**Press Release**

**More spent on disability benefits and less on housing benefit per person in Scotland than in the rest of GB**

Overall spending per person on benefits (including tax credits and the state pension) is only slightly higher in Scotland than in Great Britain as a whole. Within this, higher spending on old-age benefits and significantly higher spending on disability benefits is almost entirely offset by lower spending on housing benefit and the fact that there are fewer children per adult in Scotland, which leads to lower spending on child benefit and tax credits.

Recent years have seen benefit spending in Scotland grow less quickly than in Great Britain as a whole, narrowing what used to be a much larger gap in benefit spending per person. However, looking ahead, the projected more rapid ageing of the Scottish population suggests that, all else equal, benefit spending will grow somewhat more quickly than in Great Britain as a whole in the coming decades.

Independence – or the devolution of benefits policy and spending to the Scottish Government – would provide Scotland with an opportunity to make reforms to its benefits system, and in the process, reassess some aspects of current UK policy. That would allow an independent Scotland to improve a benefit system, parts of which make little economic sense – or, of course, to make its own mistakes. Radical reform will be difficult however: any major redesign of the system would either require Scotland to spend rather more on benefits than is spent now or else create large numbers of losers.

These are among the main conclusions of a new IFS report, funded by the Economic and Social Research Council (ESRC), that looks at the benefit system in the context of 2014 Scottish independence referendum.

Other findings of the report include:

**Level and composition of benefit spending**

- Benefit spending (including spending on tax credits and the state pension) in Scotland amounted to £17.2 billion in 2011–12, the last year for which full figures are available. This is around 30% of all government spending in Scotland and 11.4% of Scottish national income (including a geographical share of North Sea output).

- Benefit spending per person in Scotland in 2011–12 is estimated to have been £3,238, 2% higher than the average for Great Britain as a whole (£3,176). This was lower than in Wales (£3,540), and the North and Midlands of England (£3,320), but higher than in London (£3,082) and the rest of the South of England (£2,962).

- There are substantial differences in spending on different types of benefits. Expenditure on disability benefits per person in the population was 22% higher in Scotland (£593) than in Great Britain as a whole (£485). This, at least partly, reflects the fact that a higher proportion of Scots report having a disability or health problem that limits their activities than is the case in Great Britain as a whole.

- Spending per person on housing benefit was around 12% lower in Scotland than in Great Britain as a whole. This reflects both lower private and social sector rents, and a larger fraction of people on housing benefit living in social housing. However, significant spending by the Scottish
government on social housing and other housing initiatives means total government spending on housing in 2011–12 was higher in Scotland (£597 per person) than in England (£493) or Wales (£471).

- Spending per person on old-age benefits was 4% higher than for Great Britain as a whole, while spending on child benefits and tax credits was 9% lower. But this reflects the different age profile of Scotland. The amounts spent on child benefits and tax credits per child and old age benefits per person aged 60 or over were essentially the same in Scotland as in Great Britain as a whole in 2011–12.

**Recent trends in benefit spending**

- In recent years benefit spending in Scotland has grown less quickly than in Great Britain as a whole: in 2005–06, benefit spending per person in Scotland was 7% higher than the Great British average. This means there has been a convergence between benefit spending per person in Scotland and in Great Britain as a whole.

- Recent relatively slower growth in benefit spending in Scotland compared with Great Britain as a whole can be explained in part by somewhat stronger growth in employment (at least until 2007) and earnings, a relative fall in the proportion of people entitled to disability benefits, a fall in the number of children relative to the rest of Great Britain, and slower growth in the proportion of households in receipt of housing benefit.

**Impact of recent reforms on Scottish household incomes**

- Overall, benefit reforms between 2010 and 2015 are estimated to reduce household incomes in Scotland by £480 (1.6% of net income), on average, a little less than in the UK as a whole (£560 or 1.7% of net income). Within this Scottish households have, on average, lost less from reforms to housing benefit, child benefit and tax credits and lost more from stricter eligibility criteria for some disability benefits.

- Adding in changes to personal direct and indirect taxes – such as income tax, National Insurance and VAT – increases the average loss for Scottish households from reforms between 2010 and 2015 to 2.8% of net income, compared with 3.3% across the UK as a whole. Scottish households are estimated to be hit less hard by tax changes, on average, because a higher fraction of its population have middle incomes – and so gain from increases in the income tax personal allowance – and a smaller fraction of its population have very high incomes – a group who have seen big income tax increases.

“Overall benefit spending per person is similar in Scotland to the rest of Great Britain. But within this there are considerable differences: spending on disability benefits is relatively higher in Scotland and spending on housing benefit lower, while Scotland’s older population leads to relatively less being spent on child-related benefits and more being spent on pensioners. Also, it is not the case that Scotland has lost more, on average, from recent benefit cuts than the rest of Great Britain,” said David Phillips, a senior research economist at the Institute for Fiscal Studies and the author of the report.

“Looking ahead, independence – or further devolution – would provide Scotland with an opportunity to design its own benefits system to reflect the priorities of the Scottish people. It would also need to adapt it to the fact that Scotland’s population is projected to age faster than the rest of the UK.”
Notes to Editors:

1. For embargoed copies of the report or other queries, contact: Bonnie Brimstone at IFS: 020 7291 4800 / 07730 667013, bonnie_b@ifs.org.uk

2. This is the second major publication from a new IFS research programme which aims to clarify some of the fiscal choices that might face Scotland were it to become independent. Outputs associated with this project are being produced by under the auspices of the Centre for Microeconomic Analysis of Public Policy, an ESRC research centre hosted by the IFS. This project forms part of a wider ESRC programme of work addressing issues around the future of the UK and Scotland. Further papers examining public service spending, taxation, and long term public finance projections for Scotland will be published by IFS during Autumn 2013.

3. ESRC programme of work “The future of the UK and Scotland”: The ESRC is supporting a programme of work addressing issues around the future of Scotland. The work will provide robust independent research based evidence. It will aim to both inform the debate in the run-up to the referendum and assist in planning across a wide range of areas which will be affected by the outcome of the vote, whether for independence or the Union. These include voting, culture and identity, business intelligence, fiscal and monetary policy, policy development, building of new constitutional arrangements, and defence and administrative practice - particularly in public service delivery. www.esrc.ac.uk/scotland