SOCIAL SECURITY COMMITTEE

SOCIAL SECURITY AND IN-WORK POVERTY INQUIRY

SUBMISSION FROM Adrian Sinfield

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1. One of the most serious, yet most overlooked, aspects of changes to Universal Credit has been its freezing for four years till 2020 after being held to 1 per cent for some earlier years. This is not something that the Scottish Government can undo immediately, but it is important that this very harmful measure is made evident because it severely undermines any attempt to tackle other UC problems. Effectively the automatic economic and social stabilising effect of UC and most other working-age benefits is significantly restricted, and their reduced value against rising living costs increases the problems faced by those who are receiving them. This has a harmful effect on the whole Scottish economy and frustrates achieving inclusive growth as well as depriving those receiving the benefits and their local economies.

Analysis for the Scottish government in 2016 estimated that the ‘benefit freeze’ ‘from post-welfare reforms by 2020-21’ would result in a financial loss to Scotland of some £300 million a year and would ‘adversely affect’ some 700,000 individuals or households with an average loss of £450 a year (Christina Beatty and Steve Fothergill, The Impact on Scotland of the new Welfare Reforms, Centre for Regional Economic and Social Research, Sheffield Hallam University, October 2016, Table 3.1).

This generally overlooked failure to uprate benefits fairly and adequately is made all the more important since income tax thresholds over that time have been increased faster than inflation but the majority of those experiencing in-work poverty are receiving little or no gain. The consequence is a further and un-noticed widening of post-tax-and-benefit inequalities with increasing problems for those at the bottom of the income distribution. Uprating unfortunately tends to be regarded as a minor technical issue, but it deserves to be recognised as one of the most important decisions taken by Chancellors of the Exchequer as it can significantly weaken measures of social inclusion which are crucial to reducing and preventing poverty (Holly Sutherland et al, The impact of benefit and tax uprating on incomes and poverty, Rowntree Foundation, York).

2. I appreciate that this enquiry is being carried out by the Social Security Committee and therefore there is a particular focus on the workings of UC and other benefits. However, the broader context deserves close attention especially as it is unlikely that other Committees will engage with it.

Preventing in-work poverty at source is clearly an important objective and it cannot be left to benefit systems alone to mitigate the problem. Employers should not be implicitly allowed, even encouraged, to neglect maintaining the level of their lower wages, through measures
such as UC, especially when its real value is falling. The Scottish Government’s own support for the Living Wage, rather than the national minimum wage dressed up as the ‘national living wage’, is a valuable step forward. Its initiative on Fair Work promises to support fair pay and decent working conditions. I hope that the Committee will be able to discuss how this could be particularly used to benefit those trapped in in-work poverty with Prof Patricia Findlay at Strathclyde University and others engaged with this important development.

There has been a tendency to ask what it is about the workers suffering in-work poverty while we give insufficient attention to examining what it is about the jobs these workers have, and why they fail to provide enough to enable them to participate in society as easily as others. That second question leads to more scrutiny of the behaviour of employers, government and the rest of society. What should be expected of a responsible employer? Why do so many jobs lead to in-work poverty? How does the employment market operate to force, for example, subcontractors to pay wages that result in in-work poverty? Major employers can have a role to play in ensuring that this does not happen as a result of cost-cutting their suppliers.

All of us must be encouraged to recognise that workers such as those who care for children, older and disabled members of society or provide our food deserve fair pay and working conditions just as much as the rest of us. This is not simply a moral point but a recommendation that the implications of unequal policies and practices that foster in-work poverty must be made a matter of public debate and concern if we are to change a culture that seems to accept the inevitability of the social, political and economic problems created for the immediate victims and their families, and also for the rest of society.

3. Further policies that could help to protect those caught in or at risk of in-work poverty were well set out in the TUC Commission on Vulnerable Employment report in 2008. The final COVE report, Hard Work, Hidden Lives, contained sound proposals for tackling some of the problems facing many at the very bottom of the labour market. Vulnerable work was defined as ‘precarious work that places people at risk of continuing poverty and injustice resulting from an imbalance of power in the employer-worker relationship’. The report brought out well the ‘extreme insecurity for workers who do not have contracts of employment, work through agencies, or who have reduced rights because of their immigration status’ leading to at best a two-tier labour market, often sub-sub-contracted, which made it even more difficult for its members to move to better work with more pay. Lack of resources for and proper guidance to enforcement agencies, including HMRC inspection of the national living wage, were combined with inadequate priority being given to the needs of the most vulnerable workers and the low-paid generally by governments at all levels, employers, trade unions and the wider society.

The COVE report set out ten key recommendations for all these groups, including but not only trade unions. In my view they still deserve close consideration today: if
anything, they are even more relevant to the changes in the labour market since it was produced. It could be very helpful to the Committee’s considerations to discuss this with those, including STUC or TUC staff, involved with that work and its subsequent development.