1) What impact will Universal Credit have on in-work poverty in Scotland?

Before Universal Credit (UC) was put in place, the system allowed people who were moving from “out of work” to “in work” to continue with the “out of work” rate for 4 weeks while they adjusted. This helped reduce the chances of rent arrears developing or increasing while the in-work claim was being calculated. Now, on UC, the run-on period only amounts to 2 weeks resulting in less time for people to adjust to their new circumstances. Our experience is that the new UC timings can result in those people who are making direct rent payments to the local authority to accumulate as much as 8 weeks rent arrears before they receive their first UC payment.

Starting a period of work should be more beneficial to a claimant, and not result in added strains of affordability and having to make hard choices with the money they receive, such as whether to feed a family or pay for rent.

It is acknowledged that the frequency of payments of UC are more favourable in Scotland because of Scottish Choices than other areas of the UK. However, there are still concerns that payments of weekly tax credits may no longer be possible.

UC can give individuals more flexibility in relation to part-time work as they will not come off UC until their earnings are higher than the benefit threshold. Previously people came off benefits or had them reduced when working over 16 hours, which had an impact on their household income. UC should benefit single people and will have a positive impact on the working poor in certain areas of Scotland.

It should be recognised that rural areas of Scotland have additional pressures. For example, in Aberdeenshire the costs of transport, housing and fuel are higher than in other parts of Scotland. UC’s positive outcomes will be more limited for those living in a rural area due to the higher cost of living. There is also a high level of working poor in Aberdeenshire due to the rural nature of the area which other parts of Scotland may not experience.

(Evidence attached as Appendix 1)

Self-employed individuals in Scotland may be impacted by UC because of earnings fluctuating month by month. It is possible that earnings may be less than the national minimum wage over the duration of a month. If this happens, UC will not make up the difference. If, however, their monthly earnings increase over the minimum wage level their UC payment will be reduced accordingly. As a result, UC does not consider the irregular income flows faced by people in some forms of employment.
2) 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 Universal Credit?

Certain areas of Aberdeenshire are already full-service areas and feedback indicates that the support system is better than before the rollout of UC. Clients receive a response regarding any issues quickly and the system seems to be more supportive.

However, clients do not always know that they can get an advance payment, which can result in rent arrears and, in some cases, court action being taken. It is only at this point that clients get the support required to get an advance and ensure their housing element is paid directly to the landlord. This is more prevalent with private landlords, as social landlords have systems in place to ensure clients are supported at the beginning of the process of applying for UC.

Digital access can be a challenge in areas that do not have fast, reliable and/or affordable broadband and, for some clients, the lack of skills or confidence in using online systems can be an issue. There is a requirement for clients to have a certain type of bank account and an email address prior to applying for UC which has been an issue for some of the more vulnerable client groups, those with low to moderate mental health issues, literacy needs or those with English as a second language. This can result in clients having no income for an unsustainable length of time which might only be identified when accessing foodbanks or have been taken to court for failure to pay rent.

3) What is known about those experiencing in-work poverty in Scotland who do not claim or are not eligible for Universal Credit?

The levels of financial support available to families and people with certain disabilities has changed, particularly for families with three or more children, those that have a disability or have a child with a disability. This has resulted in an increase in working poor within this client group, especially in rural areas where childcare costs can be higher than urban areas, sustainable employment is not always available, and the cost of transport is higher.

There is an increase in the use of foodbanks within Aberdeenshire and Scotland by working families, who report that they will do without or are increasingly reliant on family and friends for support if they cannot access the foodbank. The feedback is more working people are in that situation as the cost of living is higher than wages.

We are also aware that between 2013/14 and 2017/18, Crisis Grant\(^1\) applications increased by 102% in Aberdeenshire compared to a 52% increase for Scotland\(^2\). Aberdeenshire’s percentage increase was the 5\(^{th}\) highest in Scotland over that period. National research

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\(^1\) Crisis grants are made to help you cope with unexpected expenses arising out of an emergency or a disaster. They are paid out of the Scottish Welfare Fund which is a national scheme delivered by local authorities.

indicates that most applications for a crisis grant tended to seek to cover benefits payments that were spent by the applicant or to cover an unexpected cost.

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

Options that could be considered by the Scottish Government include:

- Extending the 2-week run-on period of housing benefit to a 4-week run-on period (circumstances dependent), as it used to be under the old Housing Benefit.
- Use the delegated powers on benefits which will be allocated to the Scottish Government, to acknowledge that the system needs to be fair and easy to access. There needs to be recognition that some people who live in rural areas do not have the opportunities to reduce household costs or access affordable childcare, fuel, housing or transport, therefore, any funding that ensures equity across Scotland would be welcomed.
- Develop support services around the clients, open beyond 9-5 Monday – Friday and term time. Consideration should be given to investing in wrap-around services to meet the needs of children who get free school meals 5 days a week term-time, but not at weekends and during school holidays.
- Whilst it is understood that procurement legislation precludes this, an ability to ensure businesses securing local or central government contracts are living wage employers and support them to use the local work force where relevant would be helpful.
- Involve those with lived experience of in-work poverty, from both rural and urban areas, in the development of policies and strategies that are designed to meet their needs.
Appendix 1 - Evidence

Transport

In terms of land mass, Aberdeenshire is the 4th largest local authority in Scotland\(^3\) and contains the 2nd highest number of settlements\(^4\). Perhaps because of this, Aberdeenshire tends to account for a relatively high proportion of the total number of vehicle kilometres travelled in Scotland over any given year, recording the 5th highest total in 2016\(^5\).

Consequently, the area is among the biggest consumers of petrol and diesel in the country, consuming 23% more kilo tonnes per 1,000 population than Scotland\(^6\).

Fuel prices throughout the UK (prices ‘at the pump’) have steadily increased since 2016 – by approximately 13% for petrol and 15% for diesel\(^7\). Although fuel prices don’t tend to vary significantly region-to-region, inter-regional variations are more pronounced – fuel is typically more expensive, for example, in rural areas and in areas where there is little competition\(^8\). The relatively high price increase of diesel since 2016 may disproportionately affect Aberdeenshire residents – in 2015 (the latest year for which data are available) Aberdeenshire was home to the 2nd highest number of licensed diesel vehicles in Scotland, after Glasgow\(^9\).

Given the above, and coupled with the fact that, unlike in the rest of Scotland, median wages in Aberdeenshire have fallen over recent years\(^10\), transport costs may account for a higher proportion of people’s incomes in Aberdeenshire relative to those living elsewhere in Scotland.

Housing

The cost of renting residential property in the North East of Scotland is relatively high when compared to the rest of the country. Private sector rent for a two-bedroom property in Aberdeen City & Shire, for example, is 21% higher on average than in the rest of Scotland\(^11\). Average public sector rent per property is also higher in Aberdeenshire relative to Scotland\(^12\) (4% higher, in fact).

\(^8\) https://www.bbc.co.uk/news/business-44401999
\(^10\) https://www.nomisweb.co.uk
\(^12\) www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSIS/HRAmainpage/HRAStatistics2017/HRAstatistics1617exceltables
Domestic energy costs may exacerbate the situation for some, particularly those reliant on petroleum products. Approximately 41% of households in Aberdeenshire are off the gas grid versus just 16% for Scotland as a whole\(^\text{13}\). This outcome may be a consequence of Aberdeenshire’s rurality. These 41% of households rely on alternative sources of fuel (e.g. petroleum products). Aberdeenshire accounts for 18% of Scotland’s consumption of petroleum products within the domestic sector\(^\text{14}\), despite accounting for just 4.5% of total households\(^\text{15}\). Given that oil prices have increased by approximately 173% since January 2016\(^\text{16}\), Aberdeenshire householders will be disproportionately affected. Perhaps in part because of this, fuel poverty\(^\text{17}\) is higher in Aberdeenshire than in the rest of Scotland (35% versus 31%)\(^\text{18}\).

Given the above and coupled with an absolute and relative fall in wages, housing costs may account for a higher proportion of people’s incomes in Aberdeenshire compared to those living elsewhere in Scotland.

**Working Poor**

A higher proportion of employees (18+) in Aberdeenshire earn less than the Living Wage compared to employees elsewhere in Scotland. Approximately 23% of Aberdeenshire’s employees earn less than the Living Wage versus 18% for Scotland\(^\text{19}\). This has been the case for several years. A higher-than-average proportion could suggest that a relatively large number of Aberdeenshire’s employees are struggling to make ends meet. However, there is no way of knowing how many people earning less than the Living Wage must work to make ends meet.

National data suggests in-work poverty is increasing (after housing costs are considered), from 45% of people in 1998-2001 to 57% in 2014-2017\(^\text{20}\). It is reasonable to assume that Aberdeenshire will have experienced an increase in the in-work poverty rate, although local data cannot be sourced at this time.

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\(^{16}\) [https://fred.stlouisfed.org/series/DCOILBRENT EU](https://fred.stlouisfed.org/series/DCOILBRENT EU)

\(^{17}\) Fuel poverty arises where over 10% of household income is spent on fuel

