

# Modelling packages to meet Scotland's child poverty targets



These options all meet the targets...



## Scenario 1 (economy max)

Maximise support for work with low disincentives from the benefit system

- 50 hours of childcare for 1 – 4-year-olds
- Wrap around childcare for 5 – 11 year-olds
- Open-to-all employability support
- Child Benefit increases significantly

## Scenario 2 (cost effective)

Meeting the targets at lowest fiscal cost

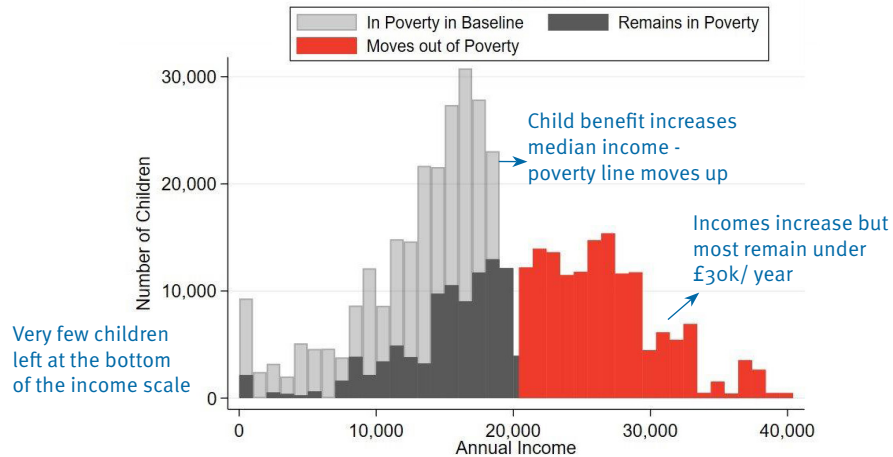
- 30 hours of childcare for 1 – 4 year olds
- Open-to-all employability support
- Scottish child payment increases significantly, with premiums for a number of groups

## Scenario 3 (lived experience)

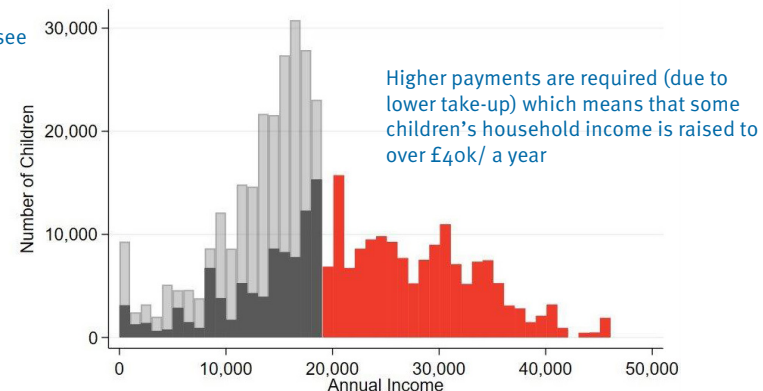
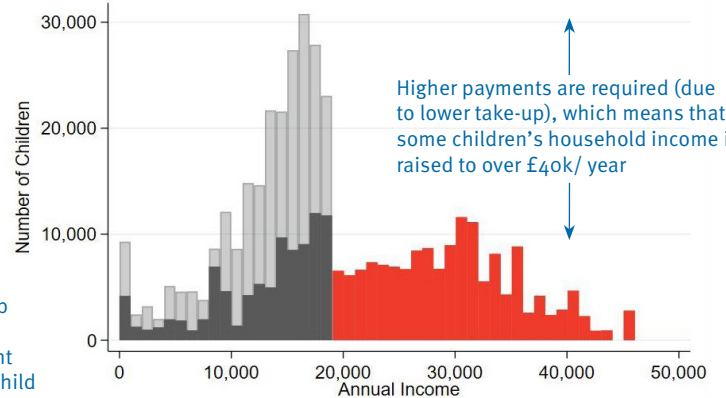
Bringing in the expertise of parents with experience of living in poverty

- 50 hours of childcare for 1 – 4-year-olds
- Wrap around childcare for 5 – 11 year-olds
- Open-to-all employability support
- Scottish child payment increases significantly
- Income disregard increased in Council Tax Reduction

... and have different impacts on income



Lower take up for Scottish Child Payment compare to Child Benefit means that some households see no change to income



## Net cost =

cost to Scottish Government for implementation  
 minus savings to UK Government through reserved taxes and benefits  
 minus savings to Scottish Government through devolved taxes and benefits

**Scenario 1**  
 Net cost: £5.6bn  
 £6.8bn to SG

**Scenario 2**  
 Net cost: £4.1bn  
 £4.3bn to SG

**Scenario 3**  
 Net cost: £4.3bn  
 £5.4bn to SG

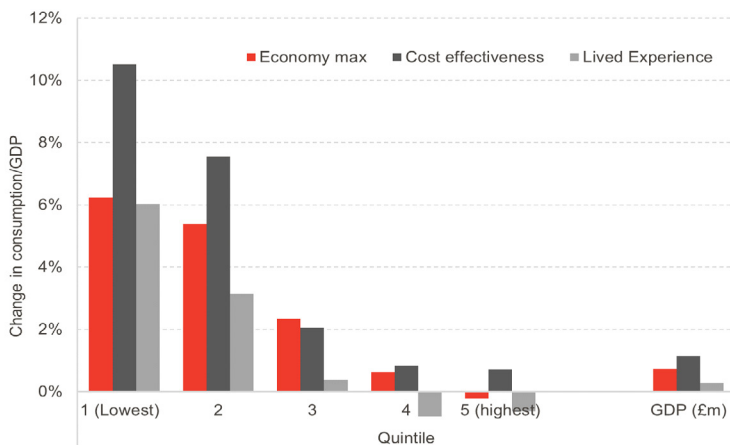
## Wider economic benefits come from...

### The demand side

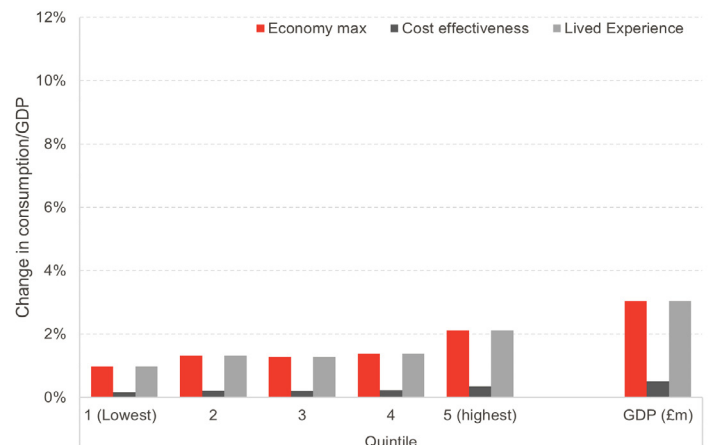
- Higher earnings and income from social security mean people can spend more on goods and services.
- This expands the economy.
- Lower income households have the largest boost to their spending.

### The supply side

- More people in the labour market brings down pressure on wages, meaning that prices fall across the economy.
- This means that firms can produce more goods and services, and lower prices make exports more competitive. The economy expands.
- Benefits spread to all parts of the income distribution.



Scenario 2 (cost effective) has the highest amount transferred through social security. This means lower income households have more money to spend.



Scenarios 1 and 3 (economy max and lived experience) deliver more people into the labour market. This means the supply side benefits are larger than scenario 2 (cost effective).

## But there are economic costs as well...

In order to pay for the policy, we've looked at the impact of raising taxes.

This reverses the expansionary economic impact. However, people at the bottom of the income distribution still benefit.

## Overall economic impact

