SOCIAL SECURITY COMMITTEE
SOCIAL SECURITY AND IN-WORK POVERTY INQUIRY
SUBMISSION FROM – NORTH LANARKSHIRE COUNCIL

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

When considering the impact Universal Credit will have on in-work poverty in Scotland reference needs to be made to the obvious paradox that has arisen whereby as the roll out of Universal Credit - the welfare reform which was declared to ‘guarantee you will always be better off in work than on benefits’ - progresses nationally, in-work poverty is at a record high.

It is clear that the policy intention behind Universal Credit has been inefficacious as even though it may have ‘encouraged’ more people into employment there is no guarantee that they will be financially better off in work as opposed to out of work as driver such as low pay, a freeze on working-age benefits, high housing costs and an accumulation of debts mean in-work poverty is what many moving into work will experience. Unfortunately as it stands the inevitable impact Universal Credit will have on in-work poverty in Scotland will be a harmful one, as claimants fail to understand the process, fail to make timeous claims, wait weeks for initial payment, experience sanctions and struggle to budgeting monthly whilst meanwhile trying to make work pay as they repay short term advances and hardship payment and others debts at unreasonable repayment rates. Furthermore whilst those with 3 or more children are currently being redirected to claim tax credits, as of November 2019 those who have a third or subsequent child born after April 2017 will also have to manage without any additional child element being included in calculating their claim.

The Government maintains that some claimants will be better off under Universal Credit as a result of rules designed to make work pay and whilst this remains true for some claimants the reality is that the financial incentive to move out of work and into work has been significantly water down with the removal of the work allowance for those who do not have a limited capability for work and for single people and couples without children. Unfortunately for people in these groups, who are experiencing high living costs (particular housing costs) and facing debts/arrear, they are often, in spite of being in paid work, not in in real terms, any better off in work given that the worm allowance no longer exists for them and their earnings are all subject to the 63% taper with no amount disregarded as a work allowance. This key policy change, removing the work allowance for so many who face in-work poverty means that Universal Credit will cause in-work poverty in Scotland to thrive far from reducing it, particularly for those in the aforementioned groups who are not granted the same incentive to work as those who are eligible for a work allowance.

Beyond these issues related to the work allowance there are other pressing concerns about the impact of Universal Credit on families with disabled children, particularly so

2 https://www.theguardian.com/society/2017/may/22/record-britons-in-work-poverty-families-study-private-rented-housing
for lone parents with a disabled child. ‘Contact a Family’ have highlighted real concerns they have about the huge financial losses families with a disabled child stand to endure due to Universal Credit. Under tax credits a disabled child addition of £3275 per annum (equivalent to £272.91 per month) is included when calculating the tax credit payable for a family with a disabled child. This is paid per child for any children in receipt of any rate of DLA. An additional amount will be included in the calculation on top of this for the most severely disabled children. However, under UC the amount that is included when calculating the award for a family with a child in receipt of either low or middle rate care of DLA is only £126.11 per month – a loss of £146.80 per child from the £272.91 included for the purpose of calculating tax credits. Thus there will be a loss of up to £1761 per year for family with one disabled child and this loss would be doubled for a family with two disabled children (unless the child is severely disabled in which case the higher disabled child element under UC (i.e. £383.86) will be included in calculating the award ). The majority of children in receipt of DLA qualify for middle or low rare care as opposed to high rate care so the amount of families that will be affected by these reforms is significant. The impact of such is yet to be measured as UC has only recently been fully rolled out to include couples and families but the anticipated outcome is that these cuts will push even more people in Scotland into poverty. For the most part it will be out of work families who are caring for their disabled children who are at risk of being considerably worse off under Universal Credit but working families who have a disabled child or children are also at risk of losing out on vital income upon which they depend and thus being forced into in-work poverty. Beyond the cuts to the amounts payable for disabled children under UC there are further potential losses for lone parents with their own health issues who also care for a disabled child – they stand out to lose out the most despite being at an already increased risk of experiencing in-work poverty. At present a lone parent with a limited capability for work who cares for their disabled child will receive income to reflect their own ill-health and have a carer’s premium included in the calculation of their award to reflect the fact that they are a carer. This is an additional £36.00 per week but under UC a lone parent in this same position will not be entitled to receive both a carer’s element and an element for their own limited capability for work. It is not possible to be paid both under UC which in real terms means a lone parent with a disabled child will lose out significantly without the additional £36 per week to reflect their carer status in addition to the already huge loss per year of up to £1761 for the amount received for their disabled child under UC. The impact will not be so severe for couples where one person is caring for the disabled child and other has limited capacity for work as there is still scope for a couple in this position to receive a carers element and an element for LCW. However the loss of £1700 per year for anyone with a disabled child (and this will be more if a family has 2 or more disabled children) is a huge concern and could force families with disabled children into poverty, whether in-work or not.

Given that 23% of the 1.55 million people in the UK who were destitute in UK at some point over the course of 2017 were children there is a fear about the impact of these significant cuts under UC, which directly affect income received for children in the household (i.e. the 2 child limit and the reduction in the amount included for a disabled

3 https://contact.org.uk/media/1055330/universal_credit_and_disabled_children.pdf
child-lower element - compared to the its counterpart under tax credits.) How many more children will face poverty in 2018 and beyond and what percentage of these children will have a partner or parent who is working and as a results of these unexpected and significant losses find themselves experiencing in-work poverty.

A final issue to touch on in terms of the impact of Universal Credit on in-work poverty in Scotland is in-work conditionality and the wider impact it can have for those in work and for employers. In-work conditionality is an entirely new concept which comprises a key feature of the flagship reform which Universal Credit seeks to bring about. It requires those on a low income to look for extra hours or better paid work as a condition of receiving their Universal Credit payment, allowing for them to be sanctioned if they fail to comply with this condition. If sanctioned for failing to meet this condition then a person in low-paid or part-time work could easily find themselves in-work poverty as they struggle to pay bills and afford essentials without their vital top up of Universal Credit to supplement their low earnings. The impact of this is likely to act as a negative factor, hindering ability to work at all far less look for more work or for a promoted position. Pilgrim Tucker has commented on the wider impact of this in terms of how employee performance may be affected - ‘workers weakened by hunger, or exhausted from having to walk for miles as they can’t afford the bus fares, or unable to wash with hot water because they can’t top up gas or electricity meters, generally do not perform well at work.’

- 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?

Experience from Inverness (part of Highland Council who were one of the first local authorities to move to full service Universal Credit in June 2016) is that the claimants, around half of whom are in-work, have experienced difficulties with the benefit that have pushed them into serious rent arrears. A report Commission by Citizens Advice Scotland looked at the impact of Universal Credit in East Lothian and found that whilst a minority of those who were employed or self-employed experience an increase under Universal Credit (18% of this group had an average increased of £18.31) a majority of 45% of this group experienced a decrease under Universal Credit with a median decrease of £39.39. This shows that so far in full-service areas in Scotland the experience for those who are in work and have moved on to Universal Credit has not, for the most part, been a positive one. Beyond these statistics which speak for themselves there is also a lot of negative reports in terms of the claim process and the inherent difficulties faced by those moving on to universal. Credit. As reported by the New Statesman in October 2017, ‘In East Lothian the experience has been horrific.’

This article then goes on to cite a range of problematic issues such as the need to do

the claim online for those who lack the resources and/or the capacity to do so, issues with the length and complexity of the claim process, issues with the need for explicit consent when liaising with the DWP (making it more difficult for advisers to assist claimants they can do under ‘legacy’ benefits) as well as lengthy waiting periods for payments and experience of some facing lengthy sanctions. The picture painted so far, across local authorities in Scotland who under full-service for Universal Credit is not a positive one and there have been a range of poor experiences for those who are moving on to universal credit with little positive or good news stories reported to date. Whilst Universal Credit is a new benefit, and therefore allowances should be made for minor teething problems encountered when rolling out the benefit, the issues encountered and negative experiences and consequences claimants’ have faced seem to be fundamentally linked to the design of Universal Credit and how it is designed to operate. Furthermore the lack of evidence of people being financially better off in work, coupled with the absence of good news stories from those who have moved on to Universal Credit, provides little evidence to outweigh or counteract such negative experiences.

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

There are many people who are not eligible for Universal Credit when they are working and are deemed to earn ‘enough’ to take them above the threshold for entitlement to UC. However when looking at take home pay and taking account of high housing costs and other essentials such as food, travel costs to and from work, gas and electricity costs and other debts there are many who will experience in-work poverty despite not being classed as having a low enough income to qualify for UC. The Guardian reports that ‘work is no longer a guaranteed route out of the poverty’ and we can see why when considering low paid work and the high cost of living added to contributing driving factors of destitution such as debts, fuel costs or housing costs spiralling out of control.

In terms of those who do no claim UC there will be many who do not understand what Universal Credit is and others who lack the capacity to make a claim for Universal Credit themselves given the complex nature of making a claim and need to make the applications online which demands particular skills and access to recurr which many in receipt of long-term legacy benefits may lack. Without a friend or adviser to help them they may not claim UC and continue to struggle, relying on food banks and struggling form day to day to get by, accruing arrears and living in cold or dark homes. The 2 child limit is a concern and the fact that it was implanted in April 2017 means that we are yet to see the full effect of this and the impact this will have on working families who have a thirds or subsequent child and do not qualify for a child element under UC to reflect this. With a third or subsequent child being born entitlement to child benefit will be the only additional income they receive and the parent claiming child benefit will be entitled to £13.70 a week for any third or subsequent child. This equates to £1.95 a day and nowhere near enough to cover the costs associated with a child for a family who are in

poverty where that be in work or out of work. For a family experiencing in-work poverty and affected by the 2 child limited, and increasing child benefit, to for example an extra £5 per week per child, as proposed by CPAG, would be a welcome move. That extra £20 a month could allow the family to pay for the child to go on their school trip or to get a new pair of schools shoes for example. It would not come close to the previous £63 per week per child which was payable under child tax credits but it would help to perhaps stop a family from going without heating or electricity or prevent them having to present to a food bank for essentials.

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

Suggested actions which could help mitigate the detrimental impact of UC in Scotland:

- Reduce waiting times for a UC benefit (5 weeks from the date of claim too long)
- Enhance the effectiveness of the new Scottish flexibilities to those claiming UC by making the option for bi-monthly payments and payment direct to the Landlord available from the outset – giving claimants this option only after their first month UC payment has been received is only going to lead to more arrears accruing and make in-work poverty more likely on an ongoing basis, as the claimant attempts to get back on an even keel.
- Ensure Local Authorities are funded to enable them to be able to offer the level of support necessary to assist claimants to make claims and maintain claims
- Top up the DHP budget to allow more support to be offered to those who do not qualify for their full rent to be covered under Universal Credit but who are experiencing in-work poverty and cannot make up the shortfall themselves (e.g. private rented sector where rent being paid is beyond the local housing allowance payable for that size of property)
- Make sure transitional protection is provided to soften the blow for those moving onto Universal Credit
- Scottish Welfare Fund – ensure that the complexities around claiming UC and the issues it presents for people are understood by the SWF so that people can be assisted by the fund where UC has failed them
- Address the lack of affordable homes - Private rented sector costs are far too high relative to earnings and are causing in-work poverty and the lack of affordable social housing means that people do not have an affordable option in securing accommodation ad their housing costs are taking up a high percent of their earnings and thus causing in work poverty as they struggle to afford other essentials after paying their rent.
- Make free childcare provision available to children from the age of 2 to allow lone parents with a child aged 2 to comply with their specific work related requirements under Universal Credit (i.e. the need to participate in the work preparation group) which they will struggle to do without free childcare provision
- Free school meals – If this could be rolled out universally on not only for this in P1- P3 it would reduce some of the financial pressure on families who are experiencing in work poverty and struggling to afford the schools meals or packed lunch costs.
- Review the criteria for qualifying for free school meals and school uniform grants- look not only at the person’s income but also take account of outgoings which are essential such as rent/mortgage, council tax, gas and electricity costs and childcare costs. If this type of application process was brought into place, where there was a consideration of
income versus expenditure, rather than a blanket exclusion for anyone not in receipt of a means tested benefit, then it would be more likely to ensure those who are genuinely struggling to afford school uniforms and to afford packed lunches or school meals would be eligible for this support and would need to spend the money they had budgeted for food for the family or for a gas or electricity top up on schools uniforms, and rely on, for example, the food bank to assist them in this destitute situation when after covering the costs of the schools uniforms they were unable to afford their other essentials.

- Work with schools to reduce costs unnecessary associated with schools - school trips and extra-curricular activities should be kept to a minimum cost – if not families experiencing in-work poverty, as well as those out of work and in receipt of means tested benefits, will face pressure to try and afford such trips for their children and end up perhaps going without essentials for themselves or borrowing money and getting into debt (sometimes with unscrupulous lenders).

- Reinstate the work allowance and look to make the work allowance more generous – reinstate the work allowance for single people without children who represent a high % of those in-work poverty or at risk of being so. Without a work allowance in place it will not pay for them to work unless they can get a well-paid job.

- Promote a food referral pathway so that anyone presenting in food crisis (to a food bank or other agency) will, in addition to receiving the immediate help required, be referred on to other appropriate agencies and given the opportunity to speak to a debt adviser and have a benefit check carried out for their household to try and alleviate their financial burden and ensure they are made aware of all that is potentially available to assist them.

- Top up the amounts received for lone parents with a limited capability for work so they do not lose out on carer’s premium if they are caring for a disabled child and look at topping up the amounts received for disabled children in receipt of any rate of DLA.

- Allow implicit consent for advisers dealing with claimants’ in receipt of Universal Credit to allow them to act on their behalf and to thus assist claimants’ more readily and without delay over the telephone, as required, without the need for the claimant to be present.