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

It is the view of the Financial Inclusion Partnership that the effect Universal Credit has had on in-work poverty has varied, depending on the client group, but overall is negative. We do not believe Universal Credit is a panacea to in-work poverty.

We believe there are a number of issues that affect claimants, such as cuts to the work allowance; the freezing of rates (despite the rise in the cost of the living); the two children restriction on the amount of benefits payable and the large numbers of claimants who are experiencing rent arrears.

We also believe the fact that conditionality can change as earnings drop can also cause difficulties for claimants, particularly where they are self-employed.

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?

Our partner agencies are reporting a number of problems.

Rent Arrears and Direct Deductions

One problem we are seeing a rise in, is the number of claimants who are experiencing rent arrears. This is a particular problem that has been reported by housing associations and the Legal Services Agency (LSA) in Inverclyde, who provide housing advice and representation to service users with rent arrears.

In particular, they are reporting that as claimants earnings fluctuate, the amount they are entitled to in Universal Credit fluctuates, which often means landlords are not receiving their full rent. Tenants, under these circumstances often struggle to keep track of how much is going to their landlord and struggle to maintain any repayment plan towards arrears or shortfall.

One tenant that a housing association is aware of now chooses to pay her rent from her earnings so that her landlord always receives their rent, but this can mean the amount of income she has each month for essential expenditure, fluctuates.

We are also seeing a rising problem of claimants who are having deductions taken from their Universal Credit for other debts (up to 40%), which means how much they have left to
pay their rent is reduced. The effect of this is these debts are now being given priority over the rent arrears and increasing the likelihood of eviction.

This is exacerbated in cases where we see claimants who have had previous benefit claims that have been ended.

There is often a gap between the ending of the previous claim and the new claim beginning. As Universal Credit generally doesn’t give backdated awards, this means during this period rent arrears can increase, as can other debts which may then be recovered via Universal Credit.

Some of the feedbacks that Inverclyde Council received from a survey of Universal Credit claimants helps illustrate this point:

“It fluctuates so I can’t depend on it being the same amount which is worrying because I have the housing element and can’t guarantee it will be paid.”

“I’m struggling but I know I have to get used to monthly pay as most jobs are monthly paying. I have set up direct debit with River Clyde Homes so I know my rent will always be paid.”

“Behind with main bills for first time ever, can’t get back on track because they change payment amounts every month although my circumstances are the same every month.”

“I spend 2 weeks of the month really struggling. I will get there once I get a freezer instead of living daily with my money.”

**Scottish Welfare Fund**

We have also seen a significant increase in the number of crisis grants being awarded by Inverclyde Council since the roll out of Universal Credit began. In the first 4 months of 2016/17 there were 683 Crisis Grants awarded; this compares with 871 in 2017/18 and in 2018/19 the number of grants increased to 934.

Inverclyde Council is now projecting the Scottish Welfare Fund will overspend by approximately £45,000 in 2018/19 (7% above the Scottish Government allocation). Inverclyde had the highest equal overspend in Scotland in 2017/18. The availability of Universal Credit Advance payments helps contain demand on the SWF during the period until the first UC payment is received however repayment of UC advances has increased the level of applications once claims are established.

**Increased demand for advice and support**

Claimants are, therefore, clearly experiencing increased hardship and a number of our partner agencies are seeing the effect of this, with increased demand for advice services and increased demand for foodbank referrals. We are also seeing the number of sanctions increase as the number of claimant’s increase, which is supported by national statistics and therefore, follows a national trend.
We are also seeing the nature of those demands change, with more requests for advice not relating to the claiming of Universal Credit, but rather disputes about claims, such as the level of deductions and decisions to sanction claimants.

**Accessing Universal Credit**

Between the 22nd of March and the 12th of April 2018, Inverclyde Council carried out a small survey of Universal Claimants, which 156 claimants responded to.

The overall response, was that although majority of claimants initially had to receive some assistance with making their claims (85%), the majority were now able to access Universal Credit from home, although a significant minority were still struggling and either dependent on support from family or friends, or accessing it via public access points provided via housing associations, libraries and the jobcentre.

The comments that were provided during the survey gave an insight into some of the experiences of those that responded.

“I found the initial process quite hard and lengthy; verifying my identity and waiting for the first payment.”

“A very lengthy degrading process, the initial sign up for UC was pretty complicated as I am not very computer savvy, also found waiting on appointments to prove who I am annoying.”

“I found it really straightforward to use. Had a few teething problems at the start learning how to use it but all in all, I think it’s a really good system”

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

It is known that many claimants who are entitled to Universal Credit and are not claiming it are doing that for a number of reasons.

One is where they are self-employed; they are finding the whole process time-consuming and difficult to access, as they need to show their self-employment is gainful self-employment.

The process of proving self-employment is gainful is difficult for many as they have to attend interviews and spend time showing their income and that they will make a profit. Many are deterred from applying for this purpose, as they would prefer to spend that time growing their business.

Also where it is shown their employment is not gainful, they still have to apply for jobs and attend interviews in order to continue receiving their Universal Credit.

Many would rather spend this time growing their business and, therefore, don’t apply.

Without the Universal Credit income, people obviously struggle and are more likely to get into rent and mortgage arrears and fall behind in payments to other debts. This we believe
is likely to make their businesses less sustainable and more likely to fail and is not conducive to creating an entrepreneurial culture.

We are also finding the conditionality element of Universal credit puts many people off, as does the digital nature.

The effect of this, where people do not claim, is easy to predict with people being left without sufficient income and is undoubtedly linked to the increased dependency by some on food banks and family and friends for support.

We also find, where people have not claimed and then submit a claim, the gap between not claiming and claiming can often result in rising debts, which causes hardship when they do claim as they are then likely to begin getting deductions from their Universal Credit.

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

Other than creating new top up benefits or increasing funding to the Scottish Welfare Fund to help mitigate the hardship arising from Universal Credit, we believe the Scottish Government should review the many welfare reform mitigation projects that were piloted across Scotland, during 2015/16, with a view to updating or replication the most successful and seeking to support new projects in light of the experience gained over the past few years.

We also believe that the detrimental effects of Universal Credit can be mitigated by:

- Increasing the number of public access IT points available to claimants;
- Increasing the provision of IT provision that assists claimants to develop skills to allow them to access UC successfully; and
- Increasing the provision of advice, including debt advice, to help people who are struggling with debts that have arisen because of Universal Credit claims or are being deducted from their Universal claim awards.