What impact will UC have on in-work poverty in Scotland?

The Church of Scotland is gravely concerned about the impact of universal credit (UC) on in-work poverty. The Church operates in every community across the country, with congregations hosting foodbanks, holding community meals, and running support groups and projects for people of all demographics and of all faiths and none. Through this work, people in Church of Scotland congregations, and their ministers and elders, have a unique insight into the impact of UC on the daily lives of working people. We also work together with organisations such as the Joint Public Issues Team (JPIT) who feed in to our knowledge and understanding of the operation of UC in England and Wales. Having gathered information from our sources on the ground, and our partner organisations, we can conclude that in-work poverty will increase in Scotland as UC is rolled out.

General Comments

The DWP mantra of ‘any job, better job, then career’ ensures that UC coerces people into unsustainable and unsuitable work, with unpredictable hours and low pay. Many end up on zero hour contracts, and will not have the rights that people in salaried jobs will enjoy, such as holidays and sick pay.

People who currently receive employment support allowance or working tax credits will be worse off if they are moved on to UC. This is because UC is designed in a way which means that money is disproportionately deducted as the income of a person increases. Working people who are relying on the amount they receive from the current welfare system will struggle to afford a basic standard of living as they receive less income from UC.

The monetary value of UC has been significantly eroded since it was first introduced. In 2017, the Women's Budget Group (WBG) determined that this would have a disproportionate impact on employed claimants who will be £1200 per year worse off (compared to £500 per year worse off for unemployed claimants) by April 2021, than when UC was first created. The WBG also highlighted that women will lose more than men on average. This is because women are more likely to be in jobs with low wages, they are more likely to work longer hours of informal care, and are more likely to be single parents.

In Work Conditionality

Under UC it is also possible for working people to be sanctioned due to the policy of ‘In Work Conditionality’. This means that if a person works less than 35 hours a week on the national living wage, they are expected to comply with targets set by their work coach in
order to receive their UC. Targets include job searching for a certain amount of hours, and arranging with an employer to get more hours in addition to the work that person is already undertaking. People who work on zero hour contracts are often unable to consistently meet these targets due to unpredictable hours and time constraints.

‘In Work Conditionality’ will also have a serious impact on people in Scotland who work, especially those who live in rural areas, where travelling to the nearest job centre can be expensive and time consuming. It is therefore likely that working people will be sanctioned if targets are not being met. There is evidence to suggest that sanctioning people can not only result in destitution, and but can also decrease motivation to find more work.

In Work Conditionality unfairly takes into account a person’s earnings rather than the amount of hours they have worked. This has a particular impact on women, who carry out the majority of unpaid care work in Scotland (Scottish Government 2017). Women are also more likely to be in lower paid jobs, and as such are more likely to be subject to ‘In Work Conditionality’, a policy which punishes people for not earning enough.

Self Employment

Self-employed people are also likely to miss out on essential funds due to UC. The system used to calculate the amount of support self-employed people are entitled to is designed in a way which causes some to be less well-off than someone working a 35 hour week on a national living wage. We expect that this will have a significant impact on those who wish to start a business, or are technically classed as self-employed, such as taxi drivers. The system is very bureaucratic and complicated, which is unhelpful for self-employed people.

Parents

Parents with more than two children, or single parents, are likely to experience hardship under universal credit. This is due to the two child limit, which stipulates that parents who have a third child will not receive any extra income unless there are exceptional circumstances, and the way in which childcare costs are paid. Parents will receive payments to cover costs of child care in arrears. For some, this will mean spending more money than they have to begin with, and will be particularly harmful for people who have unpredictable working hours, and unpredictable income. This could cause unnecessary and upsetting hardship for parents who work and have to pay for child care, and perversely could lead to people leaving work as they cannot afford to pay for childcare to cover their hours.

CPAG have reported that single parents with two children who are earning the minimum wage will be worse off unless they work more than 40 hours a week (CPAG 2017). Couples will also be worse off if the secondary earner works less hours and is paid less. This is due to the taper rate which determines a person’s reduction in UC based on the amount that they earn, which is currently 63 pence to every £1. If a secondary earner works less hours and the couple need to pay childcare costs, the taper rate will cause the couple to be worse off than if the secondary earner was unemployed.
Again, women are likely to be disproportionally affected by this due to the fact that women are most likely to be the primary carers of children in a family, and to be secondary earners. Women are also most likely to be single parents who are not likely to have access to the income of another person to assist with paying for childcare.

Disability

Disabled people will be required to attend a Work Capability Assessment. If they are considered to be fit for work following this assessment, they will not be entitled to any extra funds, despite often earning less than non-disabled people, and incurring more costs due to travel restrictions and needing extra support at home. The amount of money they receive will also decrease, as the disability element of Working Tax Credits changes to become UC. It is likely that this will increase the number of in-work disabled people who experience poverty.

Each of these issues contributes to the fact that people who work and receive UC, are at a higher risk of experiencing poverty. This is due to the fact that UC provides less income, puts people under pressure because of ‘In Work Conditionality’ and the threat of being sanctioned, and forces people to cope with inefficient child care payments and disability allowances.

What is the experience so far in full-service areas in Scotland for those who are in work who are moving or have moved on to UC?

It is estimated that up to 40% of UC claimants across the UK are in work (UK Government 2017). There is evidence to suggest that moving on to full-service UC causes financial distress to those in paid employment. For example, the Trussell Trust reported that only 8% of UC claimants who visited foodbanks in Scotland last year said that their cost of living was covered by UC, and attributed the record amount of emergency food packages distributed in Scotland partly to the rollout of full service UC.

Late Payments

People who claim UC must wait up to five weeks for their first payment, unlike people who are in salaried jobs who would not routinely be expected to wait such a long time for their first payment. On top of this, a fifth of all claimants experienced late payments, which have a hugely detrimental impact, particularly on those who are obligated to pay for child care, rent, or who do not have enough disposable income to make ends meet. It is possible to arrange an advanced payment, but any advanced payments will be deducted from future claims, often without notice. People who earn low wages struggle to make ends meet, especially if they are re-paying advanced payments.

Additionally, UC is received in arrears. This means that people on zero hour contracts have struggled to budget, as it is impossible to know how many hours they might work in a month, and will not be paid a set amount of money via UC. This makes things like paying for rent very difficult.
In Work Conditionality

‘In Work Conditionality’ means that working people who are on UC and work for less than 35 hours a week on the ‘national living wage’ are obligated to commit to targets set with work coaches. Reaching targets whilst working can be a challenge; particularly for people on zero hour contracts with unpredictable working hours. A failure to meet such targets may result in sanctions, which can cause increased poverty and distress, and a lack of motivation to work.

Foodbank Usage

Church of Scotland congregations across the country host foodbanks, organise the collection of food, and volunteer to support those who use foodbanks. Organisations such as the Trussell Trust, who oversee the management of foodbanks, have reported a 52% rise in people using foodbanks in areas across the UK where full service UC is being rolled out. One congregation member stated that despite not being an official part of the welfare system, the lunch time drop in at their church is essential to the survival and wellbeing of people on UC. It is unacceptable that people who should be supported by the Welfare system are forced to rely on charitable help to survive.

The demographic of people who are forced to visit a foodbank due to poverty includes people who work and claim UC, because of late payments, sanctions, and unpredictable payments. It is also worth noting that 55.9% of people who visit foodbanks are women, which is a consequence of the fact that women will be disproportionately affected by problems associated with UC.

What can or should the Scottish Government do to mitigate any detrimental impact?

The Church of Scotland would suggest that the following is to be considered to mitigate the detrimental impact of UC:

We ask that the Scottish Government continues to work with the Department of Work and Pensions (DWP) to ensure that parents and people with disabilities are given the support they need:

1. It is vital that childcare payments are made effectively. Currently, payment is made in arrears which is ineffective and causes unnecessary stress and increased poverty. The Scottish Government should encourage the DWP to ensure that a top up benefit is made available for parents.

2. People living with disabilities who work are faced with losing a significant amount of income when full service UC is implemented. This has created significant barriers for disabled people who work, and means that progression within work becomes even more challenging. Built-in disability support could alleviate these issues. For example, additional support in the form of a top up benefit should be given to anyone who scores points on a Work Capability Assessment. Currently only those who score 15 or more points will receive additional support.
We ask that the Scottish Government continues work together with the Westminster Government to ensure the following:

3. ‘In Work Conditionality’ causes unnecessary stress, and there is no evidence to suggest that sanctions are an effective tool to encourage people to seek better employment. The Scottish Government should encourage the Westminster Government to end the policy of ‘In Work Conditionality’ in order to avoid the increase of people finding themselves in in-work poverty.

4. Increasing the ‘National Living Wage’ to reflect the ‘Living Wage’ would mean that more are able to afford a basic standard of living without relying on UC.

We ask the Scottish Government to consider the following:

5. Job security is essential: working with employers to provide permanent, stable and well paid work will ensure that more people are able to get suitable and predictable working hours, and to budget effectively. This may cause an increase in unemployment in the short term, but will ensure that people are able to get a better quality of life in the long term.

6. The Church is concerned about the barrier that the Scottish Government has come across in seeking to implement Split Payments. Without split payments, women who are in controlling relationships will be open to experiencing financial abuse. We welcome the fact that the social security committee has raised this issue and urge them to continue to work with the DWP to ensure that everyone on universal credit receives an automatic split payment.