

UN Special Rapporteur on extreme poverty and human rights UK Visit

Poverty Alliance submission

September 2018



1. About us

The Poverty Alliance is the national anti-poverty network in Scotland. We are an independent organisation with over 230 members drawn from the voluntary and public sectors, trade unions, researchers, faith groups and individuals with direct experience of poverty. We have a number of key policy areas that provide the focus for our activities; addressing low incomes, supporting services to reduce poverty, enhancing the participation of people with direct experience of poverty in policy development processes, and addressing attitudes to poverty.

2. Poverty in Scotland & human rights

Today in Scotland, 1 million people live in the grip of poverty.¹ This represents 19% of Scotland's population.¹ Groups disproportionately impacted by poverty in Scotland include lone parents, minority ethnic groups and people with disabilities.

The existence of poverty in Scotland means that a range of rights – as enshrined in the International Covenant on Economic, Social and Cultural Rights - are unable to be accessed or fulfilled, including:

- The right to secure an adequate standard of living
- The right to be free from hunger
- The right to education
- The right to the highest attainable standard of physical and mental health
- The right to freedom from discrimination

3. Austerity

Social security

The impact of the decision to impose austerity has fallen inordinately on public services and on social protection as a whole; both of which are disproportionately relied upon and accessed by people on low incomes and other vulnerable groups. The most punishing aspect of austerity to people on low incomes – and the aspect that has had the most significant impact on levels of poverty and inequality – has been the programme of 'welfare reform' that has been pursued by the UK Government.

¹ The Poverty Alliance defines poverty using the 'relative poverty after housing costs' measure. We believe that housing is an essential and fixed cost over which people living in poverty have little agency. The most insightful and realistic measure of income is therefore the amount left over after housing costs have been accounted for.

These measures have accumulatively had a direct impact on levels of poverty in the UK, with the decade of austerity promising to damage the lives and life chances of millions. It can be said, very simply, that the decision to remove £14.5 billion a year from the social security budget from 2010-2015 and to remove a further £13 billion from 2015ⁱⁱ was a decision that has directly led to an increase in poverty levels in the UK.ⁱⁱⁱ

Particularly damaging facets of this programme have included:

The freeze to working-age benefits

Introduced by the UK Government in 2015, the four year freeze on working-age benefits includes:

- Jobseekers' Allowance
- Child and Working Tax Credit excluding disability elements
- Local Housing Allowances
- Income support
- Child benefit
- Work Related Activity Group Employment and Support Allowance
- Universal credit

The freeze has taken place at a time of rising living costs, which has meant both a decrease in the value of support and a tightening of the grip of poverty on people's lives. According to Sheffield Hallam University research, 700,000 people in Scotland are expected to have been impacted by the benefits freeze, with an average loss of £450 per year.^{iv}

The increase and extension of conditionality

Since 2010, the conditionality attached to benefits has increased sizably; not only for claimants who are out of work but also for claimants who are in work (with the significant in-work conditionality associated with Universal Credit). Levels of conditionality are high and often unreflective of the realities of people's lives (particularly for people who are in work but who may be in insecure employment).

The result has been not only to increase the psychological burden and stigma experienced by claimants, but also to compound the poverty experienced by many, due to the harsh financial sanctions imposed upon individuals who do not meet the conditions attached to the support they receive. Research has shown that not only do these levels of conditionality increase poverty and destitution for many, but that they are also largely ineffective in their stated aim of facilitating people's entry into or progression within the paid labour market.^v

Impact on vulnerable groups

Austerity has been most keenly felt by groups that are already vulnerable and/or more at risk of experiencing poverty. In particular, there has been a disproportionate impact on women and in particular on women who are lone parents of from black and ethnic minority groups.^{vi} Research shows, for example, that increased conditionality attached to Job Seekers Allowance led lone parents into applying for jobs that were often unsustainable and irreconcilable with caring responsibilities, in order to meet their job search conditions.^{vii}

Poverty Alliance research, undertaken as part of the pan-European Reinvest project, found that austerity-driven factors were directly preventing lone parents, in particular, from being able to access their rights. For example, high levels of conditionality were seen by lone parents as a barrier to them accessing education, while a lack of support for affordable childcare was another barrier which acted to constrain their choices and opportunities.^{viii}

The impact of austerity on people's health was also a core concern for participants in the Reinvest research. They discussed how the difficulties they faced on an everyday basis led to negative health outcomes on both their physical and mental health. The negative impact on health was more acute for those who were in receipt of out of work benefits, especially if they had been sanctioned.^{ix}

4. Universal Credit

Design and delivery failures

The initially stated goals of Universal Credit were to simplify the benefits system, reduce poverty, and support people into – and better sustain them in - employment. However, due to changes in the design of Universal Credit and consistent delivery failures, Universal Credit in its current form is working contrary to each of these three aims and will not – unless considerable action is taken – be able to achieve its goals. Universal Credit can and should protect people from and poverty its consequences, but it is not.

While Universal Credit has not yet been fully rolled out across Scotland, the early evidence suggests that it has had a detrimental impact on the lives of people on low incomes – particularly people who may have additional vulnerabilities – and is likely to lead to increased levels of poverty. The design and delivery failures of Universal Credit include:

Inadequacy of support

Given cuts to Universal Credit – particularly work allowances - the levels of support provided are insufficient to cover true costs of living. Child Poverty Action Group research, for example, found that parents working full-time on the minimum wage are likely to have to work an extra month per year – and single parents an extra two months per year – to protect current income levels.^x Levels of support are clearly insufficient to enable individuals – including those from working households - to access a decent standard of living.

Inflexible conditionality

In-work conditionality – i.e. the requirement for people already in work to continue to search for employment – is failing to reflect the realities of the modern labour market, particularly for workers in insecure employment (e.g. zero hours contracts). The cost and stress of searching for additional or alternative employment above a specific threshold – while simultaneously seeking to sustain existing employment which can be insecure and unpredictable – can place significant psychological and financial pressure on individuals and families, as well as failing to fulfil its stated purpose of ‘incentivising’ work.

A five week waiting period for first payments

The waiting period for the first Universal Credit payment – while reduced from six weeks to five – is still likely to increase the likelihood of income crises. Indeed, some individuals are still reporting waits well in excess of five weeks, with one person who was interviewed as part of the [Menu for Change](#) project – of which the Poverty Alliance are project partners - reporting:

“They’re always saying when you first go onto Universal Credit it can take six, seven, eight weeks. Now, I’m on Universal Credit, how’s it taken me nine weeks”

Consistent delays in payments for individuals in insecure work

The National Audit Office found that in 2017 around one-quarter of all new claims were not paid on time, and that the average late payment was four weeks.^{xi} Delays and errors seem to particularly impact people in-work, because the system appears unable to adequately respond to cases where individuals have fluctuating incomes (e.g. because they are employed on short term contracts or are on zero hours contracts).

Lack of digital support

Universal Credit’s reliance on online management of claims is problematic for many individuals to make and maintain their claim; both for people who lack IT skills and for people without the income to pay for digital access. This issue is particularly

pronounced for people with literacy issues, people with learning disabilities, and people who speak English as a second language.

While many local authorities are taking steps to provide digital support to claimants, financial constraints placed upon them mean that they are often unable to provide the level of support required to fully support all individuals who may require it.

Impact of Universal Credit

Reduction in income

Research has shown that cuts to Universal Credit can be expected to push at least 1 million more children into poverty by 2022.^{xii} It can be reasonably expected, therefore, that the full rollout of UC in Scotland – particularly as a result in cuts to work allowances - will have a detrimental impact on the income of a substantial number of low income households and further increase poverty.

Increased foodbank use

It is clear that Universal Credit, in areas where it has been rolled out, has made it more likely that people will experience income crises. One indication of this is the 52% average rise in foodbank use in areas after 12 months of full Universal Credit service.^{xiii}

Increased rent arrears

Particularly for people with unstable incomes (e.g. individuals in insecure work), Universal Credit can increase the likelihood of building up rent arrears (due to fluctuating levels of housing support being provided).

5. Child poverty

Extent of child poverty

230,000 children are currently living in poverty in Scotland, representing 24% of all children. Child poverty rates had been falling in Scotland for many years, but began to increase once more from 2011-2014, with this rise continuing in the years that have followed.^{xiv}

Incomes

The key driver of child poverty – and poverty in general – in Scotland and the rest of the UK is low incomes. Low pay and stagnating wages have combined with factors like the benefits freeze to mean that incomes have not risen in line with costs, with the consequential impact being a rise in poverty levels.

Low pay continues to affect sizeable numbers of workers in Scotland, with 18.4% still not receiving the real Living Wage.^{xv} Consequently, in-work poverty has been rising in recent years with 66% of children experiencing poverty living in working households in 2014-2017, compared with 64% in the 2011-2014 period.

Insecure employment

In the wider labour market there has been changes in recent years with the increase of precarious employment, typified by the increase in the use of zero hour contracts across the UK. There are over 70,000 people in Scotland on zero hours contracts^{xvi}, an increase of 20,000 since 2015. Such insecure employment patterns have a significant impact on child poverty, for example by making it more difficult for families to access childcare (which can lead to higher childcare costs) and to financially plan and budget.

Living costs

Stagnating or barely-rising incomes have coincided with a period of rising living costs. For people experiencing or at risk of poverty, this has meant an even tighter squeeze on disposable income. Increases in costs associated with transport, housing and childcare have made a particular impact on people on low incomes.

This rise in living costs has combined with the ‘poverty premium’, which means that people who are already living on low incomes have to pay more for goods and services that available at a lower cost for people on higher incomes. For example, people on low incomes have limited and reducing access to credit, and have to pay significantly more to borrow. People in these circumstances often then have to borrow from commercial high-cost short-term credit lenders, who charge a significant premium; a scenario that can further tighten the grip of poverty on their lives.^{xvii}

Scottish Government role in tackling child poverty

While the Scottish Government does not have control over policies such as Universal Credit, it does have control over a significant number of levers that can help tackle poverty in Scotland. This was recognised with the passing of the Child Poverty (Scotland) Act 2017, which has set ambitious poverty reduction targets and has led to the publication of the Scottish Government’s *Every Child, Every Chance – The Tackling Child Poverty Delivery Plan 2018-2022*.^{xviii}

The delivery plan contained a number of welcome actions to tackle poverty, including the introduction of a new income supplement for low income families. The approach that the Scottish Government has taken towards the development and implementation of new social security powers that have been devolved to Scotland have been widely

welcomed, in particular the recognition that social security is a human right. Alongside these welcome developments further steps that can be taken include:

- Committing to delivering the new income supplement via topping up child benefit, which would boost the incomes of families experiencing poverty, and provide wider preventative protection against poverty. Child benefit provides a stable source of income for families which is spent on children, helps families at risk of poverty and prevents children from falling into poverty. It has a greater take-up than other benefits, and provides a relatively simple administration process.
- Taking action on living costs, for example by committing to an expansion of concessionary travel for people on low incomes.
- Strengthening the Scottish Welfare Fund and undertaking activities to increase awareness of it, given the expected increase in income crises as a result of Universal Credit.
- Strengthening the Scottish Business Pledge and using the upcoming Fair Work Action Plan to further embed the real Living Wage and take action to address insecure work.

6. Brexit

Given the continuing lack of clarity around what form Brexit will take – and the conditions that will be attached to it – it is challenging to fully assess the implications of Brexit for people experiencing poverty. What can be said, however, is that the EU has played a critical role in protecting and extending the rights of workers, women and people from ethnic minorities. Initiatives such as the Working Time Directive and the Equal Treatment Directive have significantly improved the rights of low-paid workers, and the UK's departure from the EU raises questions about the status of this workplace protection.

The UK's departure from the Charter of Fundamental Rights is an additional concern, given that the Charter brings stronger protection in economic and social rights, for example in relation to children's rights. For anti-poverty campaigners who have sought to rely on rights-based approaches, the post-Brexit legal framework for these arguments will become less favourable.

Brexit will also see an end to the European Social Fund which is a direct investment in social policy that tackles inequality, combats poverty and reduces disparities between regions. It is unclear how or if this funding will be replaced, meaning likely detrimental impact on initiatives to combat poverty and inequality.

The Poverty Alliance also has significant concerns related to the programmes put forward by the UK Government for the confirmation of status of EU citizens following Brexit. These concerns include:

- Under the EU Settlement Scheme, EU citizens residing in the UK will be required to apply or settled or pre-settled status. The scheme is problematic not only as it requires individuals to undertake a process to determine rights that they already have, but also because it requires applicants to pay a £65 application fee; a fee which is significant for people on low incomes.
- Following Brexit, EU citizens will be required to provide evidence that they have lived in the UK for five years if they wish to qualify for settled status. This may be challenging for many vulnerable groups, such as women affected by domestic violence and people with significant breaks in employment, and could heighten their vulnerabilities.

7. Recommendations²

We encourage the UN Special Rapporteur on Extreme Poverty and Human Rights to:

- Consider how the Scottish Government can best use its powers over social security to contribute towards poverty reduction, including through utilizing the power to top-up reserved benefits such as child benefit.
- Consider how the new Scottish social security system can most effectively embed a rights-based approach for claimants.
- Consider how to ensure that services such as transport, childcare and housing act in support of poverty reduction.
- Consider the issue of in-work poverty and in particular the impact of low pay.
- Examine the design and delivery flaws of Universal Credit as well as the advantages of delaying full roll-out until these flaws have been addressed.

² The Poverty Alliance also supports the submissions and recommendations of the European Anti-Poverty Network, SCVO and the Scottish Human Rights Consortium.

- Examine the impact of the freeze on working-age benefits and on increased conditionality within the social security system, and in particular the impact on vulnerable groups.

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