

## **SOCIAL SECURITY COMMITTEE**

### **SOCIAL SECURITY AND IN-WORK POVERTY INQUIRY**

#### **SUBMISSION FROM POVERTY ALLIANCE**

##### **1. Introduction**

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. The inquiry**

The Poverty Alliance welcomes the Social Security Committee's inquiry into social security and in-work poverty. We believe that it represents an important opportunity to recognise the increasing levels of in-work poverty in Scotland; caused by a variety of factors including Universal Credit (UC), stagnating wages and increasing living costs, as well as to identify some of the steps that can be taken to mitigate the worst impacts of the policy and prevent people from being locked into poverty as a result.

This submission has been informed not only by the Poverty Alliance's existing evidence base, but also by direct contributions from people with experience of poverty and responses to an online survey circulated to Poverty Alliance members.

##### **3. Design and delivery failures of UC**

UC as a policy was intended to simplify the benefits system, reduce poverty and support people into and in employment. On current evidence it is failing to meet these aims, with the problems with UC lying in both design and delivery.

##### ***Design failures:***

###### *A failure to reflect the true costs of living*

Given cuts to UC – particularly work allowances - it is clear that 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.<sup>i</sup> Levels of support are clearly insufficient to enable individuals – including those from working households - to access a decent standard of living, which should be the most basic expectation that we have of the social security system.

###### *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.

#### *A five week waiting period for first payments*

The waiting period for the first UC – 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”*

#### **Delivery failures:**

##### *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.<sup>ii</sup> 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).

One interviewee has been inconsistently employed on short-term contracts while claiming UC. They have experienced ongoing issues with delayed payments and non-payments, which have had a hugely detrimental impact.

*“I’ve been on Universal Credit for two years and I’ve had three breaks in work and I’ve had nothing. Oh, I was sent a cheque for one pence and that was to do me a month.”*

*“I work, I stop working, I get nothing off them, I go back in another job, come off, I get nothing off them again, go into another job. I just wish I could get a full time job, you know, where it was permanent rather than temporary. It’s just temporary at the moment so it’s not my fault that I’m on this, that this happened. It’s the contract ending. I’ve not been sacked, I’ve not walked out the job or anything so... but I’m being punished, that’s what I think.”*

Such experiences make it almost impossible for individuals and households to plan, budget or pay for necessities, and can force people into crisis situations.

##### *Lack of digital support*

UC’s reliance on online management of claims – and a lack of digital support provided - is problematic for individuals without the IT skills to make and maintain their claim. One

interviewee told of how they made a mistake in their application and of the difficulties faced in applying online:

*“It was quite hard for me to understand what one’s I was kinda like ticking or telling, do you know what I mean? It was quite hard. So I don’t know what it’d be like for anybody else that really can’t work computers.”*

#### *Lack of communication to claimants*

Individuals that we have interviewed have reported an absence of clear communication regarding the progress and status of their claim. One interviewee who had accrued rent arrears as a result of delayed payments had their situation compounded by a lack of information:

*“They don’t tell you anything. They can’t tell you that, they can’t tell you that. So I’ve had the council onto me saying ‘What’s happening with your rent?’ I’ve no idea. I don’t know if they’re going to pay it. I don’t know if they’re going to pay me the money to pay it. I don’t know. I don’t know anything.”*

#### **4. The impact of UC**

##### *Reduction in income*

Research has shown that cuts to UC can be expected to push at least 1 million more children into poverty by 2022.<sup>iii</sup> 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 in-work poverty.

##### *Increased foodbank use*

It is clear that UC, 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 UC service<sup>iv</sup>, which includes people from working households. In the context of low awareness of alternative safety nets such as the Scottish Welfare Fund, it is reasonable to expect that foodbank use will increase further in Scotland following full UC rollout.

##### *Increased rent arrears*

Particularly for people with unstable incomes (e.g. individuals in insecure work), UC can increase the likelihood of building up rent arrears (due to fluctuating levels of housing support being provided). One interviewee who was in insecure employment spoke of their experience of the inherent failure of UC to respond adequately to insecure work and of the impact this had on their arrears:

*“I’ve got rent arrears, a couple of rent arrears are due to in between jobs. Because the council, their actual payment can take up to five or six weeks before they’ll get their first*

*payment, so you're already racking up (arrears), and then if I could get a job they don't bother paying it and then I've already got that chunk of that months' worth of rent on my back."*

## **5. Actions to mitigate the detrimental impact of UC**

### *Strengthen the Scottish Welfare Fund*

In the context of the UC rollout, it is essential that the Scottish Welfare Fund remains a strong safety net for individuals facing income crises. Continuing to invest in the Fund is essential, as is action to ensure that individuals – including those in working households – are aware of the support that the Fund can offer.

### *Take action to ensure that every worker receives at least the real Living Wage*

The Scottish Government's commitment to increasing the numbers of people receiving the real Living Wage is welcome. Yet 18.4% of workers in Scotland are still not receiving the real Living Wage<sup>v</sup>, making them more likely to experience poverty. Action should be taken to ensure that all public sector workers receive at least the real Living Wage and that the Living Wage is a key factor in all public sector procurement.

### *Take action on insecure work*

UC will have a particular impact on people who are employed in insecure work, for example via zero hours contracts. More can be done to further reduce the use of zero hours contracts and ensure that workers have more secure working hours and income.

### *Take action to reduce costs for people on low incomes*

Given the expected detrimental impact that UC will have on incomes, the Scottish Government should redouble efforts to reduce the living costs of people on low incomes. The forthcoming Transport Bill and the ongoing National Transport Strategy Review offer opportunities to do this, for example by expanding concessionary travel schemes to people on low incomes.

The Fuel Poverty Bill offers a further opportunity to reduce costs for people on low incomes, and consideration should also be given to how free, flexible childcare provision can be further expanded and enhanced in order to better support parents who are seeking to move into and sustain employment.

### *Continue to engage with the Department for Work and Pensions*

Given the range of UC design and delivery flaws and the significant impact that they are expected to have – including on in-work poverty – the Scottish Government should continue to engage with the Department of Work and Pensions, principally around the need for a halt in the rollout of UC in order to address these flaws. Engagement should also centre around what additional flexibilities may be available to claimants.

*Ensure local authorities are sufficiently equipped to support claimants*

Local authorities have a key role to play in mitigating the worst impacts of UC, and it is essential that they are sufficiently resourced and equipped to enable them to perform that role. In Dundee (an existing full service UC area), for example, a council-funded hardship fund exists for council tenants who may otherwise be made homeless. Such local authority support will be essential if rent arrears increase, as expected, as UC is rolled out nationally, and it is important that local authorities have the resources to provide this type of support, as well as any other support required (e.g. digital support for claimants in community locations such as libraries).

*Promote the additional choices available to UC claimants in Scotland*

The additional flexibilities open to UC claimants in Scotland are welcome and should particularly assist in preventing the accumulation of significant rent arrears. The Scottish Government should undertake action to further promote awareness of these flexibilities among claimants and relevant services in order to improve uptake and reduce detrimental impact. The Scottish Government should also ensure that the remaining UC flexibility that will be open to UC claimants in Scotland – split payments – are introduced as quickly as possible.

**For more information contact:**

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<sup>i</sup> Child Poverty Action Group, *Universal Credit: Cuts to work allowances*, May 2016

<http://www.cpag.org.uk/sites/default/files/CPAG%20Briefing%20Universal%20Credit%20work%20allowances.pdf>

<sup>ii</sup> National Audit Office, *Rolling out Universal Credit*, June 2018 <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf>

<sup>iii</sup> Child Poverty Action Group, *The Austerity Generation: the impact of a decade of cuts on family incomes and child poverty*, November 2017 <http://www.cpag.org.uk/sites/default/files/Austerity%20Generation%20FINAL.pdf>

<sup>iv</sup> The Trussell Trust, *Early Warnings: Universal Credit and Foodbanks*, April 2017 <https://www.trusselltrust.org/what-we-do/research-advocacy/universal-credit-and-foodbank-use/>

<sup>v</sup> Office for National Statistics, *Annual Survey of Hours and Earnings*, November 2017 <https://www.gov.scot/About/Performance/scotPerforms/indicator/livingwage>