resource Survey (FRS) is an annual survey by the Department for Work and Pensions used to estimate possible benefit demand and calculate poverty statistics for the Households Below Average Income (HBAI) data release. The statistics in this section are calculated from the latest release of raw HBAI data. For details, see here: UK Data Service (Accessed: 22 January 2026)

28 Incomes are 'equivalised' in the HBAI to make them comparable across households of different sizes and composition.

29 We have used gross income before housing costs in the figure due to data limitations in the raw HBAI data that makes it infeasible to separate out benefit income from net incomes after housing costs.

Figure 6: Distribution of household incomes before and after benefits for children in relative low-income in Scotland, 2023/24

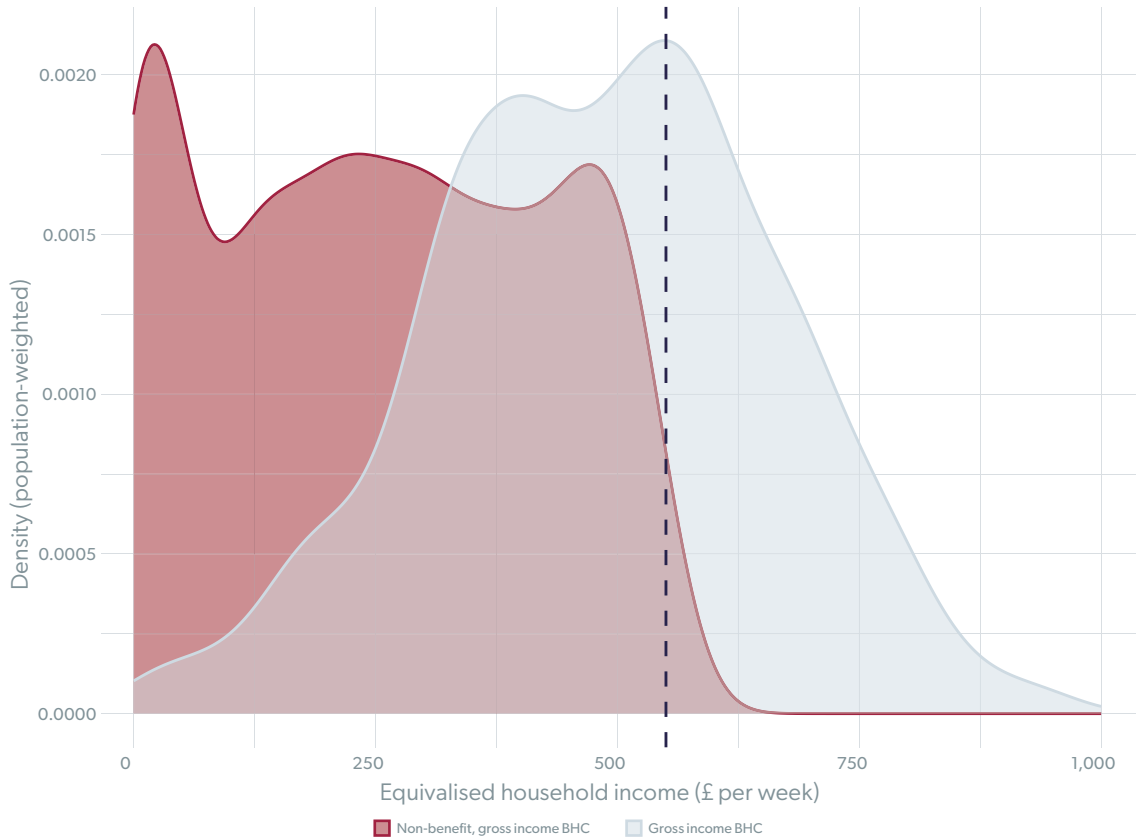


Source: CSJ analysis of raw HBAI data

Note: The graph calculates the distribution of household incomes for children in households with incomes below 60 per cent of the median before and after any income from benefits. All income figures are gross, equivalised, and before housing costs.

Of course, the Scottish welfare system is successfully protecting those on the absolute lowest incomes, ensuring those who would otherwise have no income have at least some incomes. But this is largely the materially deprived cohort, and they remain materially deprived in the survey despite the additional benefit income. Figure 7 shows that the English welfare system achieves much the same outcome for this cohort. Scotland is spending several million pounds more than England on welfare to barely shift the dial for those who measurably lack the resources that constitute a socially acceptable minimum standard of living.

Figure 7: Distribution of household incomes before and after benefits for children in relative low-income in England, 2023/24



Source: CSJ analysis of raw HBAI data

Note: The graph calculates the distribution of household incomes for children in households with incomes below 60 per cent of the median before and after income from benefits. All income figures are gross, equivalised, and before housing costs.

A better approach...

The flaws inherent to relative poverty measures demand a better approach, prioritising work, building independence and focusing emergency support to those in measurable material deprivation. This first requires aligning policy outside the welfare system.

The main reasons Scottish households fall into material deprivation include them struggling to cover surprise expenses or replace appliances, lacking home contents insurance, or their home being in disrepair, too small, or damp. These are issues of financial inclusion – especially a lack of affordable credit - and housing as much as they are issues for welfare policy. A well-targeted anti-poverty strategy would identify the goods and services that materially deprived households most lack and develop a (de) regulatory agenda to increase the affordability, availability, and knowledge of these goods and services among such households.³⁰

³⁰ The cost and quality of housing in Scotland is restrained by the Scottish planning system and the foolhardy tenancy laws introduced by the SNP Government. Addressing these is beyond the scope of this paper, but a better anti-poverty strategy should seek to increase the supply of housing across Scotland, particularly in the central belt, by prudent deregulation.

RECOMMENDATION 4

The Scottish Government should develop a new anti-poverty strategy that identifies the goods and services that households in material deprivation most lack. The strategy should set out a (de) regulatory agenda to increase the supply, and thereby lower the cost, of these goods and services.

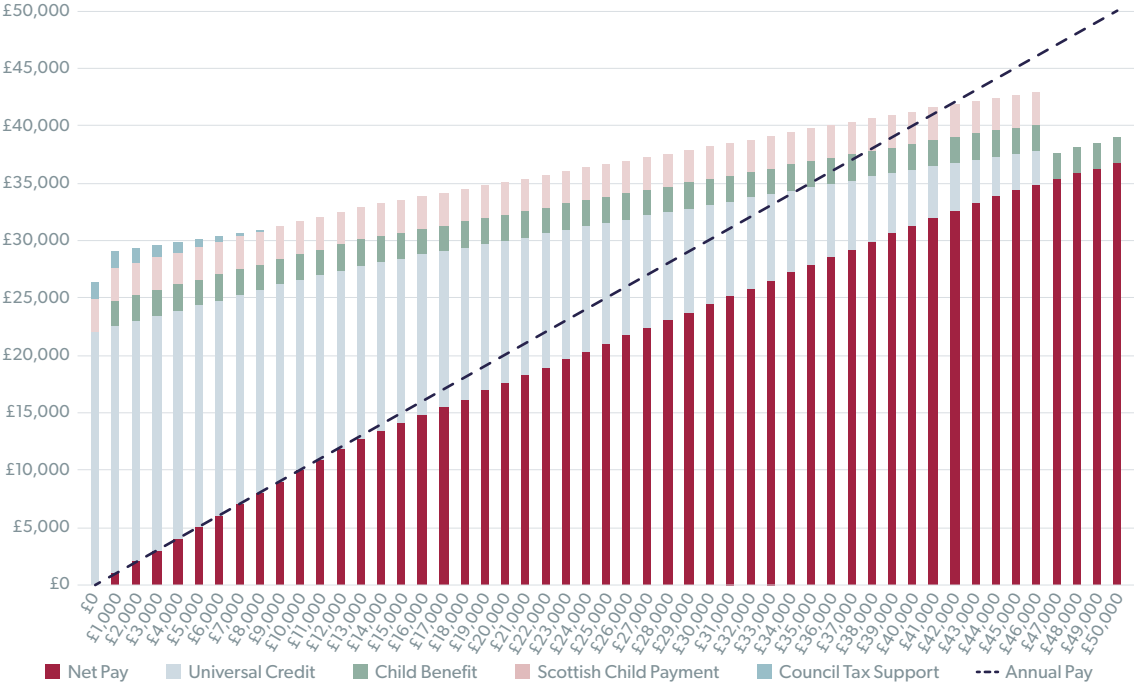
Second, tackling genuine poverty requires recognising that the best route out of material deprivation is work. Having at least one parent in work is the main reason why those who escaped relative low-income in Figure 3 already had median, equivalised incomes almost £300 above those who remained below the relative low-income line.

The difficulty is that though Universal Credit has greatly increased the incentive to work – under the legacy system a lone parent, for example, lost as much as 96p for every extra pound they earned³¹ - many claimants still face high effective marginal tax rates (EMTR) once tax, national insurance, and pension contributions are considered.

Figure 8 shows the illustrative case of a lone parent with two children in the City of Glasgow. Their EMTR quickly rises from the Universal Credit taper rate of 55 per cent – i.e., they lose 55p for every pound extra they earn – to 69 per cent once their gross annual income is over £12,560. The median gross annual income for a part-time worker in Scotland was £14,400, meaning this is the EMTR a lone parent wanting to move into work would expect to face. They are better off moving into work, but they are not *much* better off. Many parents may doubt the additional income from working is enough to compensate for the effort of working.

31 Hoynes, Hilary; Joyce, Robert; Waters, Tom (2024); 'Benefits and tax credits', Oxford Open Economics, p. 1146. Accessed via: <https://doi.org/10.1093/ooec/odad022> (Accessed: 22 January 2026)

Figure 8: Income from work and welfare for a lone parent of two children living in a Band C property in the City of Glasgow at £1,000 increments of annual earnings



Source: CSJ analysis of UK and Scottish welfare rules.

There is, of course, nuance here. Children flourish most when they experience warm, loving relationships with their primary caregiver during their earliest years.³² The welfare system should neither incentivise nor force lone parents into work that prevents them providing such care in the first two years of their child’s life. It should, moreover, protect them and their child from falling into material deprivation. However, as their child grows, the sustainable route out of poverty is for the parent to return to work.

Given this context, the Scottish Child Payment is not bad, but it could be better. Only 24 per cent of the 322,230 children receiving it are four years old or younger. For lone parents of children older than four, though it does not change the EMTR that they face, until their Universal Credit cuts off, it increases the income that a workless parent can earn, making the option of not working far more comfortable. This is bad both for the immediate income of the family – trapping them in a less well-off, if less onerous, stasis – and for the child’s future, given children in workless households are far more likely to be workless themselves in later life.

A better approach would be to frontload the Payment, making only children under school age eligible. This would save £344 million per year, rising to £506 million once the payment rises to £40 per week in 2027. The Scottish Government should then re-invest some of this saving in helping parents back into work once their children are in school, either through a transitional payment to mitigate the high EMTR of re-entering the workforce or by investing in wraparound employment support targeted at parents whose children have entered the school system.

32 For a summary of this evidence, see our 2024 report *Give Families the Credit*, accessible via: [Give Families the Credit](#)

RECOMMENDATION 5

The Scottish Government should frontload the Scottish Child Payment, restricting eligibility to children under the school age. This would save £344 million per year, rising to (at least) £506 million once the payment rises to £40 per week in 2027.

The Scottish Government should then re-invest some of these savings in helping parents back into work once their children are in school. This could either be through:

- a) a transitional payment to mitigate the high effective marginal tax rates faced by parents re-entering the workforce; or,
- b) wraparound employment support targeted at parents whose children have recently entered the school system.

Our report, *Give Families Credit*, further sets out the benefits of unifying childcare subsidies into a Family Credit for parents to spend how they see best, on formal or informal care, and frontloading Child Benefit to the earliest years.³³ Recommendation 5 is one move towards such a model in the system in Scotland. We encourage the Scottish Government both to lobby national government for, and to experiment further within its remit with, a childcare system that prioritises connections between the child and their primary caregiver and, where external childcare is required, allows the parent to choose informal care from extended family without loss of support.

RECOMMENDATION 6

The Scottish Government should both lobby national government for, and experiment further within its remit with, a childcare system that prioritises connections between the child and their primary caregiver and, where external childcare is required, allows the parent to choose informal care from extended family without loss of support.

One option within the Scottish Government's remit is to unify the Best Start Grants with the Scottish Child Payment. Best Start Grants and Best Start Food cost £36 million in 2023/24. The Scottish Government could, instead, end the programme and raise the Scottish Child Payment by another £5 per week, benefitting more parents, simplifying the administration of Scottish welfare, and clearing up the profusion of payments facing new parents. This would also generate a small saving of around £15 million.

RECOMMENDATION 7

The Scottish Government should unify the Best Start Grants and the Scottish Child Payment. The Government should scrap the Best Start Grants and use some of the saving to raise the frontloaded – see Recommendation 5 - Scottish Child Payment by another £5 per week.

33 Centre for Social Justice (Jun 2024), *'Give Families the Credit'*. Accessed via: [Give Families the Credit](#) (Accessed: 22 January 2026)

Finally, the Scottish Government should directly support materially deprived families with the circumstances, such as problem debt, addiction, and poor housing, that our past research has shown pushes people into poverty. The best route to do so is through Whole Family Wellbeing Funding, a programme seeking to strengthen holistic family support within Scotland.

Most Whole Family Wellbeing Funding has so far gone to Children’s Services Planning Partnerships, funding hubs that offer stay-and-play, parenting support, and advice about debt, housing, and welfare. The Scottish Government committed to spend £500 million over the 2021 to 2026 Parliament.

Whole Family Wellbeing Funding could be significantly increased out of the savings produced by our earlier recommendations. Taking a sixth of the savings from Recommendations 2 and 5 with the £15 million saving from Recommendation 7 would bolster Whole Family Wellbeing Funding by £150 million per year – more than doubling the yearly average committed in the last parliament. This is a significant investment that still leaves enough savings to re-invest in prior recommendations areas and reduce overall welfare spending by up to £275 million per year.³⁴

RECOMMENDATION 8

The Scottish Government should increase spending on Whole Family Wellbeing Funding by £150 million per year, especially investing in hubs that provide whole family support. This can be funded from just one sixth of the estimated savings produced by Recommendations 2 and 5 above plus the £15 million per year saved by Recommendation 7.

³⁴ The £275 million saving assumes the Scottish Government re-invests half the savings from Recommendations 2 and 5, with another £16 million added from the difference between adding £5 per week to the frontloaded Scottish Child Payment and the cost, in 2023/24, of the Best Start Grants.

Recommendations

RECOMMENDATION 1

The Scottish Government should review the Scottish social security principles to make sure they are compatible with welfare being a *means* to supporting people in and into independent lives where they can participate in and contribute to society, not an *end* that leaves people dependent.

RECOMMENDATION 2

Of the 491,370 claimants of ADP in October 2025, there were 84,045 claimants with mental or behavioural health conditions on the standard rate of the daily living component of ADP.

Taking this figure as a proxy for those with less severe mental health conditions, we estimate that withdrawing eligibility for ADP for less severe mental health conditions would produce a saving of £482 million per year. This is likely to be an underestimate, given the growth in health-related benefit claims forecast across the UK over the next five years.

We recommend that the Scottish Government withdraw eligibility for ADP from those with less severe mental health conditions and re-invest some of the resulting savings in directly treating the root causes of mental ill-health through NHS Psychological Therapies and primary care mental health services.

RECOMMENDATION 3

The Scottish Government should review alternative approaches to supporting disabled people – including adults, pensioners, and children - with the additional living costs caused by their disabilities, such as in-kind benefits or direct care.

This should start with restricting eligibility to ADP, CDP, and PADP for those with less severe mental health conditions.

RECOMMENDATION 4

The Scottish Government should develop a new anti-poverty strategy that identifies the goods and services that households in material deprivation most lack. The strategy should set out a (de) regulatory agenda to increase the supply, and thereby lower the cost, of these goods and services.

RECOMMENDATION 5

The Scottish Government should frontload the Scottish Child Payment, restricting eligibility to children under the school age. This would save £344 million per year, rising to £506 million once the payment rises to £40 per week in 2027.

The Scottish Government should then re-invest a portion of these savings in helping parents back into work once their children are in school. This could either be through:

- c) a transitional payment to mitigate the high effective marginal tax rates faced by parents re-entering the workforce; or,
- d) wraparound employment support targeted at parents whose children have recently entered the school system.

RECOMMENDATION 6

The Scottish Government should both lobby national government for, and experiment further within its remit with, a childcare system that prioritises connections between the child and their primary caregiver and, where external childcare is required, allows the parent to choose informal care from extended family without loss of support.

RECOMMENDATION 7

The Scottish Government should unify the Best Start Grants and the Scottish Child Payment. The Government should scrap the Best Start Grants and use some of the saving to raise the frontloaded – see Recommendation 5 - Scottish Child Payment by another £5 per week.

RECOMMENDATION 8

The Scottish Government should increase spending on Whole Family Wellbeing Funding by £150 million per year, especially investing in hubs that provide whole family support. This can be funded from just one sixth of the estimated savings produced by Recommendations 2 and 5 above plus the £15 million per year saved by Recommendation 7.

