


Poverty, low income and economic disadvantage: concepts and definitions

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Published by NHS Health Scotland

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Introduction

Money matters for child health. This overview sets out some concepts and definitions used when thinking about and measuring child poverty, income and other markers of economic disadvantage.

Income-based measures

Minimum Income Standard

The [Minimum Income Standard](#) (MIS) uses a combination of expert opinion and discussions with members of the public to agree a consensus on socially acceptable minimum income levels necessary to participate fully in society.¹ MIS budgets for different household types have been created annually since 2008. 75% of the MIS approximates to the UK poverty line.

The MIS has no official status, but has been used to set the real Living Wage and to examine variation in incomes necessary to achieve adequate living standards between population groups and geographies (for example, comparing urban and rural Scotland).

Minimum income for healthy living

Proposed by Morris et al,² this used expert opinion to devise budgets (for a much more limited number of households) necessary for people to maintain a healthy lifestyle (such as nutritious diet; a warm, dry home; exercise and social participation). It is less generous than the MIS and is not widely used. Like the MIS, it has no official status.

The poverty line: Key official measures of poverty (relative and absolute child poverty, persistent poverty) in Scotland use data on incomes to set an arbitrary poverty line based on household incomes.

This is currently set at 60% of median UK household incomes (adjusted by the size and composition of all households). Different poverty lines can also be set: for example, the 'material deprivation and low income' includes households with incomes below 70% of the median, while the Scottish Government has produced a 'severe poverty' measure based on a 50% of median income threshold.³

It can be 'absolute' (where the reference income is fixed to a previous year e.g. 2010/11) or 'relative' (where the reference income is the contemporary median income). It can also be measured before or after housing costs are taken into account.

Materially deprived: Respondents are asked whether they have access to 21 goods and services that members of the public believe are essential and (if they lack them) whether this is because they cannot afford them.

Households receive a weighted material deprivation score based on how many items they report they lack because they cannot afford them. Children living in a household with a material deprivation score of 25 or more are considered materially deprived.

This is combined with an income poverty line measure to create an official measure of children living in households with incomes below 70% of median incomes *and* who are materially deprived.

Destitution: There is no official definition of destitution. Drawing on literature, expert opinion, the views of 2,000 members of the public, datasets and in-depth case studies of destitution, a major project by the Joseph Rowntree Foundation defined it as where 'people are unable to afford all they need to eat, stay warm and dry, and keep clean'.⁴

Expenditure-based poverty

The spending poverty line

Poverty lines can also be calculated relative to median household expenditure, rather than household incomes. This is still an arbitrary measure, but has some potential advantages: it might reflect long-term living standards better, and also provide a more accurate measure of living standards among households with very low or irregular income (such as those who rely on regular borrowing from family and friends to get by, or the self-employed).⁵ As with the income-based poverty line, the expenditure poverty line can be absolute or relative, and set before or after housing costs are taken into account. It is seldom used in official measures.

Area-based measures

Scottish Index of Multiple Deprivation (SIMD)

The [SIMD](#) uses a weighted mix of 38 indicators across seven domains (income, employment, education, health, access to service, crime and housing) to rank small neighbourhoods in Scotland according to how deprived these areas are.⁶ The SIMD has been used in different forms since 2004: the latest version is called the SIMD 2016. SIMD is widely used to describe inequalities and target interventions.

It can be used to look at the overall (relative) deprivation of small areas within Scotland and the nature of that deprivation (to help deliver services such as employment, education, transport, and income maximisation). However, SIMD cannot be used to estimate how many children live in poverty within small areas: not all children in poverty live in deprived areas and not all children living in deprived areas live in poverty. It is also more useful in urban areas, since poverty is more dispersed in rural Scotland.

Carstairs Index

The [Carstairs Index](#) uses an index of four Census variables (low social class, lack of car ownership, overcrowding and male unemployment) to rank postcode areas in Scotland according to their level of deprivation. It is more commonly used by health bodies (such as Health Boards).

References

¹ Davis A, Hirsch D, Padley M and Shepherd C. A Minimum Income Standard for the UK 2008–2018: continuity and change. York: Joseph Rowntree Foundation; 2018.

² Morris JN et al. A minimum income for healthy living. *Journal of Epidemiology and Community Health* 2000; 54(12): 885–889.

³ Scottish Government. Severe Poverty in Scotland 2014/15. Edinburgh: Scottish Government; 2016.

⁴ Fitzpatrick et al. Destitution in the UK 2018. York: Joseph Rowntree Foundation; 2018.

⁵ Brewer M, Goodman A and Leicester A. Poverty in Britain: what can we learn from household spending? York: Joseph Rowntree Foundation; 2006.

⁶ Scottish Government. Introducing the Scottish Index of Multiple Deprivation 2016. Edinburgh: Scottish Government; 2016.

