ROCKWOOL Foundation Berlin
Institute for the Economy and the Future of Work (RFBerlin)

DISCUSSION PAPER SERIES 310/26

Cash transfers, work incentives and child poverty: The case of the Scottish Child Payment

Suzanna Nesom, Kitty Stewart, Emma Tominey

www.rfberlin.com NOVEMBER 2026

Cash transfers, work incentives and child poverty: The case of the Scottish Child Payment

Authors

Suzanna Nesom, Kitty Stewart, Emma Tominey

Reference

JEL Codes: H3, H7, I3, J2

Keywords: Child poverty, welfare, work incentives, cash transfers, Scottish Child Payment

Recommended Citation: Suzanna Nesom, Kitty Stewart, Emma Tominey (2026): Cash transfers, work incentives and child poverty: The case of the Scottish Child Payment. RFBerlin Discussion Paper No. 310/26

Access

Papers can be downloaded free of charge from the RFBerlin website: https://www.rfberlin.com/discussion-papers

Discussion Papers of RFBerlin are indexed on RePEc: https://ideas.repec.org/s/crm/wpaper.html

Disclaimer

Opinions and views expressed in this paper are those of the author(s) and not those of RFBerlin. Research disseminated in this discussion paper series may include views on policy, but RFBerlin takes no institutional policy positions. RFBerlin is an independent research institute.

RFBerlin Discussion Papers often represent preliminary or incomplete work and have not been peer-reviewed. Citation and use of research disseminated in this series should take into account the provisional nature of the work. Discussion papers are shared to encourage feedback and foster academic discussion.

All materials were provided by the authors, who are responsible for proper attribution and rights clearance. While every effort has been made to ensure proper attribution and accuracy, should any issues arise regarding authorship, citation, or rights, please contact RFBerlin to request a correction.

These materials may not be used for the development or training of artificial intelligence systems.

Imprint

RFBerlin
ROCKWOOL Foundation Berlin –
Institute for the Economy
and the Future of Work

Gormannstrasse 22, 10119 Berlin
Tel: +49 (0) 151 143 444 67
E-mail: info@rfberlin.com
Web: www.rfberlin.com

Cash transfers, work incentives and child poverty: The case of the Scottish Child Payment.

Suzanna Nesom* Kitty Stewart† Emma Tominey‡

November 19, 2026

Abstract

Devolved and local governments seeking to reduce child poverty often cannot reform the national tax and benefit system, and instead add top-up payments to existing means-tested benefits. Such top-ups may weaken work incentives, because the whole payment is lost when eligibility for the underlying benefit ends, creating a cliff-edge. We study the Scottish Child Payment (SCP), a per-child weekly payment to families in Scotland receiving the main means-tested benefit, Universal Credit (UC). Simulating the UK tax and benefit system, we derive theoretical predictions for labour supply responses given the location of the SCP cliff-edge. Because UC is withdrawn gradually, the SCP adds nothing to marginal tax rates until UC is exhausted, and for lone parents and single earners on the minimum wage this happens only beyond 39 hours of work per week, predicting no meaningful work disincentive. Empirically, a difference-in-differences analysis comparing similar families in Scotland and England before and after the SCP roll-out finds no reduction in employment, labour force participation or hours but significant reductions in relative child poverty and food insecurity. The results suggest that top-up payments attached to a benefit with a gradual taper can reduce child poverty without weakening work incentives.

Keywords: Child poverty, welfare, work incentives, cash transfers, Scottish Child Payment.

Acknowledgements: Thanks to the abrdn Financial Fairness Trust for funding of the project.

*CASCADE, School of Social and Spatial Sciences, Cardiff University
†CASE and Department of Social Policy, London School of Economics
‡University of Manchester; FAIR; HCEO; IFS; IZA

1 Introduction

Child poverty remains persistently high across countries, at 12% within OECD countries, 21% in the US and 16% in the UK.[1] This matters both in the short run, for the quality of children's lives, and in the long run, because childhood poverty has consequences for educational attainment and employment, and therefore imposes costs on individuals and society (Cooper and Stewart, 2021; Page, 2024; Michelmore, 2025). Child benefits can be an effective way to raise the incomes of families with children, provided they are well designed. But a challenge for local or devolved governments that aim to reduce child poverty is that they are unable to alter the national tax and benefit system directly. This is the case, for example, for US states operating within federal fiscal structures, and for Scotland within the UK system. When local child poverty reduction goals differ from those set at the national level, these governments may instead implement supplementary top-up or "passported", where eligibility for the existing benefit creates automatic eligibility for the top-up transfer.

The effectiveness of passported benefits in reducing household poverty is theoretically ambiguous. One concern is that they may increase the marginal effective tax rate associated with additional hours of work, thereby weakening work incentives. If the goal of such policies is to lift children out of poverty, reduced labour supply among parents could offset the potential gains, resulting in limited improvements in poverty. An alternative perspective, however, emphasises that it is the cumulative marginal tax rate that matters for behaviour (Moffitt, 1992). Under this view, disincentive effects arise primarily at the "cliff-edge" where eligibility for the passported benefit is withdrawn, rather than across the entire earnings distribution.

[1] Data from the OECD Income Distribution Database (OECD, 2025).

This paper studies the case of the Scottish Child Payment (SCP). First introduced in 2021, the SCP currently pays £28.20 per week for each child under 16 in eligible families, with the explicit aim of reducing child poverty. Eligibility for the SCP is based on receipt of means-tested benefits in the UK: Universal Credit (UC) or any UC-qualifying benefit.[2] Families who receive even a small amount of UC are entitled to the full SCP, and the SCP is withdrawn entirely when UC entitlement ends. This design creates a potential SCP cliff-edge and a strong financial disincentive to increase hours or earnings at the point where doing so would remove eligibility for UC, and therefore for the SCP. In principle, one extra hour of work for a parent of three children could result in a loss of over £80 per week in SCP income.

We proceed in three steps. First, we set out the theoretical predictions for how a passported benefit such as the SCP affects work incentives. Using simulations of pre- and post-tax earnings profiles for hypothetical families in the UK, we identify where in the labour supply distribution incentives to work are weakened. The results suggest that the SCP does not increase marginal tax rates across most of the labour supply distribution. Instead, additional disincentives arise only at the eligibility cliff-edge, where a discrete loss of benefits occurs. In the UK context, this threshold corresponds roughly to full-time work for lone parents on the minimum wage, implying that it is unlikely to bind for most labour supply decisions. The exception is second earners in dual-adult households, for whom the cliff-edge binds at around 9 hours per week for minimum wage workers. Overall, the theoretical prediction is that the SCP could reduce child poverty without substantially depressing labour supply, aside from possible effects on higher-earning lone parents and second earners.

Second, we analyse the labour supply responses to the SCP along the extensive and

[2]UC is still being rolled out in the UK, so some families still receive so-called 'legacy' benefits such as tax credits, which are being replaced by UC. These families are also entitled to the SCP. For simplicity, we refer to UC and UC-qualifying legacy benefits together as UC.

intensive margins using a difference-in-differences methodology which compares households in Scotland with comparable households in England, before and after the SCP roll-out.[3] The empirical results suggest no negative effects of the SCP on labour supply. Third, we analyse the effects on poverty indicators, showing that, relative to similar families in England, the SCP is associated with significant and sizeable reductions in relative poverty and food insecurity, especially for lone parents. Our findings suggest that, without the SCP, child poverty and food insecurity in Scotland would be 10 percentage points higher.

Our paper is related to a large literature documenting the delicate balance that welfare systems must strike between reducing poverty and sustaining labour market incentives (see Hartley et al. (2022) for a recent example). Evidence on the effect of cash transfers on work incentives tends to come from policies enacted at the national level. However, many countries, like the UK, have 'passported' benefits, whereby eligibility for a main benefit provides automatic eligibility for a range of other benefits (Blundell and Hoynes, 2004). For example, in the United States, receipt of Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) can confer eligibility for programmes such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP) through "categorical eligibility". Yelowitz (1995) and Moffitt (1992) study labour supply responses to changes in the link between Medicaid and Aid to Families with Dependent Children. Similar arrangements exist in Europe: in Germany, receipt of Bürgergeld is associated with eligibility for housing support and additional benefits for children; in France, the Revenu de solidarité active (RSA) is linked to housing and health-related support; and in the Netherlands, social assistance under the Participatiewet provides access to a range of municipal low-income schemes. Our con-

[3]Exploiting policy divergence between UK nations using difference-in-differences is a common empirical strategy. It has been applied in evaluations of policies such as minimum unit pricing for alcohol, access to publicly funded services and educational reforms (e.g. Leckcivilize et al. (2026), Ikenwilo (2013), Farrar et al. (2009), Burgess et al. (2013)).

tribution is to study the link between cash transfers and work incentives in a top-up benefit system.

Our study has important policy implications. A large literature has established that cash transfers or in-kind benefits to low-income families with children can raise children's future human capital (Cooper and Stewart, 2021), especially if the additional income is expected to continue into the foreseeable future (Page, 2024). However, there are also several examples where cash transfers to families have not been found to raise child human capital.[4] The Scottish Child Payment is a simply structured benefit that delivers a fixed weekly cash payment to families identified as low-income through an existing welfare system. According to Scottish Government (2022, 2025) and Andersen et al. (2026), it has reduced poverty, food insecurity and material deprivation, and, as we show in this study, it has done so with little dampening of labour supply incentives. The implication is that a passported benefit such as the SCP, which provides support unconditionally once eligibility is established, need not reduce work incentives if it is attached to a benefit system that withdraws support slowly as earnings rise.

2 Means-tested benefits for working-age households in the UK

2.1 Universal Credit

Universal Credit (UC) is the UK's core means-tested benefit for working-age individuals who are on a low income or out of work. It began to replace the former ('legacy') system in

[4]See, for example, Borra et al. (2021) and Hawkins et al. (2023).

2013. UC combines six legacy benefits into a single payment: Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit.

UC consists of a standard allowance, which depends on an individual's age (rates are lower for under-25s) and on whether they are single or part of a couple, plus additional "elements" for circumstances including housing costs, children, disability and caring responsibilities. UC awards are subject to deductions, including repayments of advances and debts. Table A1 outlines the main components and their amounts for 2025/26. UC is paid as a single monthly payment at the household level, based on earnings in the previous month. Couples submit a joint UC claim and receive one payment for the household, based on their joint earnings.

Two key features of UC's design are intended to maintain strong incentives to participate in the labour market (the extensive margin) and to increase hours of work (the intensive margin). First, families with children (and individuals with health conditions) are entitled to a "work allowance": a level of earnings that the claimant can keep before their UC is reduced. Second, the benefit is withdrawn gradually as earnings increase (the "taper rate"), which limits the marginal tax rate on additional hours of work. UC is withdrawn at a 55% taper rate: for every £1 of net earnings above the work allowance, UC is reduced by 55 pence. This gradual taper means that families with a higher maximum entitlement (for example, because they have children or receive help with housing costs) remain eligible for some UC at higher levels of earnings than those with lower entitlement.

Two restrictions on maximum UC entitlement are also worth noting. First, until April 2026, a 'two-child limit' restricted the child element of UC to the first two children in the family, for children born from April 2017 onwards. This means that a family with three or more children, at least one of whom was born after April 2017, had the same maximum

entitlement as a family with two children. This applied in both England and Scotland, so it does not create any differences in the taper or in work incentives between the two nations. Second, an overall 'benefit cap' limits the total amount of benefits that a working-age household can receive, unless a household member receives certain disability benefits or an adult earns more than the equivalent of 16 hours per week at the minimum wage.[5] The benefit cap *is* mitigated, to some extent, by the Scottish Government, which instructs local authorities to provide Discretionary Housing Payments to cover the shortfall that the cap creates for affected families. This means that non-working (and very low-earning) households in Scotland on average receive higher levels of support relative to need than their counterparts in England. Correspondingly, affected English households face a sharper incentive to work to escape the cap than otherwise identical households in Scotland. However, this difference should not be relevant for the impact of the introduction of the SCP on work incentives, which is our focus here. The benefit cap pre-dates the SCP, and capped and potentially capped families (those working no or few hours) are a different group from those facing the SCP cliff-edge, who are close to earning enough to lose eligibility for UC altogether.

2.2 The Scottish Child Payment

Scotland's social security system is a blend of UK-wide benefits, administered by the UK Department for Work and Pensions, and devolved benefits, administered by the Scottish Government. The Child Poverty (Scotland) Act 2017 set targets to reduce child poverty and, as part of this aim, the Scottish Government used its devolved powers to introduce the Scottish Child Payment (SCP) in February 2021. As an add-on to UC, the SCP is paid to

[5]Since April 2023 the cap has been £22,020 a year for families with children outside Greater London and £25,323 inside Greater London. There are lower rates for single adults.

all UC claimants in Scotland with children under 16 who apply for it.[6,7]

In its initial phase, from 15 February 2021, the SCP paid £10 per week for each child under the age of 6 in a household receiving UC (or a qualifying benefit). In April 2022 the SCP was increased to £20 per child per week, and on 14 November 2022 it was extended to all children under the age of 16, with eligible families receiving £25 per child per week. The SCP currently pays £28.20 per week for each child under the age of 16.

SCP eligibility was tied to UC for administrative simplicity. The Scottish Government does not currently have its own system of means-testing, which would have enabled it to target the SCP in other ways, and introducing one would be expensive and time-consuming. An alternative would have been to make the payment universal, but this would have meant lower payments per child. Using UC as the gateway ensures that the funds are concentrated on lower-income households.

2.3 Other Scottish devolved benefits

In addition to the SCP, Scotland has used its devolved powers to introduce other new benefits for low-income families with children.[8] Together with the SCP, these are called the 'five family payments'. Three are Best Start Grants, one-off payments made at key stages of a child's early life. The Pregnancy and Baby Payment provides low-income families with £767.50 for the first child and £384 for subsequent children. There is an Early Learning Payment of £320 for toddlers and a similar School Age Payment for children starting primary school.

[6]Although legislation passed in 2024 defined the SCP as a benefit separate from UC, the eligibility rules have not changed, so SCP eligibility is still directly linked to UC receipt.

[7]Before the SCP was extended to older children, the Scottish Government made 'bridging payments' of £520 a year in 2021 and 2022 to school-age children receiving free school meals on the basis of low income.

[8]The full set of benefits that Scotland has introduced using its devolved powers is described in Appendix A1.1.

The fifth payment is Best Start Foods, a prepaid card worth between £5 and £10 per child per week to help low-income families buy healthy food. Low-income families are eligible during pregnancy and while they have a child under the age of three.

The Best Start Pregnancy and Baby Payment and Best Start Foods both have counterparts in England. The Sure Start Maternity Grant also makes a one-off payment in pregnancy to UC recipients, though at a lower rate of £500 and only for first-born children. Healthy Start food vouchers are similar to Best Start Foods: the English scheme offers a slightly lower weekly amount, but lasts a year longer, until a child reaches age four. There are, however, no English equivalents to the Early Learning and School Age Payments.

Our analysis in this paper focuses on the SCP, which is by far the largest of the five payments. But the other payments push in the same direction and add, a little, to any potential cliff-edge effect. For example, for a family with a toddler, UC eligibility is a passport to £1,466 a year in SCP, plus an additional £320 from the Early Learning Payment.

3 Theoretical predictions of the effect of the SCP

Any potential effect of the SCP on work incentives will depend on (i) whether the SCP eligibility cliff-edge is binding for labour supply decisions and (ii) any income effect of the SCP across the distribution of labour supply.

To address the first point, we simulate the number of hours that a hypothetical family on a low wage could work before reaching the SCP cliff-edge: the point at which working an additional hour would cause them to lose eligibility for UC, and therefore also for the SCP. We simulate this for a range of family types, including lone parents, single-earner couples

and dual-earner couples, with breakdowns by family size.

Eligibility for UC, and the amount of UC received, vary with household characteristics. For the purpose of simulating the SCP cliff-edge, we consider hypothetical households with the following characteristics:

- Location: the household lives in Edinburgh, Scotland
- Citizenship: all household members are British or Irish citizens living in the UK
- Employment: paid the 2025/26 National Living Wage (this is the name for the UK minimum wage) of £12.21 per hour
- Housing: (i) owner-occupied housing (i.e. no housing support claimed); or (ii) private rented accommodation at the average rent in Scotland for a three-bedroom property (£1,136 per month)
- No additional benefits or income: e.g. no childcare support, pensions, savings, property or maintenance income
- Work allowance: set to £684 (no housing support) or £411 (with housing support) per month
- No eligible childcare costs
- No disabilities or caring responsibilities

For each hypothetical family, labour market earnings are calculated at each number of weekly hours, starting from zero, for an individual earning the National Living Wage.

To locate the SCP cliff-edge in the distribution of labour supply, we use the online benefits calculator provided by entitledto.co.uk. This calculator determines entitlements on the basis of household demographics, including the assumptions listed above, and earned income.

Specifically, we record the benefit income from UC and the SCP to which a family is entitled, given its demographics and earned income, at intervals of 1 hour (close to the start of the UC taper or the cliff-edge) or 5 hours (otherwise). The cliff-edge is located at the point where UC entitlement drops to zero, and we use the simulations to calculate the exact number of hours worked at the minimum wage at which this occurs. We do this for hypothetical families receiving no housing support and for families paying the average rent and entitled to housing support. We also compute the corresponding gross monthly earnings using the UK government's tax calculator, which allows us to work out the maximum wage that individuals in different family types could earn while remaining below their respective cliff-edge.

The simulated gross and net earnings profiles across hours worked are reported in Figures 1–3. Net income, comprising post-tax labour market earnings and benefit entitlements, is calculated for each number of hours worked, for individuals earning the minimum wage, as hours increase from 0 to over 40 per week. At low hours, the UC and earnings curves are parallel; this reflects the work allowance, which allows individuals to earn a certain amount before UC begins to be withdrawn. For households not entitled to housing support, which is the case shown in these figures, the work allowance is equivalent to around 13 hours of work at the minimum wage. Beyond this point, the UC taper is clearly visible in the figures, as the UC profile becomes flatter. As noted above, the SCP is an add-on to UC that is constant across hours worked, but falls to zero once the individual is no longer eligible for UC.

The simulations are run separately for six family types: lone parents with one child and

with three children (Figure 1, panels a and b); single-earner couples with one child and with three children (Figure 2, panels a and b); and dual-earner couples with one child and with three children (Figure 3, panels a and b). In the three-child families, the youngest child is born before April 2017 and is therefore not affected by the two-child limit. Families with three children, at least one born after April 2017, are in effect treated as two-child families.

The figures show that for almost all of these family types, the SCP cliff-edge occurs above 35 hours per week at the minimum wage, and in most cases far above. A lone parent with three children would have to work nearly 70 hours per week to reach the cliff-edge, and a single earner in a couple over 80 hours. The exception is the dual-earner couple with one child, in which the second earner reaches the cliff-edge at around nine hours per week at the minimum wage. Figure 3 also shows, however, that the second earner would need to work only three extra hours a week for the family to be better off. The theoretical prediction for families earning the minimum wage is therefore that the SCP cliff-edge will have negligible effects on work incentives, with the exception of second earners.

These figures inevitably represent a subset of family types. In the Appendix we report the results of a wider set of simulations, including older parents, two-child families and families whose children were born before the two-child limit cut-off, for earners on the minimum wage (Table A2 for single earners and Table A3 for second earners in couples). In Table A2, column 4 shows the number of hours that an individual can work before losing UC (the SCP cliff-edge), and column 5 shows the number of hours that the individual would need to work to be better off after losing the SCP and UC.

The conclusion that the workers whose incentives are most likely to be affected by the cliff-edge are second earners in smaller families is reinforced in the wider set of family types. Among one-child families, second earners with partners earning the minimum wage reach

the cliff-edge at between 9 and 15 hours per week (the range reflects variation in the ages of adults and children), compared with at least 39 hours for single earners. Among two-child families, the cliff-edge for second earners falls between 19 and 27 hours, compared with at least 53 hours for other families. This creates a sharp local disincentive to move from part-time to full-time hours, especially in families with two children, in which the second earner would need to work an additional seven hours (one full day) for the family to be better off, compared with three hours in one-child families. For three-child families the cliff-edge is high enough to imply no likely work disincentive, even in two-earner families: a second earner on the minimum wage would need to work at least full-time (35 hours per week) to reach it, and other earners at least 70 hours.

Note that these family types are simplifications in two relevant ways. First, we have focused on minimum wage workers. There is a logic to this choice: lower-paid workers tend to have higher labour supply elasticities, i.e. to be more responsive to changes in marginal effective tax rates, because they enjoy fewer compensating non-financial benefits of work and have more limited prospects for career progression (see e.g. Blundell et al. (2013); Bargain et al. (2014)). But to give a more complete picture, we also estimate the maximum hourly wage that a lone parent or single earner working full-time or part-time could earn before reaching the cliff-edge (see columns 8 and 9 of Table A2). For context, the median hourly wage for part-time workers in the UK in 2025 was £14.69 (£13.87 for men and £15.03 for women) (Office for National Statistics, 2025). Part-time wages are the right comparator when considering incentives for individuals to work less than full-time. Against this benchmark, even for lone parents and single earners on the median hourly wage, the cliff-edge falls above 35 hours per week, with the single exception of younger lone parents with one child (column 8 Table A2). Note that younger workers earn less, with a median part-time wage in Scotland of

£12.50 for women aged 18–21 and £13.73 for those aged 22–29. These younger lone parents can therefore also earn the median wage for their age group for part-time hours without reaching the cliff-edge. For second earners with higher-earning partners, the second earner's cliff-edge arrives earlier and also affects second earners in larger families (see Table A3).

Second, for simplicity we have so far excluded housing costs, assuming that families are not entitled to housing support because they are owner-occupiers or living rent-free with friends or family. In practice, roughly half of households in Scotland claiming Universal Credit receive the housing element.[9] If we instead assume that households rent privately, and are therefore eligible for the housing element of Universal Credit, the cliff-edges fall at *higher* levels of earnings, as shown in Table A4 and Table A5. For a family paying the average rent in Scotland for a three-bedroom property (£1,136 per month) and receiving housing support towards that cost, the cliff-edges for both lone parents and single earners fall above 80 hours at the minimum wage for all family sizes and ages, and as high as 120–130 hours for single earners in larger families. Perhaps most significantly, the cliff-edges for second earners with a partner on the minimum wage now fall above full-time hours for all family sizes and ages (44 hours or more).

4 Data

We use the Family Resources Survey (FRS) and the Households Below Average Income (HBAI) data, which are derived from the FRS, to assess whether the introduction of the SCP altered the labour supply of parents in Scotland relative to England, and whether it

[9] There were 614,900 households in Scotland receiving Universal Credit in March 2025 (Skills Development Scotland (2025)) and 303,000 households receiving the housing element in 2024 (Chartered Institute of Housing (2024)).

reduced child poverty in Scotland relative to England. The FRS is a large-scale, nationally representative household survey that collects detailed information on income, employment, benefits and household circumstances across the UK. The HBAI dataset applies additional processing to the FRS data to produce consistent measures of disposable household income, including adjustments for taxes, benefits and household composition. It is used by the UK Department for Work and Pensions to monitor the income distribution and poverty. We supplement the HBAI dataset with variables on hours worked and hourly pay from the individual annual FRS files.[10]

We pool data from 2016/17 to 2024/25, excluding the 2020/21 wave because of COVID-19, and restrict the sample to households with at least one child under 16 in which the adults are of working age (19–64). For 2021/22 to 2024/25, the HBAI is linked to administrative data, which replace survey responses on the major state benefits and tax credits. This reduces the under-reporting of benefits found in earlier HBAI waves and improves data quality.[11]

To pick up households with potential SCP eligibility in England and Scotland, we restrict the sample to households in which the highest-educated parent left full-time education before age 21.[12] Although the HBAI records benefit receipt, SCP eligibility is defined by receipt of Universal Credit, and receipt may itself respond to the treatment. Using parental education instead is a common approach (e.g. Stewart et al., 2025).

Table 1 reports descriptive statistics for the parent estimation sample and Table 2 for the child estimation sample. The sample includes 3,468 Scottish and 24,727 English parents and 3,596 Scottish and 26,489 English children, living in 2,127 and 15,036 households respectively.

[10] We refer to the combined data simply as the FRS.

[11] Unlinked data are not available for 2024/25. Restricting the sample to 2016/17–2023/24 and using unlinked data throughout leaves our findings unchanged, consistent with under-reporting of benefits not differing between Scotland and England.

[12] We run a sensitivity analysis without this sample restriction and our conclusions do not change.

The analysis focuses on three labour market outcomes, measured for each parent in the household: an indicator for being in employment, an indicator for participating in the labour force and weekly hours worked. 'Employment' follows International Labour Organization definitions and includes paid employment, self-employment and participation in a government training scheme. Labour force participation covers those who are in employment or actively seeking work; the remainder are economically inactive. In all, around 75% of parents are in employment and 77% participate in the labour force (Table 1). For parents in employment, we also analyse weekly hours worked across all jobs, which average 35 hours in both Scotland and England. Outcomes are measured for each parent, taking account of whether they are a first or second earner.

We also analyse measures of child poverty. The first is relative poverty after housing costs, an indicator equal to one if equivalised household income is below 60% of the median income in the same year. The second is child material deprivation, which captures whether the household is unable to afford necessary items.[13] The third is household food insecurity, first collected in 2019/20. The questions are asked of the household member most knowledgeable about buying and preparing food, and cover quantitative and qualitative aspects of food access and intake, including whether household members have missed meals, reduced their food intake or eaten less balanced meals for financial reasons. The fourth is an indicator for whether the benefit unit has any bills in arrears.[14]

Covariates in the parental labour supply models include the age (and age squared) of

[13]The measure was updated in 2023/24 to reflect evolving public perceptions of necessities. In 2023/24, 75% of respondents were randomly assigned to the updated questions and 25% to the original set, and from 2024/25 only the updated questions are used. This limits comparisons of deprivation levels across years, but the comparison of the Scotland–England difference remains valid provided the change in measurement does not affect the two nations differently.

[14]Questions on a wider set of consumer debts (e.g. credit cards and personal loans) were introduced in 2021/22 and expanded in 2022/23, but only after the SCP roll-out, so we use the arrears measure, which is available throughout our sample period.

each parent. Because eligibility for UC and SCP varies across the number of children in the family, we control for the number of children, which averages 1.7 in Scotland and 1.9 in England.[15] Around 20% of households are headed by a lone parent and 80% are dual-adult households; in total, around 28% of households consist of a couple with a single earner. We include the age of the youngest child in the household in three bands: 0–4, 5–10 and 11–15. Around 42% of households have a youngest child aged 0–4, a third have a youngest child aged 5–10 and the remaining quarter a youngest child aged 11–15 (Table 1). Ethnicity, measured at the household level, is classified as White (83.9% of the sample), Mixed (1.5%), Asian (8.6%), Black/African/Caribbean/Black British (4.2%) or Other (1.9%). The English sample contains a much smaller proportion of White households than the Scottish sample (82.9% compared with 94.2%). Disability is measured with an indicator equal to 1 if the adult is disabled and 0 otherwise. Some 21% of parents in the sample are disabled: 23.9% in Scotland and 20.9% in England. We include government region at the most disaggregated level available: the NUTS1 regions of North East, North West, Yorkshire and the Humber, East Midlands, West Midlands, East of England, London, South East, South West and Scotland. We also include year fixed effects.

The child poverty models include household-level equivalents of these covariates: the age (and age squared) of the head of household, an indicator for a female head of household, the number of children, the age of the youngest child in bands, household ethnicity, whether anyone in the household is disabled, government region and year.

[15] To allow for possible fertility effects of the SCP, Section 6.3.2 re-estimates the model without family-size controls; the results are robust.

5 Methodology

5.1 Effect of the SCP on labour market participation and child poverty

A difference-in-differences strategy estimates the causal effect of the SCP roll-out on labour market participation and hours worked. The strategy focuses on low education households (defined as households with highest-educated parent left full-time education before age 21) comparing the labour market outcomes of parents in Scotland with those of parents in England, before and after the SCP roll-out.[16,17]

We estimate the following model for labour supply Y (indicators for employment and labour force participation, and weekly hours worked) of individual i living in household f at time t:

$$Y_{ift} = \alpha + \beta_1 Scotland_i + \beta_2 Post_t + \beta_3 (Scotland_i \times Post_t) + \gamma X_{ift} + \mu_t + \epsilon_{ift} \quad (1)$$

where *Scotland* is a dummy variable equal to one if the parents live in Scotland and zero if they live in England, and *Post* is a dummy variable equal to one if the respondent is observed after the full roll-out of the SCP (14 November 2022) and zero otherwise.[18]

Our coefficient of interest is β_3, which captures the differential change in labour supply outcomes for Scottish parents after the SCP roll-out, relative to English parents. Note that

[16] Section 6.3.1 relaxes this sample selection and estimates the effect across the whole sample.

[17] A small number of households with children under the age of 6 received SCP before our defined roll-out period. In Section 6.3.3 we test the sensitivity of our estimates when these households are removed.

[18] Families with at least one child under six were eligible for £10 per week per child under six from 15 February 2021.

other differences in benefits for low-income families in Scotland relative to the rest of the UK, described in Section 2.3, will also be captured by β_3. However, these payments are small relative to the SCP, and most are one-off payments. Evidence suggests that such one-off payments have very little impact on outcomes in treated households.[19] Importantly, these other benefits were not rolled out at the same time as the SCP.

The vector of covariates X includes individual and household characteristics that are likely to be correlated with labour supply and are predetermined with respect to the SCP roll-out. In the most comprehensive specification, these include the gender and age of each parent, the number of dependent children in the family, the age of the youngest child, ethnicity, whether the household is headed by a lone parent, disability status and indicators for government region. Year fixed effects (μ_t) account for time-specific shocks. We estimate the model first pooling both parents in the household, and then separately for mothers and fathers.

We use the same difference-in-differences strategy to assess the impact of the SCP on child poverty, comparing measures of child poverty in Scotland and England before and after the SCP roll-out. We adapt equation 1 so that the outcome Y is an indicator for the child living in relative poverty after housing costs, in material deprivation, in a food-insecure household or in a household with debt. A reduction in poverty in Scotland relative to England would imply $\beta_3 < 0$.

5.1.1 Identification assumptions

The identification strategy relies on the parallel trends assumption that, in the absence of the SCP, parental labour supply and child poverty in Scotland would have followed a similar

[19] See Borra et al. (2021) for an example, and Page (2024) and Cooper and Stewart (2021) for summaries of this evidence.

trajectory to those in England. We assess the plausibility of this assumption graphically in Figures A1–A6, which present event-study estimates of the differential trends between Scotland and England in employment, labour force participation, hours worked and the child poverty measures. The figures plot quarterly differences before and after the SCP roll-out, relative to the quarter of the roll-out, and show no visual evidence of differential pre-trends. The exception is child material deprivation, for which the Scotland–England difference was already changing before the roll-out; we therefore interpret the results for this outcome with caution.

6 Results

6.1 The causal effect of the SCP on labour supply

We now estimate the causal effect of the SCP roll-out on parents' labour market decisions, at both the extensive margin (whether to work) and the intensive margin (how many hours to work). Table 3 reports the results for employment (columns 1–3), labour force participation (columns 4–6) and hours worked by those in work (columns 7–9), estimated separately for all parents (columns 1, 4 and 7), mothers (columns 2, 5 and 8) and fathers (columns 3, 6 and 9). The table reports the coefficients on the Scotland indicator, the post-SCP indicator and the interaction between the two, which we interpret as the causal effect of the SCP. More precisely, this coefficient captures any divergence in labour market outcomes in Scotland relative to England after the SCP roll-out.[20] Robust standard errors are reported in the tables, and we test the sensitivity of our results to clustering at the nation-year level in Section 6.3.5.

[20] See Table A6 for the full set of coefficients.

Columns 1–6 show no effect of the SCP on the decision to work or to be active in the labour market (i.e. either in work or looking for work). The extensive margin might respond to SCP through the income effect. The results suggest that the SCP did not reduce the likelihood of parents being in work or participating in the labour force. In other words, the policy appears to have provided additional income support without creating meaningful disincentives to enter or remain in employment.

Because UC is paid to households both in and out of work, the potential SCP cliff-edge is more likely to operate at the intensive than the extensive margin. For hours worked (columns 7–9), the estimates likewise show no statistically significant effect of the SCP, whether for all parents, mothers or fathers.

Table 4 presents estimates from models run separately for different household types.[21] Columns 1–4 report employment and labour force participation. For lone parents (columns 1 and 3), we find that employment and labour force participation increased in Scotland relative to England after the SCP roll-out, by 15 and 17 percentage points respectively. This is a very large positive effect, which could be explained by a reduced cognitive load for lone parents receiving SCP payments. On the other hand, as discussed in Section 6.3.4, childcare subsidies increased in Scotland relative to England specifically for parents not working or working few hours, who are disproportionately lone parents. However, when we remove from the lone parent sample households eligible for the additional childcare subsidy, the estimates are similar in magnitude but less precisely estimated. For couples (columns 2 and 4), there is no statistically significant effect of the SCP roll-out in Scotland.

Our simulations pointed to second earners as the group most likely to experience work disincentives, since for them the SCP cliff-edge appeared most likely to bind. Columns 5–7

[21] See Table A7 for the full set of coefficients.

show the effect of the SCP roll-out on hours worked for lone parents, single-earner couples and dual-earner couples respectively. Again, we cannot detect any statistically significant effect of the SCP for any household type.

Taken together, these findings suggest that the introduction of the SCP did not reduce parental labour supply at either the extensive or the intensive margin. The absence of detectable labour supply responses in the survey data is consistent with the theoretical prediction that the SCP creates a cliff-edge at such high levels of earnings that it does not act as a binding constraint on work incentives. For most families, the SCP functions primarily as a poverty-reducing transfer rather than as a distortionary work disincentive.

6.2 The causal effect of the SCP on child poverty

Next we ask whether, overall, the SCP achieved its aim of reducing child poverty. One reason it might not have done so is if work disincentives reduced overall household income in treated families. Table 5 presents the difference-in-differences estimates for relative child poverty after housing costs (columns 1–3), child material deprivation (columns 4–6), food insecurity (columns 7–9) and household debt (columns 10–12). Estimates are reported separately for all children (columns 1, 4, 7 and 10), children in dual-parent households (columns 2, 5, 8 and 11) and children in lone-parent households (columns 3, 6, 9 and 12). The table reports the coefficients on the Scotland indicator, the post-SCP indicator and their interaction, with the interaction coefficient capturing the difference-in-differences estimate of the effect of the SCP on child poverty outcomes.[22]

We find reductions in relative child poverty after housing costs for all three groups, of

[22]See Table A8 for the full set of coefficients.

9.7 percentage points for all children, 7.3 points for children in dual-parent households and 9.1 points for children in lone-parent households (columns 1–3). We find no evidence of a reduction in child material deprivation among children overall or among those in dual-parent households. For children in lone-parent households, however, the estimated effect is a reduction of 8.6 percentage points (column 6), significant at the 10% level. Recall that child material deprivation showed some evidence of differential pre-trends, so this result should be interpreted with caution.

The results suggest that the SCP roll-out led to reductions in food insecurity among children overall and among those in lone-parent households, of 10.8 and 18.6 percentage points respectively (columns 7 and 9). Taken together, these results suggest that the reductions in the experience of poverty are concentrated among children in lone-parent households. This pattern coincides with the increases in employment and labour force participation among lone parents documented above. One possible interpretation is that the effect of the SCP on these outcomes operates partly through higher household earnings associated with increased labour market participation, alongside the direct income support provided by the transfer. However, our results do not allow us to separate the contributions of these mechanisms.

Finally, we find no evidence that the SCP affected the likelihood of children living in households with debt (columns 10–12).

6.3 Sensitivity Analysis

We test the sensitivity of our results to the sample selection, to the controls included in the model, to the earlier SCP payment for children under six, to potential confounding from a childcare reform in Scotland and to the level of clustering of standard errors. Finally, we use

a bunching analysis as an alternative test for work disincentives.

6.3.1 Sensitivity on the sample selection

The main analysis is focused on low education households because they are the households most likely to be affected by the SCP or UC eligibility cut-offs. Panel A of Table A9 reports the labour supply and child poverty results for the full sample. We find no empirical evidence of a change in labour supply in Scotland relative to England following the SCP roll-out. We also find significant decreases in relative poverty after housing costs and food insecurity.

6.3.2 Without family-size controls

It is possible that family fertility choices react to the roll-out of the SCP, as the cash transfer reduces the net cost of having children. If this is the case, then including family size as a control can induce a bad control bias. We repeat the benchmark analysis dropping family size as a control. In Panel B of Table A9, the results do not change once we remove family size as a control.

6.3.3 Young children potentially treated before the SCP roll-out

In the early SCP period, between February 2021 and November 2022, SCP was available as a cash transfer and paid to families on low income, with children under six at a lower rate of £10 per week. In our analysis we treated this as a pre-SCP period but our estimates may be attenuated through these families with young children in receipt of SCP. To test whether this is the case, we amend our analysis to remove any families with a child under the age of six between February 2021 and November 2022. Panel C of Table A9 confirms our earlier

conclusions, of no impact on parental labour market outcomes and significant decreases in relative poverty after housing costs and food insecurity.

6.3.4 Differential exposure to a childcare reform

During our sample period, a childcare policy (Early Learning and Childcare), rolled out in August 2021, increased subsidised childcare provision in Scotland relative to England. Specifically, in Scotland funded childcare was increased from 600 to 1,140 hours per year for all three- and four-year-olds and eligible two-year-olds, regardless of parents' work status, whilst in England provision for three- and four-year-olds remained at 570 hours a year universally and 1,140 hours for working parents.

In Scotland, the policy applies to all families with three- and four-year-olds and to two-year-olds in low-income families, who are disproportionately lone parents. To make sure that our estimates of the effect of SCP on employment and child poverty are not confounded by this policy, in Panel D of Table A9 we exclude any household with children aged 2–4 from the analysis, and in Panel E of Table A9 we restrict the lone-parent sample to those without children aged 2–4. The estimates are not statistically different from the benchmark results, which suggests that the policy does not confound our estimates.

6.3.5 Clustering of standard errors

Our benchmark analysis reports robust standard errors. However, because the treatment varies only at the national level, across two nations, there is a risk that our standard errors are too small and that we reject the null hypothesis of no effect too often. We therefore repeat the benchmark analysis clustering standard errors at the nation-by-year level, allowing for

correlation in the error terms within each nation-year cell. With only 16 clusters and one treated nation, this adjustment is itself imperfect. Panel F of Table A9 shows no impact on parental labour market outcomes and significant decreases in relative poverty after housing costs and food insecurity.

6.3.6 Bunching around the SCP cliff-edge

A different strategy and model specification to study the labour supply responses of families to the potential SCP cliff-edge is to study whether the policy led to excess bunching around the SCP cliff-edge. We apply the method of Kleven and Waseem (2013) and estimate whether the earnings distribution shows an excess mass of households just below the SCP cliff-edge and a missing mass just above. This would be evidence that households limit their earnings to avoid losing eligibility for the SCP. See Section A1.2 for details of the methodology.

Note that the sample size used in our analysis will be small, as usually bunching is carried out on administrative data. Nonetheless, the analysis will help to confirm or refute our earlier findings, of a lack of work disincentives around the SCP cliff-edge.

We estimate a difference-in-differences in bunching, asking whether the SCP led to an increase in bunching. For each of the 8,580 households, we define their demographic-specific SCP cliff-edge and study bunching across the running variable defined as distance of household earnings to the cliff-edge (see Section A1.2). The median household's earnings are around £200 below its cliff-edge.

Table A10 presents estimates from the bunching analysis at the SCP cliff-edge. In the period before the SCP, the estimated excess mass is negative in both Scotland ($b = -0.03$) and England ($b = -0.14$): there are fewer households than the counterfactual predicts just below

the threshold, and correspondingly more just above it. This pattern is consistent with the incentives at this point in the absence of the SCP. Before the SCP, the threshold is simply the point at which Universal Credit entitlement is exhausted. Below it, each additional pound of earnings is subject to the 55% UC taper as well as income tax and National Insurance, giving a combined marginal effective tax rate of around 68% for a basic-rate taxpayer; above it, only income tax and National Insurance apply, a marginal rate of around 28%. The marginal tax rate therefore falls at the threshold, creating a non-convex kink in the budget constraint. Standard labour supply models predict that individuals will not locate at such a kink: households close to it gain more by increasing their earnings beyond the point at which UC is exhausted, leaving a deficit of mass just below the threshold and an excess just above (Saez, 2010).

The SCP adds a notch at exactly this point, which creates an incentive to stay just below the notch. It is this change in incentives, relative to the pre-existing pattern, that the difference-in-bunching estimate captures, which is why we focus on the change in bunching in Scotland relative to the change in England rather than on the level of bunching in Scotland after the SCP.

After the introduction of the SCP, the pattern in Scotland reverses. Scottish households show excess mass just below the cliff-edge (b = 0.37, s.e. 0.15), corresponding to around 8.6 more households than the counterfactual predicts, with a matching shortfall of around 8.1 households just above it. This is the pattern a notch would produce if some households held their earnings below the threshold to retain the SCP. In England, where no notch was introduced, there is positive but not significant excess mass after the SCP period begins (b = 0.05, s.e. 0.05). However, the difference-in-bunching estimate, which compares the change in bunching in Scotland with the change in England, is 0.20 (s.e. 0.17) and not

statistically different from zero. Note that the Scottish estimate rests on only 45 households within the estimation window.

Table A11 varies the parameters assumed in the bunching analysis. The range is the distance across the running variable on which the density of earnings in the absence of bunching is calculated. We vary this from £750 to £1,250 either side of the household-specific cliff-edge. The bin width (the size of the bins within this range) is varied from £100 to £260. Finally, the order of the polynomial used to estimate the counterfactual density is varied from 3 to 5. Of the 27 difference-in-bunching estimates, three are statistically different from zero, with values of b between 0.37 and 0.77. With such a small sample in Scotland near the threshold after the SCP we view the evidence as at most suggestive of a small response among the few households close to the cliff-edge.

7 Conclusion

Governments that wish to reduce child poverty but do not control the national tax and benefit system face a common design problem. The simplest way to target new support is to attach it to an existing means-tested benefit, but such top-up or passported payments are withdrawn in full when eligibility for the underlying benefit ends, creating a cliff-edge. A long-standing concern is that these notches weaken work incentives enough to undermine the poverty reduction they are intended to deliver. This paper argues that whether a passported payment discourages work is not inherent to its design, but depends on where its cliff-edge falls relative to the hours and earnings that families choose. Because that location is determined by the taper of the host benefit, it can be predicted in advance by simulating the tax and benefit system. We apply this approach to the Scottish Child Payment, a sizeable per-child

payment passported on Universal Credit, and then test the predictions against observed behaviour.

The Scottish Child Payment has created a marked divergence between the welfare system for low-income families in Scotland and that in the rest of the UK, by providing an additional per-child cash transfer for children under 16 in families receiving Universal Credit (or a qualifying benefit). Linking eligibility to UC has raised concern in political circles that the design might create disincentives to work, and therefore fail to help low-income families in Scotland. For example, a family with three children would stand to lose over £80 a week if working one extra hour meant losing eligibility for the SCP.

To date, there has been no evidence on whether the SCP weakens work incentives in practice. Our paper fills this gap. As a first step, we generate theoretical predictions on the likely labour supply consequences of the SCP, given that it is a top-up to the UK-wide Universal Credit system. Simulating benefit entitlements across hours of work and earnings, we find that for lone parents and single-earner couples the cliff-edge does not bind until earnings exceed those from a full-time job at the minimum wage (and lies far above this for families receiving the UC housing element). For second earners, the story is a little different, but only if the family does not receive the UC housing element. Second earners in this situation with one or two children face a disincentive to move from part-time to full-time work; for example, a second earner with two children would need to work an extra day a week at the minimum wage to make up for the loss of the SCP. For families receiving housing support, the cliff-edges for second earners with a partner on the minimum wage fall above full-time hours for all family sizes and ages.

We then estimate the causal effect of the SCP on the probability of being in employment, participating in the labour force (i.e. either in employment or seeking work) and hours

worked, using a difference-in-differences methodology that compares outcomes in Scotland and England before and after the SCP roll-out. Consistent with the theoretical predictions, we find no evidence for any family type that the SCP roll-out reduced employment, labour force participation or hours. Notably, we also find no effect on hours worked among second earners, the group in principle most likely to be affected. A bunching analysis provides at most suggestive evidence of a small response among the few households whose earnings lie close to the cliff-edge.

Using the same methodology, we find that the SCP reduced relative child poverty after housing costs and food insecurity, with the largest reductions in food insecurity among children in lone-parent households. These findings are in line with wider evidence that the policy is reducing poverty, material deprivation and food insecurity (see, for example, Andersen et al. (2026)). We conclude that the SCP has not in practice discouraged work among recipient families in Scotland, and that it is a potentially powerful policy for supporting families on low incomes.

The broader lesson is that passported cash transfers need not trade poverty reduction against work incentives. When the host benefit is withdrawn gradually, the cliff-edge created by a top-up payment can lie beyond the range of earnings where most families make labour supply decisions, so that the payment acts largely as a transfer rather than a tax on work. The remaining risks are concentrated among an identifiable group: in our context, second earners in smaller families without housing support. Policymakers designing top-up payments, whether in devolved nations, US states or municipalities, can therefore assess the work incentive costs of a cliff-edge before introducing it, and target mitigation, such as a short taper, at the families for whom it binds.

References

Andersen, K., Nesom, S., Patrick, R., Pinter, I., Stewart, K., and Tominey, E. (2026). Investing in children: early findings on the difference the Scottish Child Payment makes to child wellbeing. *Journal of Poverty and Social Justice*.

Bargain, O., Orsini, K., and Peichl, A. (2014). Comparing labor supply elasticities in Europe and the United States: New results. *Journal of Human Resources*, 49(3):723–838.

Blundell, R., Bozio, A., and Laroque, G. (2013). Extensive and intensive margins of labour supply: work and working hours in the US, the UK and France. *Fiscal Studies*, 34(1):1–29.

Blundell, R. and Hoynes, H. W. (2004). Has 'in-work' benefit reform helped the labor market? In *Seeking a Premier Economy: The Economic Effects of British Economic Reforms, 1980-2000*, pages 411–460. University of Chicago Press.

Borra, C., Costa-Ramon, A., González, L., and Sevilla-Sanz, A. (2021). The causal effect of an income shock on children's human capital. Working Paper 1272, Barcelona School of Economics.

Burgess, S., Wilson, D., and Worth, J. (2013). A natural experiment in school accountability: The impact of school performance information on pupil progress. *Journal of Public Economics*, 106:57–67.

Chartered Institute of Housing (2024). UK housing review 2024. Report, Chartered Institute of Housing.

Cooper, K. and Stewart, K. (2021). Does household income affect children's outcomes? A systematic review of the evidence. *Child Indicators Research*, 14(3):981–1005.

Department for Work and Pensions (2026). Households Below Average Income, 1994/95–2024/25. 20th edition. Data collection, UK Data Service.

Farrar, S., Yi, D., Sutton, M., Chalkley, M., Sussex, J., and Scott, A. (2009). Has payment by results affected the way that English hospitals provide care? Difference-in-differences analysis. *BMJ*, 339.

Hartley, R. P., Lamarche, C., and Ziliak, J. P. (2022). Welfare reform and the intergenerational transmission of dependence. *Journal of Political Economy*, 130(3):523–565.

Hawkins, A. A., Hollrah, C. A., Miller, S., Wherry, L. R., Aldana, G., and Wong, M. D. (2023). The long-term effects of income for at-risk infants: evidence from Supplemental Security Income. *NBER Working Paper*.

Ikenwilo, D. (2013). A difference-in-differences analysis of the effect of free dental check-ups in Scotland. *Social Science & Medicine*, 83:10–18.

Kleven, H. J. and Waseem, M. (2013). Using notches to uncover optimization frictions and structural elasticities: Theory and evidence from Pakistan. *The Quarterly Journal of Economics*, 128(2):669–723.

Leckcivilize, A., Whybrow, S., Gao, N., Kopasker, D., McNamee, P., and Ludbrook, A. (2026). Reduction in sugar intake after the introduction of minimum unit pricing for alcohol in Scotland: a difference-in-differences analysis. *The American Journal of Clinical Nutrition*, 123(2):101128.

Michelmore, K. (2025). Tax credits and child outcomes: lessons from the United States, the United Kingdom and Canada. *Fiscal Studies*, 46(1):65–90.

Moffitt, R. (1992). Incentive effects of the US welfare system: A review. *Journal of Economic Literature*, 30(1):1–61.

OECD (2025). OECD Income Distribution Database. OECD, Paris.

Office for National Statistics (2025). Gender pay gap in the UK: 2025. Statistical bulletin, Office for National Statistics.

Page, M. E. (2024). New advances on an old question: Does money matter for children's outcomes? *Journal of Economic Literature*, 62(3):891–947.

Saez, E. (2010). Do taxpayers bunch at kink points? *American Economic Journal: Economic Policy*, 2(3):180–212.

Scottish Government (2022). Interim evaluation of Scottish Child Payment. Report, The Scottish Government, Edinburgh.

Scottish Government (2025). Evaluation of the five family payments. Report, The Scottish Government, Edinburgh.

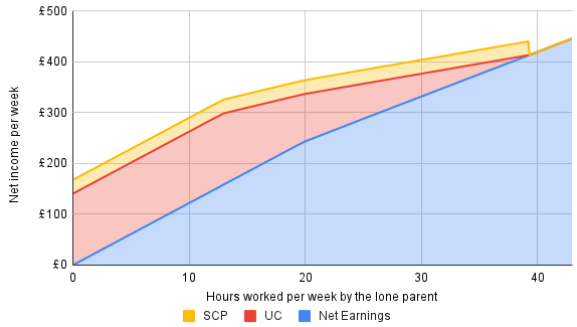
Skills Development Scotland (2025). Economy, people and skills. Report, Skills Development Scotland.

Stewart, K., Andersen, K., Patrick, R., Reader, M., and Reeves, A. (2025). Does reducing child benefits mean parents work more? A mixed-methods study of the labor market effects of the United Kingdom's "two-child limit". *Social Service Review*, 99(1):3–42.

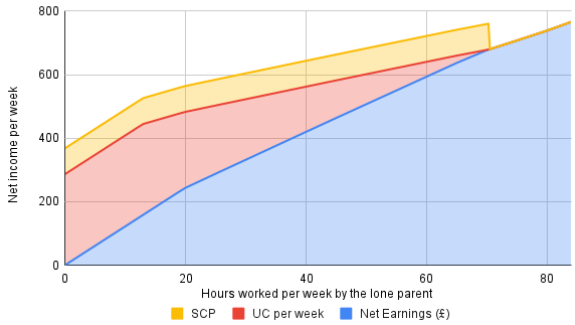
Yelowitz, A. S. (1995). The Medicaid notch, labor supply, and welfare participation: Evidence from eligibility expansions. *The Quarterly Journal of Economics*, 110(4):909–939.

Figure 1: Cliff-edge modelling: lone parents

(a) Lone parent with one child



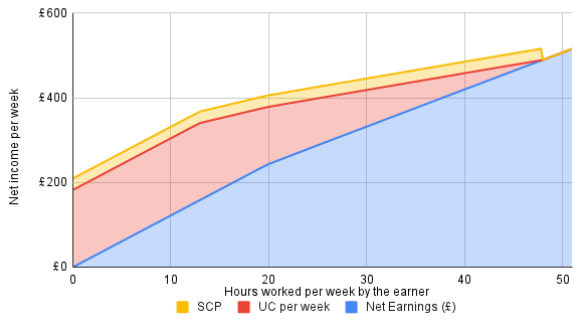
(b) Lone parent with three children



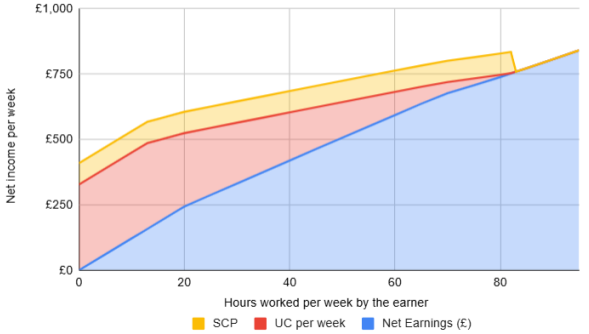
Notes: These figures simulate earnings and benefit entitlements (Universal Credit and Scottish Child Payment) for a hypothetical household of UK citizens living in Edinburgh, Scotland, and paid the National Living Wage. In each scenario the earner(s) are under 25. In one-child households, the child was born after April 2017; in three-child households, all children were born before April 2017. *Source*: Authors' calculations using entitledto.co.uk.

Figure 2: Cliff-edge modelling: single-earner couples

(a) Single-earner couple with one child



(b) Single-earner couple with three children



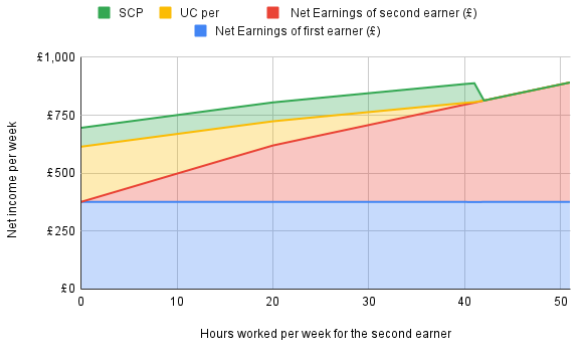
Notes: These figures simulate earnings and benefit entitlements (Universal Credit and Scottish Child Payment) for a hypothetical household of UK citizens living in Edinburgh, Scotland, and paid the National Living Wage. In each scenario the earner(s) are under 25. In one-child households, the child was born after April 2017; in three-child households, all children were born before April 2017. *Source*: Authors' calculations using entitledto.co.uk.

Figure 3: Cliff-edge modelling: dual-earner couples

(a) Dual-earner couple with one child



(b) Dual-earner couple with three children



Notes: These figures simulate earnings and benefit entitlements (Universal Credit and Scottish Child Payment) for a hypothetical household of UK citizens living in Edinburgh, Scotland, and paid the National Living Wage. In each scenario the earners are under 25. In one-child households, the child was born after April 2017; in three-child households, all children were born before April 2017. *Source*: Authors' calculations using entitledto.co.uk.

Table 1: Descriptive statistics: parents

	All	Scotland	England
Scotland (%)	8.21	-	-
Parental Outcomes			
Employment	75.21	76.28	75.11
Labour force participation	77.42	78.72	77.31
Hours worked	34.89	35.22	34.86
Covariates			
Parent age (years)	38.52	38.40	38.53
Number of children (mean)	1.92	1.73	1.93
Age of youngest child			
0–4 (%)	41.78	38.82	42.05
5–10 (%)	34.00	33.78	34.02
11–15 (%)	24.22	27.40	23.93
Ethnicity (%)			
White	83.85	94.24	82.92
Mixed	1.46	0.27	1.56
Asian	8.60	2.33	9.16
Black/African/Caribbean/Black British	4.21	1.94	4.41
Other	1.89	1.21	1.95
Disabled	21.10	23.90	20.85
Family Types (%)			
Lone parent	20.06	21.71	19.92
Dual parents	79.94	78.29	80.08
Single earners	27.50	23.94	27.81
No. households	17,163	2,127	15,036
No. parents	28,195	3,468	24,727

Notes: Parents are defined as adults aged 19–64 with at least one child aged 0–15 in the household. Low-education sample: the highest-educated parent left full-time education before age 21. *Source*: 2016/17–2024/25 FRS/HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table 2: Descriptive statistics: children

	All	Scotland	England
Scotland (%)	7.67	-	-
Children's Outcomes			
Relative poverty after housing costs	35.59	28.42	36.18
Relative poverty before housing costs	25.10	25.45	25.07
Absolute poverty after housing costs	33.58	27.63	34.08
Absolute poverty before housing costs	23.16	23.09	23.17
Child material deprivation	28.72	23.23	29.18
Food insecurity	22.04	20.29	22.18
Household in debt	18.87	18.86	18.87
Covariates			
Age of head of household	38.39	38.15	38.41
Female head of household (%)	48.58	48.99	48.54
Age-band of youngest child in household			
0-4	46.28	41.57	46.67
5-10	36.15	37.29	36.05
11-15	17.58	21.14	17.28
Ethnicity of household (%)			
White	82.25	94.45	81.23
Mixed	1.69	0.30	1.80
Asian	8.69	2.25	9.22
Black/African/Caribbean/Black British	5.44	1.90	5.73
Other	1.94	1.09	2.01
Disability status of household	43.48	44.49	43.40
Lone parent household	31.85	33.69	31.70
No. households	17,163	2,127	15,036
No. children	30,085	3,596	26,489

Notes: Children are defined as being aged 0–15. Low-education sample: the highest-educated parent left full-time education before age 21. *Source*: 2016/17–2024/25 FRS/HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table 3: Effect of the SCP roll-out on parental labour supply

	Employment			Labour force participation			Hours worked		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	All	Mothers	Fathers	All	Mothers	Fathers	All	Mothers	Fathers
Scotland * Post-SCP	0.019	0.029	-0.001	0.019	0.031	-0.003	-0.364	0.065	-0.737
	(0.025)	(0.036)	(0.029)	(0.024)	(0.035)	(0.027)	(0.723)	(0.934)	(1.071)
Scotland	0.020	0.040**	-0.008	0.024*	0.042**	-0.003	0.898*	0.163	1.917***
	(0.013)	(0.019)	(0.015)	(0.013)	(0.019)	(0.014)	(0.489)	(0.660)	(0.710)
Post-SCP	0.007	-0.009	0.029	-0.004	-0.016	0.011	1.487**	1.797**	1.093
	(0.021)	(0.031)	(0.024)	(0.020)	(0.030)	(0.023)	(0.602)	(0.870)	(0.816)
Obs.	28,195	16,776	11,419	28,195	16,776	11,419	21,309	11,194	10,115

Notes: (i) Robust standard errors in parentheses. (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iii) All models include a constant, gender of parent, age and age-squared of parent, number of children, age youngest child, an indicator for lone parent, ethnicity dummy variables, disability status, government region fixed effects and year fixed effects. All coefficients reported in Table A6.

Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table 4: Effect of the SCP roll-out on parental labour supply, by family type

	Employment		Labour force participation		Hours worked		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Lone	Dual	Lone	Dual	Lone	Dual - single earner	Dual - double earner
Scotland * Post-SCP	0.149**	-0.018	0.171***	-0.024	-0.544	-2.871	0.064
	(0.062)	(0.025)	(0.059)	(0.024)	(1.475)	(2.021)	(0.893)
Scotland	-0.014	0.032**	-0.011	0.035**	1.066	4.174***	0.334
	(0.032)	(0.015)	(0.031)	(0.014)	(1.192)	(1.148)	(0.622)
Post-SCP	0.039	-0.003	-0.004	-0.005	1.758	1.226	1.616**
	(0.052)	(0.022)	(0.051)	(0.022)	(1.413)	(1.887)	(0.711)
Obs.	6,226	21,708	6,226	21,708	3,673	2,838	14,650

Notes: (i) Robust standard errors in parentheses. (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iii) All models include a constant, gender of parent, age and age-squared of parent, number of children, age youngest child, an indicator for lone parent, ethnicity dummy variables, disability status, government region fixed effects and year fixed effects. All coefficients reported in Table A7.

Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table 5: Effect of the SCP roll-out on child poverty measures

	Rel. pov. after housing costs			Child Mat. Dep.			Food Insecure			Household Debt		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	All	Dual	Lone	All	Dual	Lone	All	Dual	Lone	All	Dual	Lone
Scotland * Post-SCP	-0.097***	-0.073**	-0.091**	-0.034	0.007	-0.086*	-0.108***	-0.043	-0.186***	-0.002	0.025	-0.036
	(0.024)	(0.029)	(0.039)	(0.029)	(0.030)	(0.052)	(0.028)	(0.030)	(0.050)	(0.025)	(0.026)	(0.048)
Scotland	-0.063***	-0.055***	-0.090***	-0.087***	-0.103***	-0.053**	0.006	0.007	0.016	0.006	0.003	0.017
	(0.015)	(0.018)	(0.025)	(0.014)	(0.016)	(0.026)	(0.018)	(0.020)	(0.037)	(0.012)	(0.012)	(0.024)
Post-SCP	-0.036	-0.060**	0.009	-0.027	0.008	-0.090**	-0.065***	-0.062***	-0.073*	-0.061***	-0.070***	-0.048
	(0.023)	(0.025)	(0.046)	(0.022)	(0.024)	(0.043)	(0.020)	(0.022)	(0.039)	(0.018)	(0.016)	(0.040)
Obs.	30,085	19,700	10,385	30,085	19,700	10,385	16,339	10,592	5,747	29,888	19,637	10,251

Notes: (i) Robust standard errors in parentheses. (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iii) All models include a constant, an indicator for female head of household, age and age-squared of head of household, an indicator for lone parent, number of children, age youngest child, ethnicity dummy variables, disability status of the household, government region fixed effects and year fixed effects. All coefficients reported in Table A8.

Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

A1 Appendix

A1.1 Other Scottish devolved benefits

In August 2022 Scotland replaced the UK disability benefit for new claimants (Personal Independence Payment, PIP) with the Adult Disability Payment (ADP). The main difference is in the application process, which was designed to be kinder to applicants, with decisions based on the application form rather than face-to-face assessments, which were seen as challenging for disabled people.

Similarly, the Child Disability Payment (CDP) replaced Disability Living Allowance for children for new claims from November 2021. The rates of payment are the same for the Scottish and UK benefits, but the administration of the benefit changed with the intention of being more compassionate towards families, and payments continue until the child is aged 18 in Scotland, compared with 16 in the rest of the UK.

The Carer Support Payment replaces Carer's Allowance for new claims. Both payments require at least 35 hours of caring per week, and eligibility is withdrawn once the carer earns over a threshold. One difference is that the Scottish Carer Support Payment includes full-time students, who are excluded from the UK benefit; in addition, a lump sum is paid twice a year in Scotland but not in the rest of the UK, and again there is an emphasis on a kinder application process.

Additional devolved benefits include (1) the Funeral Support Payment, which helps with the costs of a funeral; (2) the Job Start Payment (of £319–512), which helps young people starting a new job; (3) the Child Winter Heating Payment, an annual payment for disabled children and young people; and (4) the Winter Heating Payment, which replaced the UK

Cold Weather Payment.

A1.2 Bunching at the SCP cliff-edge

The simulations in Section 3 show where the SCP cliff-edge lies for hypothetical families. The bunching analysis asks whether, in practice, household earnings are unusually concentrated just below the cliff-edge, with a missing mass just above, as would be expected if the SCP created labour supply disincentives around the eligibility threshold. Because the location of the cliff-edge varies with household circumstances, we construct a household-specific cliff-edge for each household and re-centre household earnings around this threshold. We then estimate the excess mass below the threshold relative to a counterfactual density, using a range of bandwidths around the cliff-edge, following the methodology of Kleven and Waseem (2013).

We choose the parameters of the bunching analysis using data that cannot show a response to the SCP (the English data and the Scottish pre-SCP data), and then test for bunching in Scotland after the SCP roll-out. To do this, we define the distance to the cliff-edge $dist_f$ for each household based on their demographics and earnings.[23] We follow Scott's rule to choose the bin width to minimise the Integrated Mean Squared Error (IMSE), using the formula $h = 3.5 * N^{-1/3} * SD(dist_f)$. We apply the formula to the English and Scottish pre-SCP data. This gives h =£180. The bandwidth must be chosen to be wide enough to allow construction of the counterfactual income distribution that would exist were it not for the cliff-edge discontinuity. We pick this to be £1,000. Finally, the order of the polynomial to fit the counterfactual distribution is chosen to be 3. We vary these three parameter choices to a bin width of £100 and £260, a bandwidth of £750 and £1,250, and the polynomial order

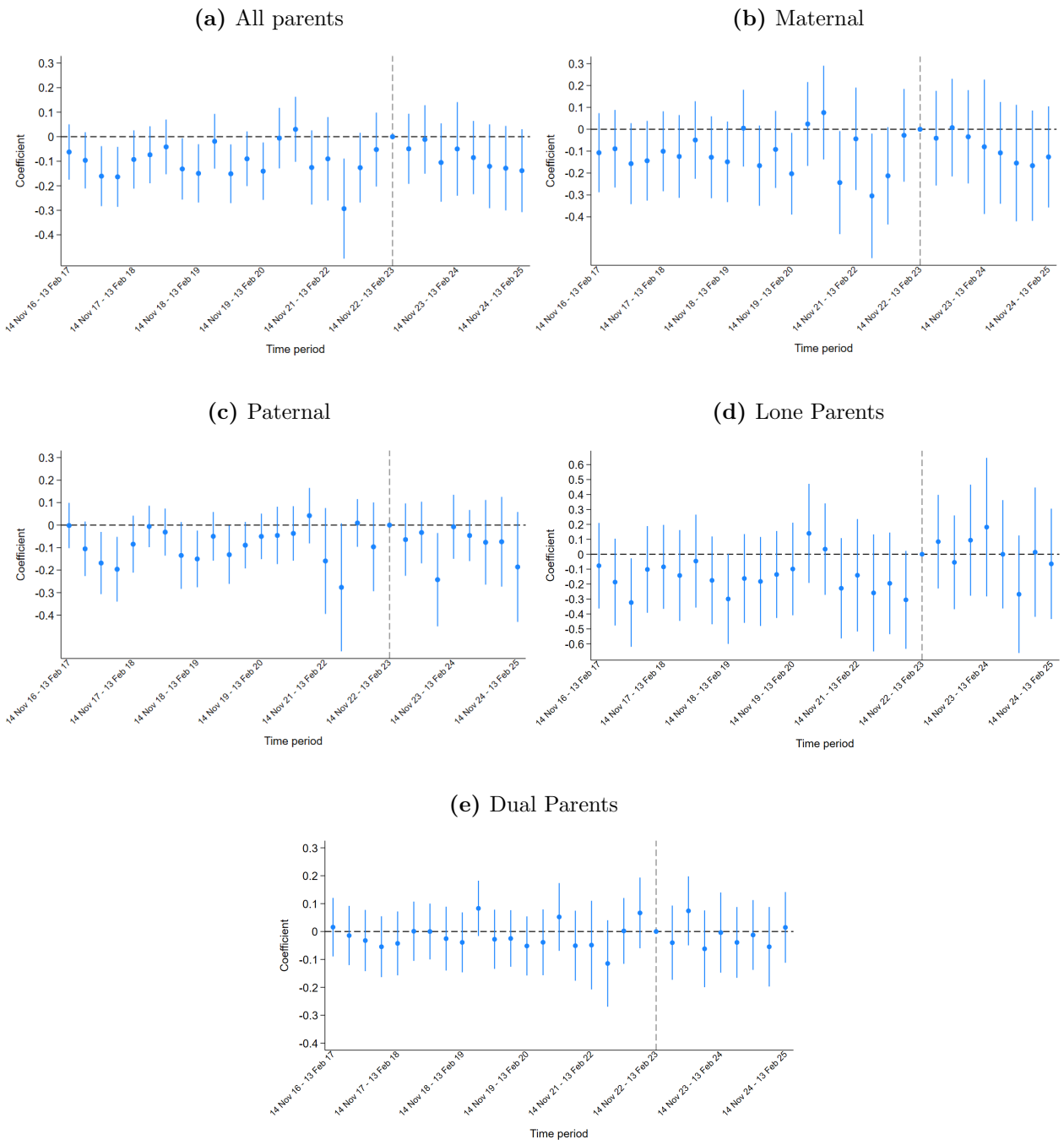
[23] Universal credit is a household benefit, so we sum individual earnings at the household level.

from 3 to 5, and report the bunching estimates for each specification in Table A11.

For the lower bound of the excluded window we use approximately one standard deviation of the distance to the cliff-edge (£144, rounded to £150). For the upper bound, which reflects the point beyond which earnings can increase without leaving the household worse off after losing the SCP, we use £200, roughly the monthly SCP value for two children.

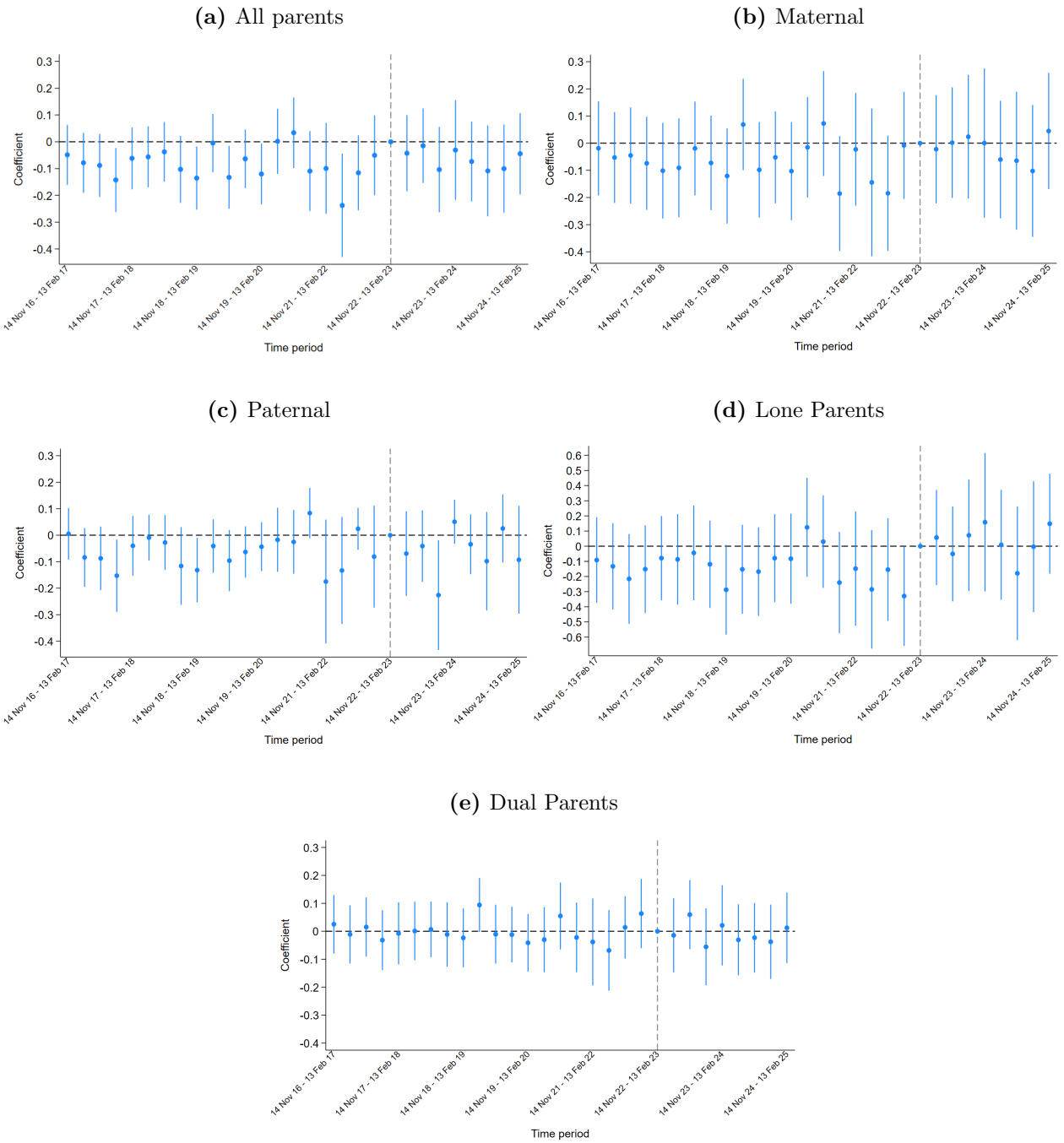
The bunching analysis then applies these parameters to the Scottish post-SCP data to study whether there is excess bunching (an excess mass of households below the cliff-edge and a missing mass above) after the SCP roll-out.

Figure A1: Parallel trends: employment



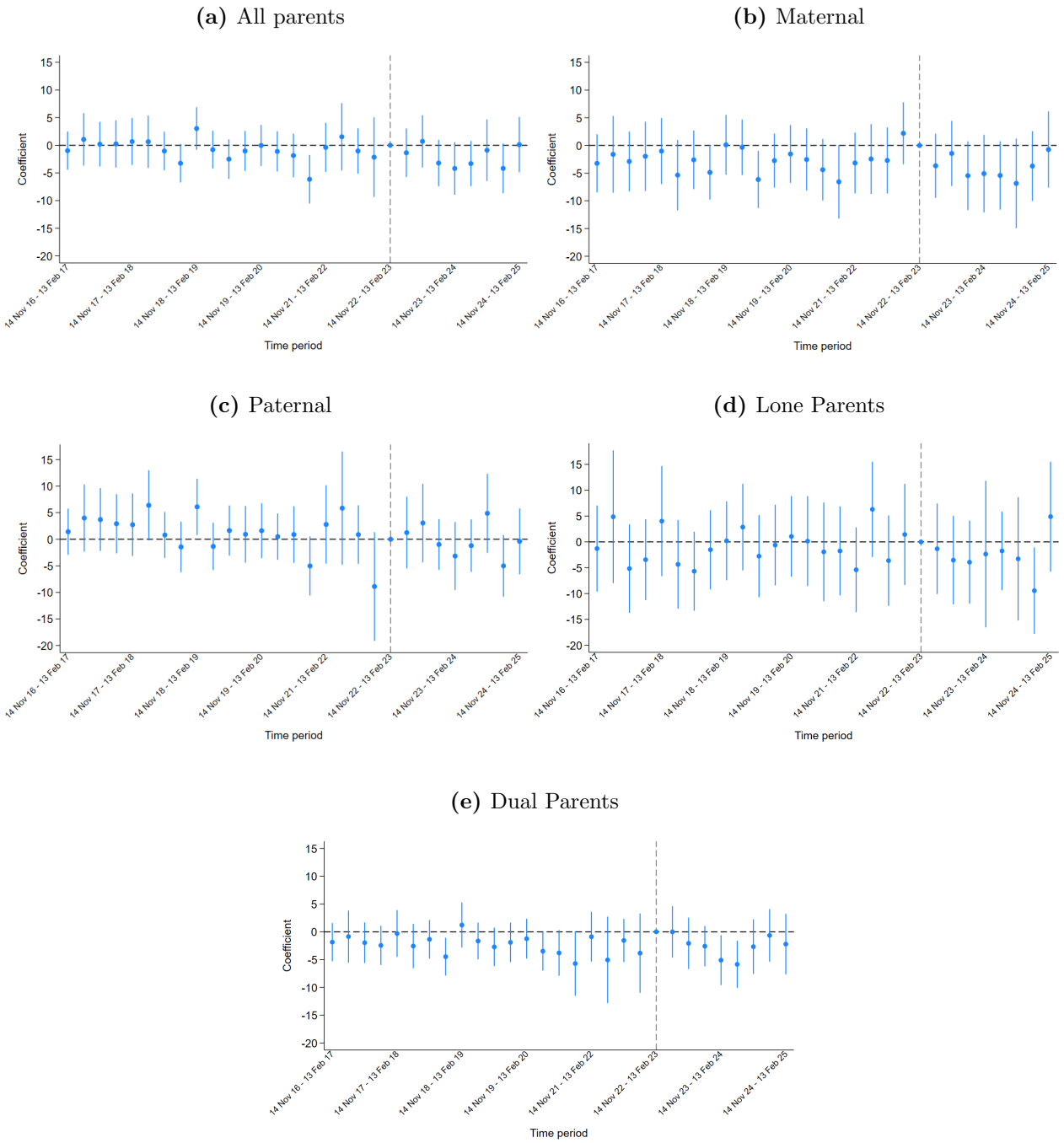
Notes: These figures plot the coefficients and their 95% confidence intervals of the period coefficients interacted with the Scotland indicator. All models include a constant. Covariates: parent gender, age and age squared, number of children, age of youngest child, ethnicity, marital status, disability, government regions. *Source*: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Figure A2: Parallel trends: labour force participation



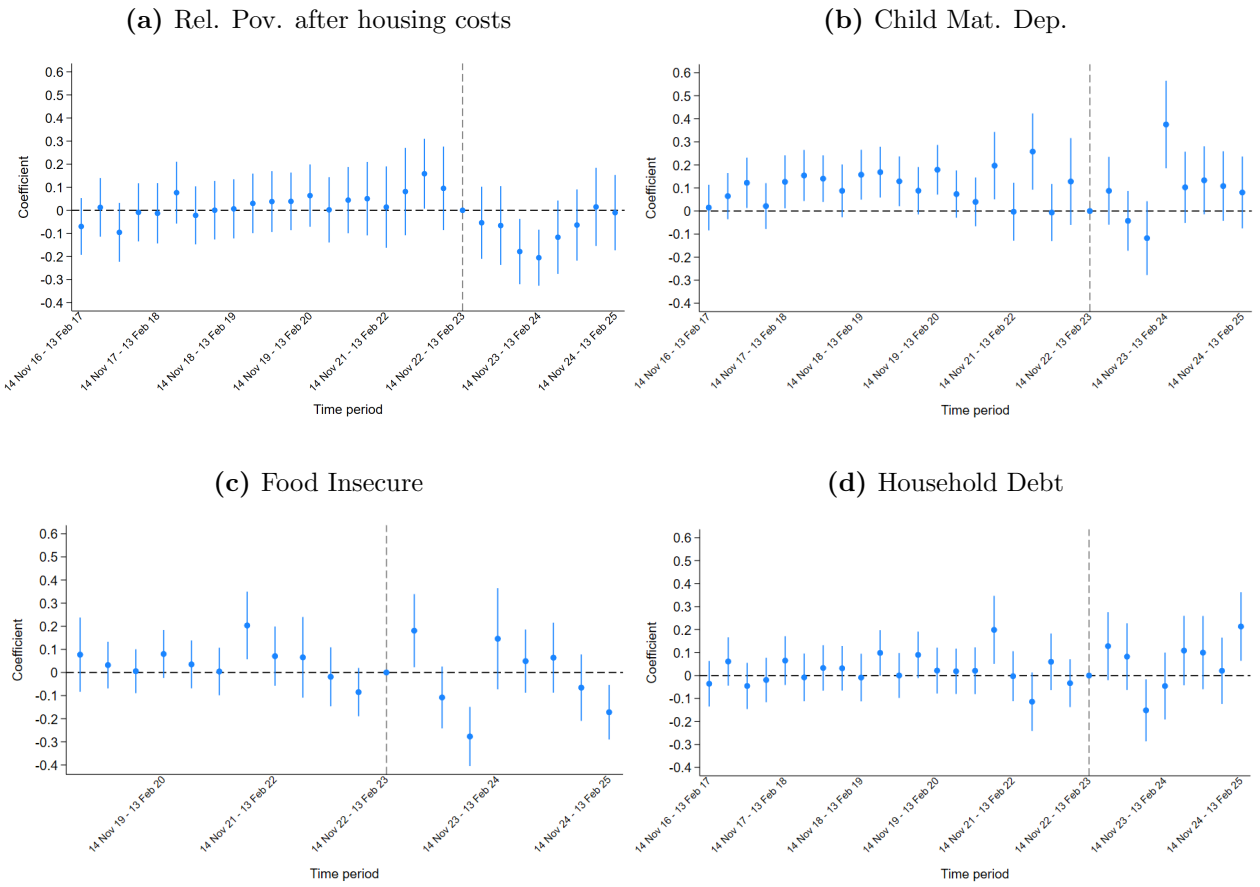
Notes: These figures plot the coefficients and their 95% confidence intervals of the period coefficients interacted with the Scotland indicator. All models include a constant. Covariates: parent gender, age and age squared, number of children, age of youngest child, ethnicity, marital status, disability, government regions. *Source*: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Figure A3: Parallel trends: hours worked



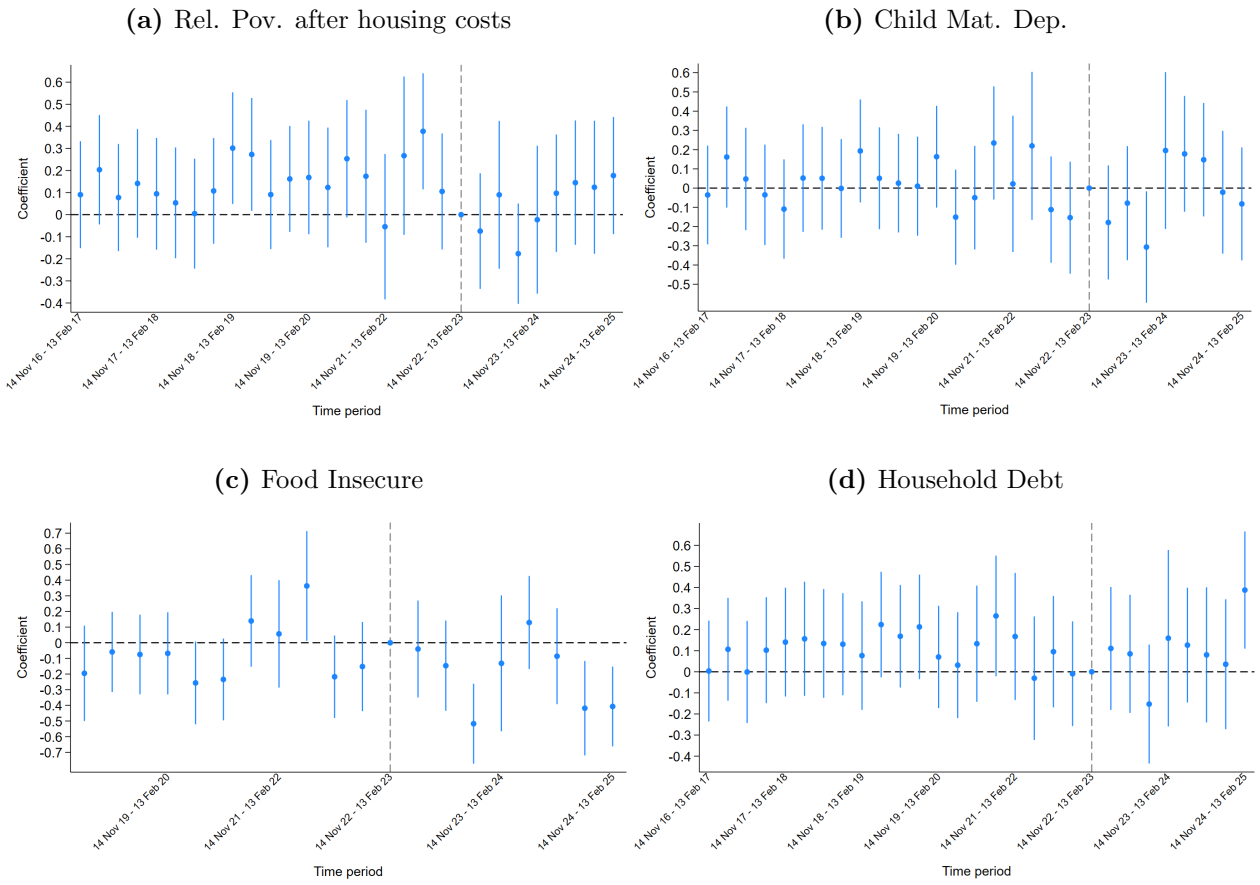
Notes: These figures plot the coefficients and their 95% confidence intervals of the period coefficients interacted with the Scotland indicator. All models include a constant. Covariates: parent gender, age and age squared, number of children, age of youngest child, ethnicity, marital status, disability, government regions. *Source*: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Figure A4: Parallel trends: child poverty measures



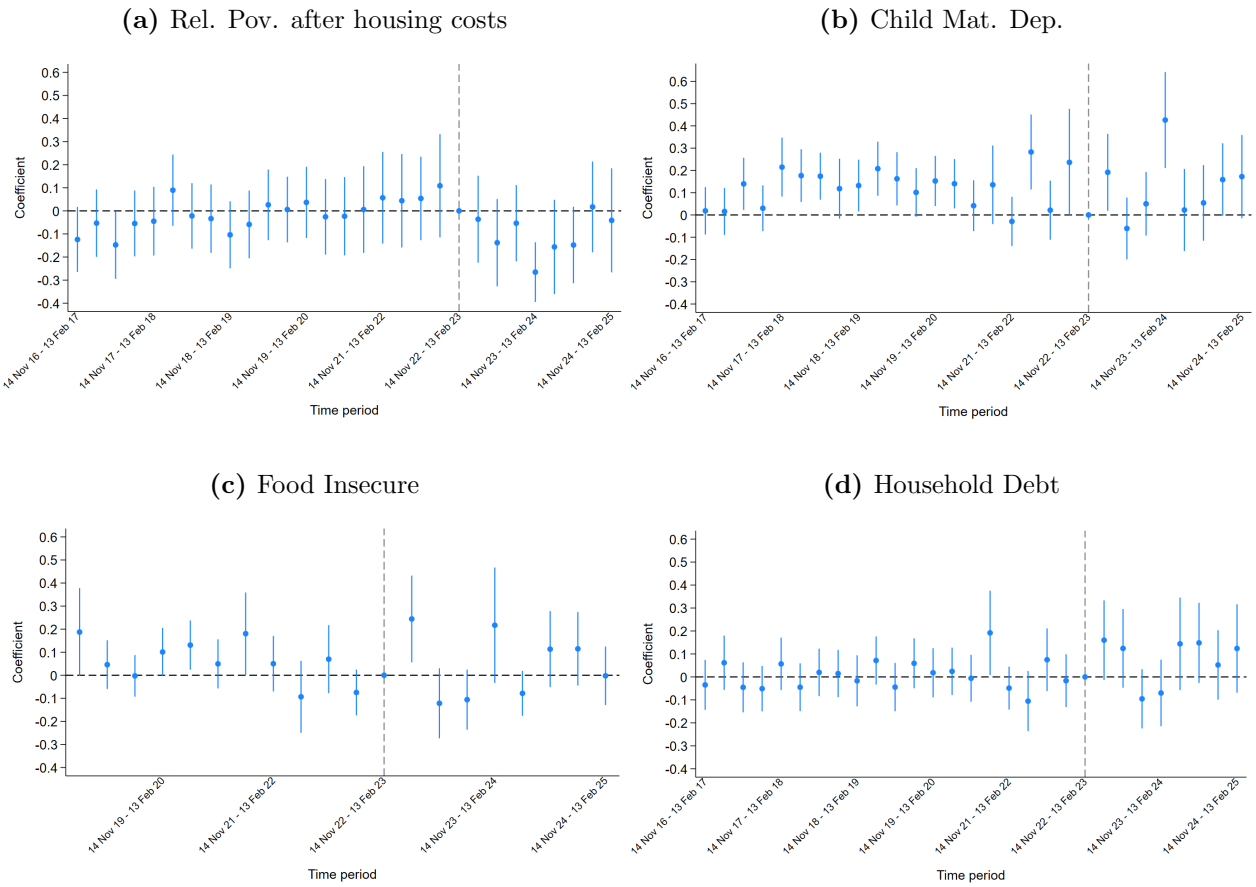
Notes: These figures plot the coefficients and their 95% confidence intervals of the period coefficients interacted with the Scotland indicator. All models include a constant. Covariates: female head of household, age and age squared of head of household, lone parent household, number of children, age of youngest child, ethnicity, disability status of household, government regions.
Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Figure A5: Parallel trends: child poverty measures, lone parents



Notes: These figures plot the coefficients and their 95% confidence intervals of the period coefficients interacted with the Scotland indicator. All models include a constant. Covariates: female head of household, age and age squared of head of household, number of children, age of youngest child, ethnicity, disability status of household, government regions.
Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Figure A6: Parallel trends: child poverty measures, dual parents



Notes: These figures plot the coefficients and their 95% confidence intervals of the period coefficients interacted with the Scotland indicator. All models include a constant. Covariates: female head of household, age and age squared of head of household, number of children, age of youngest child, ethnicity, disability status of household, government regions.
Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table A1: Universal Credit components (monthly amounts, 2025/26)

Element	**Monthly Payment**
Standard Allowance	
Single person under 25	£316.98
Single person 25 or over	£400.14
Couple (both under 25)	£497.55 (for both)
Couple (one or both 25+)	£628.10 (for both)
Child Element	
First child (born before 6 April 2017)	£339.00
Each child	£292.81
Third or subsequent child born on or after 6 April 2017*	£0

*Unless an exemption applies (e.g., multiple births, adoption, etc.)

Table A2: Cliff-edge thresholds for lone parents and single earners (without housing costs)

(1) Children	(2) Age of Parent	(3) Earner Type	(4) Cliff-edge hrs/wk	(5) Hrs/wk to be better off	(6) Cliff-edge net £/month	(7) Cliff-edge gross £/month	(8) Max FT hourly wage	(9) Max PT hourly wage
a) 1 Child								
Born after April 2017	Under 25	Lone parent	39	43	£1792.71	~£2082	£13.73	£30.03
		Single earner in couple household	47	51	£2121.02	~£2538	£16.73	£36.61
Born after April 2017	25 and over	Lone parent	43	47	£1943.91	~£2292	£15.11	£33.06
		Single earner in couple household	54	58	£2358.38	~£2867	£18.90	£41.35
Born before April 2017	Under 25	Lone parent	41	50	£1876.69	~£2198	£14.49	£31.70
		Single earner in couple household	50	54	£2205.00	~£2654	£17.50	£38.28
Born before April 2017	25 and over	Lone parent	45	56	£2027.89	~£2408	£15.88	£34.73
		Single earner in couple household	56	60	£2422.36	~£2956	£19.49	£42.63
b) 2 Children								
At least one born before April 2017	Under 25	Lone parent	55	64	£2409.07	~£2938	£19.37	£42.38
		Single earner in couple household	64	71	£2737.38	~£3394	£22.38	£48.95
At least one born before April 2017	25 and over	Lone parent	59	71	£2560.27	~£3148	£20.76	£45.40
		Single earner in couple household	71	81	£2974.75	~£3723	£24.55	£53.70
Both born after April 2017	Under 25	Lone parent	53	62	£2325.09	~£2821	£18.60	£40.69
		Single earner in couple household	62	69	£2653.40	~£3277	£21.61	£47.26
Both born after April 2017	25 and over	Lone parent	57	68	£2476.29	~£3031	£19.98	£43.72
		Single earner in couple household	68	77	£2890.76	~£3607	£23.78	£52.02
c) 3 Children								
All born before April 2017	Under 25	Lone parent	70	82	£2941.45	~£3677	£24.24	£53.03
		Single earner in couple household	82	95	£3269.76	~£4133	£27.25	£59.61
All born before April 2017	25 and over	Lone parent	75	90	£3092.65	~£3877	£25.63	£56.06
		Single earner in couple household	90	103	£3507.13	~£4529	£29.86	£65.32

Notes: (i) Simulations of the SCP cliff-edge by family type. (ii) The table reports for the family size (column 1); age of parent (column 2); and earner type (column 3) the location of the SCP cliff-edge for a hypothetical individual living in Edinburgh, Scotland; citizens of the UK; paid the national living wage. (iii) The cliff-edge gross per month is calculated using the UK Government's PAYE tax calculator, assuming no deductions (i.e. no pension contributions or student loan repayments). Maximum full-time and part-time hourly wages are based on 35 and 16 hours per week respectively.
Source: Authors' calculations using entitledto.co.uk.

Table A3: Cliff-edge thresholds for second earners (without housing costs)

Children	Age of parent	First earner	HH cliff-edge net/month	First earner gross / week	First earner net / week	First earner net / month	Secondary earner net / month	Secondary earner gross / month	Secondary earner max hrs / wk
a) 1 child									
Born after Apr 2017	Under 25	FT at NLW (£12.21)	£2121.02	£427.35	£375.95	£1626.78	£494.24	£494.24	9
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	-£124.93	£0.00	0
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	-£385.91	£0.00	0
Born after Apr 2017	25 and over	FT at NLW (£12.21)	£2358.38	£427.35	£375.95	£1626.78	£731.60	£731.60	13
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£112.43	£112.43	2
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	-£148.55	£0.00	0
Born before Apr 2017	Under 25	FT at NLW (£12.21)	£2205.00	£427.35	£375.95	£1626.78	£578.22	£578.22	10
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	-£40.95	£0.00	0
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	-£301.93	£0.00	0
Born before Apr 2017	25 and over	FT at NLW (£12.21)	£2422.36	£427.35	£375.95	£1626.78	£795.58	£795.58	15
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£176.41	£176.41	3
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	-£84.57	£0.00	0
b) 2 children									
At least one born before April 2017	Under 25	FT at NLW (£12.21)	£2737.38	£427.35	£375.95	£1626.78	£1110.60	£1133.75	21
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£491.43	£491.43	9
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£230.45	£230.45	4
At least one born before April 2017	25 and over	FT at NLW (£12.21)	£2974.75	£427.35	£375.95	£1626.78	£1347.97	£1461.34	27
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£728.80	£728.80	13
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£467.82	£467.82	8
Both born after Apr 2017	Under 25	FT at NLW (£12.21)	£2653.40	£427.35	£375.95	£1626.78	£1026.62	£1026.62	19
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£407.45	£407.45	7
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£146.47	£146.47	2
Both born after Apr 2017	25 and over	FT at NLW (£12.21)	£2890.76	£427.35	£375.95	£1626.78	£1263.98	£1344.68	25
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£644.81	£644.81	12
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£383.83	£383.83	7
c) 3 children									
All born before Apr 2017	Under 25	FT at NLW (£12.21)	£3269.76	£427.35	£375.95	£1626.78	£1642.98	£1871.08	35
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1023.81	£1023.81	19
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£762.83	£762.83	14
All born before Apr 2017	25 and over	FT at NLW (£12.21)	£3507.13	£427.35	£375.95	£1626.78	£1880.35	£2200.75	41
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1261.18	£1340.79	23
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1000.20	£1000.20	18

Notes: (i) Simulations of the SCP cliff-edge by family type. (ii) "Cliff-edge net/month" refers to the household's total net income immediately before losing entitlement to the SCP. Net and gross earnings for the first earner are calculated assuming full-time work at the National Living Wage (NLW), women's median wage, or men's median wage. Full-time hours are assumed to be 35 hours per week. (iii) Secondary earner values represent the level of monthly net and gross income at the point where any additional earnings would leave the household worse-off, holding all other income constant. Negative secondary-earner values indicate that the household would be financially worse-off even if the second earner worked a small number of hours.
Source: Authors' calculations using entitledto.co.uk.

Table A4: Cliff-edge thresholds for lone parents and single earners (with housing costs)

(1) Children	(2) Age of Parent	(3) Earner Type	(4) Cliff-edge hrs/wk	(5) Hrs/wk to be better off	(6) Cliff-edge net £/month	(7) Cliff-edge gross £/month	(8) Max FT hourly wage	(9) Max PT hourly wage
a) 1 Child								
Born after April 2017	Under 25	Lone parent	82	86	£3283.35	~£4381	£28.91	£63.24
		Single earner in couple household	93	97	£3611.65	~£4965	£32.76	£71.67
Born after April 2017	25 and over	Lone parent	83	87	£3434.55	~£4388	£28.95	£63.34
		Single earner in couple household	101	105	£3849.02	~£5375	£35.47	£77.58
Born before April 2017	Under 25	Lone parent	82	86	£3367.33	~£4300	£28.37	£62.07
		Single earner in couple household	89	93	£3695.64	~£4740	£31.28	£68.42
Born before April 2017	25 and over	Lone parent	84	88	£3518.53	~£4488	£29.61	£64.78
		Single earner in couple household	95	99	£3933.00	~£5050	£33.32	£72.89
b) 2 Children								
At least one born before April 2017	Under 25	Lone parent	93	102	£3899.71	~£4961	£32.74	£71.61
		Single earner in couple household	102	109	£4228.02	~£5440	£35.90	£78.52
At least one born before April 2017	25 and over	Lone parent	97	106	£4050.91	~£5155	£34.02	£74.41
		Single earner in couple household	108	117	£4465.38	~£5740	£37.88	£82.85
Both born after April 2017	Under 25	Lone parent	91	100	£3815.73	~£4850	£32.00	£70.01
		Single earner in couple household	101	110	£4144.04	~£5340	£35.24	£77.08
Both born after April 2017	25 and over	Lone parent	95	104	£3966.93	~£5045	£33.29	£72.82
		Single earner in couple household	106	115	£4381.40	~£5640	£37.22	£81.41
c) 3 Children								
All born before April 2017	Under 25	Lone parent	114	126	£4733.91	~£6045	£39.89	£87.25
		Single earner in couple household	124	137	£5062.22	~£6600	£43.55	£95.27
All born before April 2017	25 and over	Lone parent	118	133	£4885.11	~£6245	£41.21	£90.14
		Single earner in couple household	130	143	£5299.58	~£6900	£45.53	£99.60

Notes: (i) Simulations of the SCP cliff-edge by family type. (ii) The table reports for the family size (column 1); age of parent (column 2); and earner type (column 3) the location of the SCP cliff-edge for a hypothetical individual living in Edinburgh, Scotland; citizens of the UK; paid the national living wage. (iii) The cliff-edge gross per month is calculated using the UK Government's PAYE tax calculator, assuming no deductions (i.e. no pension contributions or student loan repayments). Maximum full-time and part-time hourly wages are based on 35 and 16 hours per week respectively. (iv) Housing costs are set at £1,136 per month (the 2024 average rent in Scotland for a three-bedroom property).
Source: Authors' calculations using entitledto.co.uk.

Table A5: Cliff-edge thresholds for second earners (with housing costs)

Children	Age of parent	First earner	HH cliff-edge net/month	First earner gross / week	First earner net / week	First earner net / month	Secondary earner net / month	Secondary earner gross / month	Secondary earner max hrs / wk
a) 1 child									
Born after Apr 2017	Under 25	FT at NLW (£12.21)	£3849.02	£427.35	£375.95	£1626.78	£2222.24	£2678.87	50
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1603.07	£1818.91	34
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1342.09	£1456.45	27
Born after Apr 2017	25 and over	FT at NLW (£12.21)	£3611.65	£427.35	£375.95	£1626.78	£1984.87	£2349.20	44
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1365.70	£1489.24	28
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1104.72	£1126.76	21
Born before Apr 2017	Under 25	FT at NLW (£12.21)	£3695.64	£427.35	£375.95	£1626.78	£2068.86	£2465.85	46
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1449.69	£1605.89	30
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1188.71	£1243.41	23
Born before Apr 2017	25 and over	FT at NLW (£12.21)	£3933.00	£427.35	£375.95	£1626.78	£2306.22	£2795.51	52
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1687.05	£1935.55	36
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1426.07	£1573.09	29
b) 2 children									
At least one born before April 2017	Under 25	FT at NLW (£12.21)	£4228.02	£427.35	£375.95	£1626.78	£2601.24	£3205.26	60
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1982.07	£2345.30	44
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1721.09	£1982.84	37
At least one born before April 2017	25 and over	FT at NLW (£12.21)	£4465.38	£427.35	£375.95	£1626.78	£2838.60	£3534.92	66
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£2219.43	£2674.98	50
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1958.45	£2312.50	43
Both born after Apr 2017	Under 25	FT at NLW (£12.21)	£4144.04	£427.35	£375.95	£1626.78	£2517.26	£3088.62	58
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£1898.09	£2228.66	42
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1637.11	£1866.20	35
Both born after Apr 2017	25 and over	FT at NLW (£12.21)	£4381.40	£427.35	£375.95	£1626.78	£2754.62	£3418.29	64
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£2135.45	£2558.34	48
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£1874.47	£2195.86	41
c) 3 children									
All born before Apr 2017	Under 25	FT at NLW (£12.21)	£5062.22	£427.35	£375.95	£1626.78	£3453.44	£4405.80	83
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£2816.27	£3503.91	66
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£2555.29	£3141.45	59
All born before Apr 2017	25 and over	FT at NLW (£12.21)	£5299.58	£427.35	£375.95	£1626.78	£3672.80	£4815.02	91
		FT at women's median (£17.88)		£625.80	£517.86	£2245.95	£3053.63	£3833.59	72
		FT at men's median (£20.27)		£709.45	£577.26	£2506.93	£2792.65	£3471.11	65

Notes: See notes to Table A3. Housing costs are set at £1,136 per month (the 2024 average rent in Scotland for a three-bedroom property).
Source: Authors' calculations using entitledto.co.uk.

Table A6: Full regression results: effect of the SCP roll-out on parental labour supply

	Employment			Labour force participation			Hours worked		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	All	Mothers	Fathers	All	Mothers	Fathers	All	Mothers	Fathers
Female	-0.169***			-0.173***			-12.048***		
	(0.006)			(0.006)			(0.192)		
Age	0.062***	0.072***	0.044***	0.059***	0.069***	0.039***	0.438***	0.193	0.364***
	(0.003)	(0.004)	(0.004)	(0.003)	(0.004)	(0.004)	(0.098)	(0.179)	(0.123)
Age-squared	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.000***	-0.006***	-0.002	-0.005***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.002)	(0.001)
Lone parent	-0.101***	-0.091***	-0.214***	-0.081***	-0.070***	-0.185***	-3.334***	-3.150***	-6.393***
	(0.008)	(0.009)	(0.024)	(0.008)	(0.009)	(0.023)	(0.263)	(0.289)	(0.680)
Number of children	-0.072***	-0.098***	-0.036***	-0.070***	-0.097***	-0.030***	-1.198***	-1.904***	-0.494***
	(0.003)	(0.005)	(0.004)	(0.003)	(0.004)	(0.004)	(0.115)	(0.168)	(0.157)
Age of youngest: 5–10	0.046***	0.098***	-0.017**	0.050***	0.106***	-0.020***	0.705***	1.298***	0.270
	(0.007)	(0.010)	(0.008)	(0.007)	(0.010)	(0.008)	(0.224)	(0.334)	(0.304)
Age of youngest: 11–15	0.038***	0.093***	-0.017*	0.046***	0.102***	-0.012	2.046***	3.063***	0.890**
	(0.008)	(0.012)	(0.010)	(0.008)	(0.012)	(0.010)	(0.278)	(0.426)	(0.360)
Mixed	-0.052**	-0.049	-0.058	-0.042*	-0.042	-0.045	-0.828	0.495	-2.422**
	(0.023)	(0.031)	(0.037)	(0.023)	(0.031)	(0.035)	(0.703)	(0.939)	(1.007)
Asian	-0.190***	-0.313***	-0.046***	-0.179***	-0.301***	-0.035***	-3.256***	-0.697	-4.872***
	(0.012)	(0.017)	(0.014)	(0.012)	(0.017)	(0.013)	(0.405)	(0.615)	(0.533)
Black/African/Caribbean/Black British	-0.025	-0.012	-0.050**	-0.003	-0.003	-0.004	0.042	2.008***	-2.784***
	(0.016)	(0.021)	(0.021)	(0.015)	(0.021)	(0.018)	(0.569)	(0.732)	(0.838)
Other	-0.146***	-0.219***	-0.056**	-0.129***	-0.201***	-0.041	-4.284***	-2.848**	-5.223***
	(0.025)	(0.037)	(0.028)	(0.024)	(0.037)	(0.027)	(1.034)	(1.322)	(1.450)
Disability	-0.252***	-0.250***	-0.268***	-0.248***	-0.248***	-0.262***	-2.101***	-2.342***	-1.655***
	(0.008)	(0.010)	(0.013)	(0.008)	(0.010)	(0.013)	(0.261)	(0.349)	(0.393)
Obs.	28,195	16,776	11,419	28,195	16,776	11,419	21,309	11,194	10,115

Notes: Covariates from Table 3. (i) Robust standard errors in parentheses. (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iii) All models include a constant, year and regional fixed effects.

Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table A7: Full regression results: effect of the SCP roll-out on parental labour supply by family type

	Employment		Labour force participation		Hours worked		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Lone	Dual	Lone	Dual	Lone	Dual - single earner	Dual - double earner
Female	0.014	-0.183***	0.001	-0.187***	-7.423***	-10.639***	-12.667***
	(0.026)	(0.006)	(0.025)	(0.006)	(0.713)	(0.727)	(0.217)
Age	0.059***	0.055***	0.052***	0.051***	0.647**	0.505**	0.306**
	(0.006)	(0.003)	(0.006)	(0.003)	(0.263)	(0.213)	(0.126)
Age-squared	-0.001***	-0.001***	-0.001***	-0.001***	-0.007**	-0.006**	-0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.003)	(0.003)	(0.002)
Number of children	-0.078***	-0.068***	-0.076***	-0.065***	-1.569***	-0.775***	-1.233***
	(0.008)	(0.004)	(0.008)	(0.004)	(0.290)	(0.236)	(0.151)
Age-band of youngest child: 5–10	0.155***	0.029***	0.178***	0.030***	0.598	-0.721	1.063***
	(0.018)	(0.007)	(0.018)	(0.007)	(0.698)	(0.574)	(0.258)
Age-band of youngest child: 11–15	0.147***	0.028***	0.173***	0.033***	2.274***	-0.636	2.497***
	(0.022)	(0.009)	(0.021)	(0.009)	(0.805)	(0.742)	(0.326)
Mixed	-0.082*	-0.030	-0.069	-0.020	-1.213	-3.527	-0.042
	(0.043)	(0.028)	(0.043)	(0.027)	(1.314)	(2.225)	(0.881)
Asian	-0.180***	-0.191***	-0.150***	-0.183***	-1.965	-4.390***	-2.340***
	(0.038)	(0.013)	(0.039)	(0.012)	(1.195)	(0.621)	(0.622)
Black/African/Caribbean/Black British	0.005	-0.047**	0.035	-0.028	0.238	-1.136	0.385
	(0.030)	(0.018)	(0.028)	(0.017)	(0.976)	(1.164)	(0.867)
Other	0.004	-0.171***	0.037	-0.157***	-5.737***	-5.266***	-3.456**
	(0.051)	(0.028)	(0.048)	(0.027)	(1.599)	(1.448)	(1.709)
Disability	-0.284***	-0.239***	-0.287***	-0.233***	-2.172***	-2.916***	-1.828***
	(0.015)	(0.009)	(0.015)	(0.009)	(0.616)	(0.666)	(0.314)
Obs.	6,226	21,708	6,226	21,708	3,673	2,838	14,650

Notes: Covariates from Table 4. (i) Robust standard errors in parentheses. (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iii) All models include a constant, year and regional fixed effects.

Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table A8: Full regression results: effect of the SCP roll-out on child poverty measures

	Rel. pov. after housing costs			Child Mat. Dep.			Food Insecure			Household Debt		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	All	Dual	Lone	All	Dual	Lone	All	Dual	Lone	All	Dual	Lone
Female head of household	0.029***	0.032***	-0.006	0.063***	0.070***	0.013	0.054***	0.066***	0.012	0.059***	0.071***	-0.010
	(0.008)	(0.008)	(0.022)	(0.007)	(0.008)	(0.021)	(0.009)	(0.010)	(0.024)	(0.007)	(0.007)	(0.021)
Age of head of household	-0.038***	-0.036***	-0.037***	-0.016***	-0.025***	0.003	-0.007**	-0.011***	0.005	-0.011***	-0.020***	0.009*
	(0.003)	(0.003)	(0.005)	(0.003)	(0.003)	(0.005)	(0.003)	(0.004)	(0.007)	(0.002)	(0.003)	(0.005)
Age-squared of head of household	0.000***	0.000***	0.000***	0.000***	0.000***	-0.000	0.000	0.000**	-0.000*	0.000***	0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Lone parent	0.136***			0.172***			0.144***			0.130***		
	(0.008)			(0.008)			(0.010)			(0.008)		
Number of children	0.089***	0.097***	0.071***	0.070***	0.077***	0.052***	0.047***	0.054***	0.033***	0.051***	0.045***	0.061***
	(0.003)	(0.004)	(0.006)	(0.003)	(0.004)	(0.006)	(0.004)	(0.005)	(0.007)	(0.003)	(0.003)	(0.006)
Age of youngest: 5-10	-0.084***	-0.081***	-0.098***	-0.021***	-0.027***	-0.019	-0.010	-0.031***	0.026	-0.002	-0.006	0.000
	(0.007)	(0.008)	(0.014)	(0.007)	(0.008)	(0.014)	(0.009)	(0.010)	(0.018)	(0.006)	(0.007)	(0.014)
Age of youngest: 11-15	-0.019*	-0.034***	-0.003	-0.014	-0.020**	-0.018	0.001	-0.035***	0.063**	0.018**	0.010	0.026
	(0.010)	(0.012)	(0.019)	(0.009)	(0.010)	(0.019)	(0.012)	(0.012)	(0.025)	(0.008)	(0.009)	(0.018)
Mixed	0.117***	0.115***	0.120***	0.076***	-0.033	0.183***	0.134***	0.088**	0.174***	0.018	0.001	0.026
	(0.023)	(0.032)	(0.034)	(0.022)	(0.027)	(0.032)	(0.030)	(0.038)	(0.044)	(0.022)	(0.026)	(0.037)
Asian	0.271***	0.271***	0.252***	0.129***	0.129***	0.114***	0.001	0.003	-0.025	-0.029***	-0.014	-0.084***
	(0.012)	(0.014)	(0.027)	(0.012)	(0.013)	(0.028)	(0.014)	(0.014)	(0.038)	(0.009)	(0.009)	(0.023)
Black/African/Caribbean/Black British	0.164***	0.151***	0.168***	0.178***	0.147***	0.213***	0.070***	-0.002	0.136***	0.085***	0.073***	0.099***
	(0.017)	(0.023)	(0.024)	(0.016)	(0.022)	(0.023)	(0.020)	(0.020)	(0.033)	(0.015)	(0.016)	(0.025)
Other	0.315***	0.343***	0.181***	0.223***	0.206***	0.249***	0.072***	0.076**	0.020	0.015	0.013	0.022
	(0.026)	(0.029)	(0.046)	(0.025)	(0.030)	(0.044)	(0.027)	(0.030)	(0.058)	(0.019)	(0.020)	(0.043)
Disability status of household	0.006	0.043***	-0.074***	0.167***	0.173***	0.149***	0.157***	0.149***	0.165***	0.123***	0.110***	0.149***
	(0.006)	(0.007)	(0.011)	(0.006)	(0.007)	(0.011)	(0.008)	(0.008)	(0.014)	(0.005)	(0.006)	(0.011)
Obs.	30,085	19,700	10,385	30,085	19,700	10,385	16,339	10,592	5,747	29,888	19,637	10,251

Notes: (i) Covariates from Table 5. (ii) Robust standard errors in parentheses. (iii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iv) All models include a constant, year and regional fixed effects.

Source: 2016/17-2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table A9: Robustness of the difference-in-differences estimates

	Employment (1)	Labour participation (2)	Hours worked (3)	Rel. pov. after housing costs (4)	Child material deprivation (5)	Food insecurity (6)	Household debt (7)
Panel A: Full sample (all education levels)							
Scotland × Post-SCP	0.002	-0.002	-0.430	-0.034**	-0.040**	-0.065***	-0.011
	(0.014)	(0.014)	(0.488)	(0.016)	(0.016)	(0.015)	(0.013)
Obs.	53,972	53,972	43,715	53,441	53,441	31,126	53,176
Panel B: Without family-size controls (number of children, age of youngest child)							
Scotland × Post-SCP	0.028	0.028	-0.066	-0.103***	-0.038	-0.113***	-0.004
	(0.025)	(0.024)	(0.787)	(0.024)	(0.028)	(0.027)	(0.025)
Obs.	28,195	28,195	21,309	30,085	30,085	16,339	29,888
Panel C: Excluding households with a child under six, Feb 2021–Nov 2022							
Scotland × Post-SCP	0.018	0.017	-0.358	-0.085***	-0.030	-0.104***	0.000
	(0.025)	(0.025)	(0.780)	(0.024)	(0.029)	(0.028)	(0.025)
Obs.	26,178	26,178	19,868	27,678	27,678	13,938	27,501
Panel D: Excluding households with any children aged 2–4							
Scotland × Post-SCP	-0.006	-0.000	0.620	-0.062**	-0.071**	-0.126***	-0.026
	(0.029)	(0.029)	(0.903)	(0.030)	(0.034)	(0.033)	(0.030)
Obs.	20,228	20,228	15,842	20,007	20,007	11,052	19,860
Panel E: Lone parents, excluding households with any children aged 2–4							
Scotland × Post-SCP	0.108	0.133*	-0.068	-0.042	-0.173***	-0.241***	-0.053
	(0.073)	(0.070)	(1.671)	(0.048)	(0.061)	(0.058)	(0.059)
Obs.	4,639	4,639	2,973	7,076	7,076	3,965	6,978
Panel F: Standard errors clustered by Scotland × year							
Scotland × Post-SCP	0.019	0.019	-0.364	-0.097**	-0.034	-0.108**	-0.002
	(0.026)	(0.014)	(0.613)	(0.040)	(0.036)	(0.032)	(0.050)
Obs.	28,195	28,195	21,309	30,085	30,085	16,339	29,888

Notes: (i) Each cell is the coefficient on Scotland × Post-SCP from a separate regression. (ii) Robust standard errors in parentheses, except in Panel F. (iii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. (iv) Labour supply models include a constant, parent gender, age and age-squared, number of children, age youngest child, an indicator for lone parent, ethnicity dummy variables, disability status, government region fixed effects and year fixed effects. Poverty models include a constant, an indicator for female head of household, age and age-squared of head of household, an indicator for lone parent, number of children, age youngest child, ethnicity dummy variables, disability status of the household, government region fixed effects and year fixed effects. Panel A uses the full sample, including households with higher-educated parents. Panel B omits number of children and age of youngest child. *Source*: 2016/17–2024/25 HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table A10: Bunching estimates at the SCP cliff-edge

	Excess mass (b)	Excess households (B)	Missing households (M)	Households (N)
Scotland				
Pre-SCP	-0.026	-3.534	-3.907	266
	(0.064)	(8.635)	(8.614)	
Post-SCP	0.365**	8.550**	8.087**	45
	(0.146)	(3.774)	(3.731)	
England				
Pre-SCP	-0.140***	-88.186***	-87.740***	1,073
	(0.028)	(17.000)	(16.999)	
Post-SCP	0.048	10.790	11.173	419
	(0.048)	(10.825)	(10.782)	
Difference in bunching	0.203			
	(0.169)			

Notes: The running variable is monthly household earnings (April 2025 prices) minus the household-specific SCP cliff-edge. The counterfactual is a cubic polynomial fitted to £180 bins within £1000 of the cliff-edge, excluding £150 below the cliff-edge and £200 above the cliff-edge, and adjusted so that excess mass below the cliff equals missing mass above it. b is the excess mass below the cliff divided by the average counterfactual count per bin; B and M are the excess and missing numbers of households. The difference in bunching is (Scotland post − Scotland pre) − (England post − England pre) in b. Estimates are unweighted. Bootstrap standard errors (500 replications) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Source: 2016/17–2024/25 FRS/HBAI data, 20th edition (Department for Work and Pensions, 2026).

Table A11: Sensitivity of the bunching estimate

Bin width (£)	Range: ±£750			Range: ±£1,000			Range: ±£1,250		
	Polynomial degree								
	3	4	5	3	4	5	3	4	5
Panel A: Scotland post-SCP, b									
100	0.641**	0.716**	1.241***	0.732**	0.666	0.770*	0.703**	1.326	0.837
	(0.256)	(0.285)	(0.392)	(0.304)	(0.466)	(0.416)	(0.327)	(9.718)	(5.486)
180	0.521***	0.484***	1.350	0.365**	0.414**	0.509***	0.441***	0.748	0.324
	(0.170)	(0.162)	(1.449)	(0.146)	(0.190)	(0.172)	(0.153)	(7.873)	(1.517)
260	-0.049	-0.031	-0.014	0.052	-0.039	-0.099	0.030	-1.000	-1.000
	(0.219)	(0.157)	(0.150)	(1.380)	(0.163)	(0.188)	(0.146)	(2.864)	(1.207)
Panel B: Difference in bunching, (Scotland post − pre) − (England post − pre)									
100	0.281	0.261	0.772*	0.370	0.306	0.341	0.382	0.968	0.559
	(0.290)	(0.333)	(0.430)	(0.333)	(0.468)	(0.443)	(0.353)	(9.719)	(5.487)
180	0.368*	0.212	1.001	0.203	0.218	0.435**	0.273	0.583	0.115
	(0.190)	(0.200)	(1.454)	(0.169)	(0.211)	(0.201)	(0.175)	(7.873)	(1.520)
260	-0.110	-0.125	-0.072	0.024	-0.052	-0.220	-0.004	-1.041	-1.054
	(0.233)	(0.182)	(0.170)	(1.382)	(0.183)	(0.223)	(0.153)	(2.865)	(1.210)

Notes: Panel A reports the excess mass b for Scotland after the introduction of the SCP. Panel B reports the difference in bunching (the change in b in Scotland minus the change in b in England). Very large standard errors (and estimates of −1.000) indicate specifications in which the counterfactual polynomial is poorly determined because there are few bins. Bootstrap standard errors (500 replications) in parentheses. The range is rounded up to a multiple of the bin width. The excluded window is fixed at £150 below the cliff-edge and £200 above the cliff-edge. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Source: 2016/17–2024/25 FRS/HBAI data, 20th edition (Department for Work and Pensions, 2026).