Oxfam believes work should provide a reliable route out of poverty for all those who are able, as per Goal 8 of the Sustainable Development Goals.\textsuperscript{1} Encouragingly, Scotland was one of the first countries to publicly sign up to the Goals. However, more than half of working age adults and two-thirds of children in poverty in Scotland live in working households. In-work poverty is partly a result of low-pay, but it is also due to other factors, including job insecurity and the lack of enough regular or predictable hours. It is therefore important to avoid viewing increasing hourly wages as the only solution. In-work poverty is also a deeply gendered issue, as women and men experience poverty and routes out of poverty differently. This should be core to the Committee’s inquiry.

Scotland does not have all the levers to tackle low pay, but Holyrood has power over a wide range of policy areas that can help to lift working age people out of poverty, including: economic development; employability and skills; childcare, and other essential expenditure. There is more that can be done by employers to demonstrate responsible practice. Encouragingly, the Scottish Government has recognised the Scottish Business Pledge could be strengthened. Oxfam believes the current review is a key opportunity to drive deeper and faster progress.\textsuperscript{2}

Beyond low pay, social security must provide a safety net for all those who need it whether they are in or out of work; in too many cases this is not the case. Oxfam is a partner within A Menu for Change, a three-year project which aims to reduce the need for emergency food aid by ensuring people across Scotland get the cash, rights and food they need before they are in crisis. Food insecurity is a problem of low income, not a shortage of food, and this is driven by insecure work and failures of the social security system. We fully endorse the A Menu for Change submission to this Inquiry.

**Summary of recommendations for the Scottish Government:**

1. Strengthen the Fair Work agenda. The review of the Scottish Business Pledge should bolster the accreditation system and the incentives for businesses to engage. Existing commitments on fair work should be maintained and, where possible, strengthened.\textsuperscript{3} The revamped commitments should be mapped against the Fair Work Framework\textsuperscript{4} and paying the Living Wage should remain a core, non-negotiable, element.

2. Offer incentives for employers to create progression routes for low-paid workers and consider how future devolved employability programmes can be designed in ways that recognise the different barriers faced by different groups – particularly women and lone parents – when entering the labour market.

3. Use devolved social security powers, including the new Income Supplement to reduce in-work poverty. In developing this policy, the Scottish Government should be mindful of child poverty forecasts that show that lone parents and large families will be some of the worst affected groups and work with stakeholders to ensure the supplement is as effective as it can be at reducing poverty.

4. Use its significant powers in relation to household expenditure to mitigate the worst effects of in-work poverty, in particular, devolved powers related to childcare and housing policy. Several bills currently passing through Parliament are also create opportunities to reduce household expenditure for low-income households: including the Fuel Poverty Bill; the Good Food Nation Bill; and the Transport Bill.

This submission draws on evidence from Oxfam’s research on ‘decent work’ for Scotland’s low-paid workers,\textsuperscript{5} and learning from Oxfam’s Future Skills project which provides a holistic development opportunity to marginalised and vulnerable women in Scotland, aimed at directly improving their quality of life and involvement in their local communities through supporting progression towards a life free from poverty.

### Oxfam’s Future Skills Project

Participating women engage in a six-month programme of mentoring support and skills development, centred around a voluntary placement in one of Oxfam’s charity shops. Alongside the opportunity to gain hands-on experience in retail, participants attend monthly training sessions to develop their skills, like financial management and customer service.

Additionally, women attend monthly peer-to-peer networking sessions which help build confidence, raise awareness about local services (such as social security entitlements and debt advice) and strengthen social networks. Finally, women receive professional coaching support through which they gain greater clarity around their own professional development and career aspirations.
Decent Work for Scotland’s Low Pay Workers

In 2016, Oxfam Scotland, in partnership with the University of West of Scotland and Warwick Institute for Employment Research, published ‘Decent work for Scotland’s low paid workers: a job to be done’. This research involved more than 1,500 people who gave their views about what ‘decent work’ means to them. It produced a ranked list of 26 factors which participants deemed to be most or least important to make work ‘decent’. Unsurprisingly, pay and job security were top of the list, and participants highlighted that in many cases their expectations in relation to ‘decent work’ are not being met in Scotland, a finding reinforced by an assessment of the labour market across Scotland.

One: key drivers of in-work poverty

There has been long-term growth in levels of in-work poverty in Scotland, with 2017 figures indicating two-thirds of children in poverty live in households in which at least one adult is in paid work.6 Below, we explore some of the key drivers. However, the challenges and barriers associated with work are not experienced the same way by all groups. Certain groups face greater challenges, and women in particular face significant structural labour market inequalities,7 making them at higher risk of in-work poverty. Women are also disproportionately affected by changes to the benefits system.8 Scottish child poverty forecasts show some of the worst effects are on large families and those headed by lone parents – between now and 2030 relative poverty for lone parents is forecast to grow by around 23% – which we know will have a disproportionate impact on women.9 Other protected characteristics can also affect people’s access to income and expenditure. For example, some disabled people are faced with the disability employment gap alongside managing the extra costs associated with disability. The way in which protected characteristics interact and intersect produces specific barriers to the labour market and individual experiences of poverty.

Pay not keeping pace with cost of living

An estimated 430,000 employees, almost a fifth of the workforce, earn less than the Living Wage in Scotland. In 2017, 22% of working women earned less than the Living Wage, compared with 14% of men.10 Worse still, there are many who do not receive the National Minimum Wage (NMW), and in March this year, 15 Scottish employers were fined by HMRC for underpaying 200 minimum wage workers by nearly £75,000.11

Not only are a large percentage of the workforce concentrated at the lower end of the income distribution, but when pay is compared with what people need to live a decent life free from poverty, we can see that pay is not keeping pace with the cost of living. For example, using their Minimum Income Standard (MIS) benchmark, Joseph Rowntree Foundation has shown that during 2017, a couple with two children working full-time on the NMW fell 13% short of what they needed, as defined by the MIS. A lone parent, however, has a 22% shortfall. The findings of Oxfam’s Decent Work research corroborate this:

“It’s just not enough, how can I pay all my bills and rents and… buy a bus pass… it’s just not evening out… It means you can’t participate in basic things. My cousin’s fortieth birthday’s coming up… and that’s a real issue for me ‘cause I’m thinking ‘How am I gonnae manage this financially?’” (Decent Work research participant, social care worker, female)

It is true that the NMW received an uplift in the 2015 Summer budget, which is of course welcome, but as the Institute for Fiscal Studies pointed out in their post-budget briefing, it is “arithmetically impossible” for this uplift to offset the changes made to in-work benefits in the same budget statement; this is explored further in the section below.12

Labour market trends and the erosion of security

Scotland’s economy and employment has changed dramatically in the last three decades. In 1973, manufacturing accounted for 36% of economic activity in Scotland, by 2013 this had fallen to 11%. Whilst business, service and finance sectors accounted for 12% of activity in 1973, in 2013 this was up to 29%.13 Alongside these broad labour market trends, Scotland – along with the rest of the UK – has seen an increase in more flexible but less secure forms of employment including: zero hours contracts; temporary contracts; agency working; bogus self-employment; and other forms of non-guaranteed hours.14 Recent figures show that 35,000 workers in Scotland, 6% of all employees, are on temporary contracts – 36,000 of whom are seeking permanent employment.15 The most recent statistics from the Labour Force Survey show that, between April and June 2017, there were an estimated 63,000 people in Scotland were on a zero-hours contract,16 while the most recent European Working Conditions Survey found that 12.6% of workers across the UK reported they might lose their job in the next six months in 2015.17

“I lost my job today, because… well I didn’t lose it, I just haven’t got hours if that makes sense… and I’ve had no notice on that because I’m agency… and that’s just been told today, Don’t come back until the end of January.” (Decent Work research participant, agency worker, hospitality sector, male)18
Lack of security can mean workers cycle from low pay to no pay, exacerbating in-work poverty and making low income families less resilient to financial changes such as moving to a new house, having a child or a bereavement in the family.

Changes in Universal Credit policy

The other major driver of in-work poverty is reductions to in-work benefits, both Universal Credit and the legacy tax credit system. The key aspects of Universal Credit which impact on in-work poverty levels are: benefit rates; changes to eligibility such as the two-child limit; changes to the work allowance and taper rates and the way in which Universal Credit interacts with non-traditional forms of employment and fluctuating hours.

Universal Credit is not the same policy it was when it was introduced in 2012. There have been at least 57 separate changes and cuts to working age benefits since 2010, and this has had an impact on how much low income working households now receive. Following the Summer 2015 budget, the IFS estimated that there would be 2.2 million people who would receive higher benefit entitlements – with an average gain of £1,400 a year – compared to 3.2 million who would receive lower benefit entitlements, with an average loss of £1,800 a year.

One of the drivers for this is the two-child limit, which will impact on large families. The Scottish Government’s child poverty forecasts from 2018 until 2030 show the impact of this policy in Scotland. Relative poverty is forecast to increase by 6% for one child families and 7% for two child families. The pattern for children in families with three or more children, however, looks very different, with relative poverty predicted to increase very quickly from 33% in 2015/16 to over 50% by 2022/23 and continuing to rise throughout the forecast period. Large, lone parent families will be particularly affected. As CPAG has pointed out, across the UK 35% of families with three or more children are in the poorest quintile of households, and only 6% are in the richest.

A second key change is the reduction in the work allowance – the amount someone can earn before their benefits begin to be reduced. In April 2016, work allowances reduced from £222 to £192 per month for families with children who rent, and from £536 to £397 for those who do not rent. Work allowances were removed altogether for non-disabled adults without children, meaning benefits reduce as soon as they begin to earn. What this means is that low income households affected will not begin to see the financial rewards of working until they are earning much more, which will have an impact on work incentives, but also a significant impact on the numbers of people in in-work poverty.

Oxfam’s Future Skills programme operates in multiple locations across the UK and has found that many of the participants were keen to work, but in some cases were concerned that their financial situation would not improve when they did find work:

“**When it comes to jobs, I worked all my finances out and I have to get [a job]… but any job I have looked at is just not going to match what I need**” (Future Skills participant, unemployed on disability benefits talking about her current financial situation)

“**The money is still missing. The Income Support I receive is not really very much. And I got 2 kids. (…) It’s very hard but you have to do your best. I cannot afford a lot of things. (…) I am a little bit behind with my bills but I try my best. (…) It’s going to be very helpful if I am going to find job, cause obviously I am not used to being at home (…). I need to work, you cannot know how much I struggle, you cannot imagine (…).**” (Future Skills participant, lone parent receiving Income Support and Child Benefit, who worked in the past)

Lastly, the interaction between Universal Credit and non-traditional forms of employment could exacerbate in-work poverty. For example, if someone has fluctuating hours, their Universal Credit will fluctuate too, but because it is paid in retrospect, someone could experience a windfall one month with very little to live on during other months. Similarly, if someone is paid weekly rather than monthly, and there are five weeks in a month, their income that month may bring them over the entitlement threshold, meaning their Universal Credit claim is automatically closed and they must make a new claim the following month.

Whilst the Scottish Government does not have power over working age benefits, it does have the power to introduce new benefits and to top-up existing benefits. The announcement in the Child Poverty Delivery Plan that the Scottish Government is going to introduce a new ‘income supplement’ that targets those most in need is very welcome. In doing so, it should be mindful of child poverty forecasts that show that lone parents and large families will be some of the worst affected groups and work with stakeholders to ensure the supplement is as effective as it can be at reducing poverty. While the existence of the Scottish Welfare Fund is strongly welcome, every effort must be made to strengthen its ability to catch every eligible person who is falling through the safety net. Investment is also needed in advice services to improve their accessibility; access to high quality and timely advice is critical to preventing acute income crises.
Two: Work must act as a route out of poverty

Work must act as a reliable route out of poverty for those who are able. There is welcome momentum on this agenda in Scotland. However, the Scottish Government can do more to encourage employers to provide decent work, including a Living Wage. This includes: introducing progression policy that works and recognises men and women’s different experiences of poverty; creating more incentives for employers to behave responsibly; and economic policy that is predicated on inclusive growth that leaves no-one behind, rather than relying on redistribution after the fact.

Working with employers

Recognising that many of the powers around employment legislation lie with the UK Government, the Scottish Government has largely adopted a voluntary approach to encouraging responsible employer behaviour, including through Living Wage Scotland, the creation of the Fair Work Convention and the Scottish Business Pledge. Whilst these initiatives are welcome, more could be done to strengthen and re-energise them, to encourage more employers to adopt responsible business practices. We therefore welcome the Scottish Government’s commitment to produce a Fair Work Action Plan and host a Fair Work Congress by the end of 2018, alongside the review of the Scottish Business Pledge.25

The review of the Pledge provides a key opportunity to enhance the contribution of business to improving work quality. Oxfam has produced a full briefing outlining our recommendations26 – which include:

1. Maintaining, and where possible, strengthening existing commitments within the Pledge relating to fair work. They should be mapped against the Fair Work Framework27, with employers strongly encouraged to address all aspects, rather than cherry-pick. The commitment to paying the Living Wage should remain a core, non-negotiable, element.
2. Introducing a basket of progressively more stretching actions employers must take within each commitment of the Pledge, with signatories required to demonstrate which of these actions they have taken.
3. Stronger incentives for businesses to engage, including more ‘soft’ incentives such as: enhanced direct support from public bodies who receive public funds to support businesses; access to resources, toolkits and peer-to-peer support; and increased showcasing of signatories. A suite of ‘hard incentives’ should also be considered, such as linking the Pledge to business rates relief and small grants from the new Scottish National Investment Bank.

Progression that works

‘In-work progression’ is an aspect of Universal Credit policy which places a requirement on claimants to seek to increase their hours and earnings up to 35 hours a week, whether or not they are already in part-time work. Progression is fundamental in ensuring that work acts as a route out of poverty, but Oxfam has concerns around how in-work progression policy has been conceptualised and implemented with insufficient recognition of the different experiences of men and women in the labour market, not least how caring responsibilities interact with employment. Encouragingly, the Department for Work and Pensions (DWP) has acknowledged it is “still at a relatively early stage in understanding what works”.28 This includes plans to test and trial different approach to help them “better understand the best ways of supporting individuals to progress”.

The DWP has conducted Randomised Control Trials over the last two years, experimenting with different ways to deliver the policy. The findings from some of these trials have been published, which show around 40% of participants earn at least 10% more 12 weeks after joining the trial, but around 15% appear to have returned to unemployment.29 One major shortcoming of these trials is that they do not include those with caring responsibilities, and when these are taken into account, as per the Welfare Conditionality Project,30 the difficulties become clear:

1. Given women are far more likely to be the primary (and sometimes sole) care provider in a household – both for children and adults with care needs – the current conditionality regime puts them at greater risk of sanctions. This could have a profound effect on women in low income families who are in part-time work but who are also primary care givers, for whom Tax Credits (or Universal Credit) provide a vital source of income.
2. In-work progression policy fails to recognise women’s unpaid care and domestic work as work, in and of itself, and as valuable economic activity that contributes to society. Oxfam research highlights growing evidence that governments and economies could benefit substantially from recognising unpaid care as a key policy concern, and from increasing investments to support households meet their unpaid care responsibilities.31
3. The emphasis on increasing hours and earnings risks people being encouraged into a number of part-time, zero hours and insecure jobs rather than progressing into a higher paid position within their existing line of work.

A key theme that has emerged from Oxfam’s Future Skills programme is the difficulty of juggling childcare and work.
For people to become independent of benefits and move into work – and to address the gender inequalities in the labour market – the UK and Scottish Governments must ensure high quality, affordable childcare is accessible to everyone, although the Scottish Government has made welcome progress in this area, with the expansion of Early Learning and Childcare.

The existing in-work progression policy situates the responsibility for underemployment at the door of individual welfare recipient. It relies on supply-side arguments about a lack of skills and productivity in the economy. While this may be part of the picture, a more fundamental problem may be a lack of progression pathways for low-paid workers. JRF for example has found there is a significant shortfall in labour demand in 12 of the UK’s major cities, with Glasgow showing a 34% shortfall of jobs to move into.32 Findings from a Citizens Advice survey of working benefits recipients found that only 19% of the 877 respondents thought they could increase their rate of pay without increasing their hours. Respondents tended to feel that the jobs and sectors they worked in lacked opportunities for progression.33 Put simply, better jobs may not be available, especially if people live in rural or remote communities, or in areas of high deprivation.

Universal Credit policy remains reserved to Westminster, but there are still things that can be done in Scotland to ensure that ‘progression’ really means individuals can progress towards a life free from poverty:

1) The DWP’s test-and-learn approach leaves a degree of discretion to local Jobcentres and Work Coaches. The DWP in Scotland should engage with women’s rights organisations, and those representing women with caring responsibilities to ensure the policy is introduced in such a way that is sensitive to the realities of women in these circumstances.

2) Employers should recognise their responsibility to increase their employees’ earnings by signing up to the Scottish Living Wage, but also by introducing workplace policies that work for low-paid women, by offering more flexible working arrangements and clearer career progression pathways. The Scottish Government should use the review of the Scottish Business Pledge – and plans for a Fair Work Action Plan – to increase expectation levels on businesses in Scotland to prioritise progression opportunities.

3) Although Fair Start Scotland is well underway, the Scottish Government should consider how future devolved employability programmes can be designed in a way that recognises that different groups experience different kinds of barriers to employment, fulfilling the commitment of “putting people at the centre”.34

**Economic policy**

Finally, Oxfam would also like to see the Scottish Government make a greater commitment to, and investment in, low-paid sectors, including health and social care, food, hospitality and transport – which constitute much of the low productivity in the UK. A ‘grow now, redistribute later’ approach to economic policy which privileges investment in the traditional growth sectors fails to adequately support those out-of-work or in low-paid jobs, and the social infrastructure (such as care; predominantly undertaken by women) that supports all other economic activity.

**Three: cost of living**

In work poverty is not caused by income alone. Poverty is caused by the relationship between income and expenditure, and as we have seen in section one, pay and benefits have not kept pace with cost of living. The cost of essentials continues to rise, alongside declining and stagnating incomes at the bottom end of the labour market. In a recent report by the debt charity StepChange, it was found that lower income families had the highest incidence of arrears across seven household essentials: rent, mortgage, council tax, electricity, gas, water and TV licence.35

Whilst the Scottish Government does not have powers in relation to increasing incomes through in-work benefits and employment legislation, across the biggest areas of household expenditure – housing costs; council tax; utilities; food; childcare and transport – the Scottish Government has significant powers. There are a number of Bills currently passing through the Scottish Parliament that could make a difference including: the Fuel Poverty Bill; the Good Food Nation Bill; and the Transport Bill. These Bills should identify and implement measures to cut living costs for those in poverty.

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