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

There is persuasive evidence that in-work poverty has increased in the last ten years in the United Kingdom, notably a recent study that states: ‘

the risk of in-work poverty has increased by more than 20 per cent since 2004/5 and that as many as six in ten people experiencing poverty in the UK were living in households where someone was in work in 2014/15.’[1]

Overall this means that just under 16% of working households are experiencing poverty. By definition, lower paid workers are more likely to receive conditional social security payments.

In Scotland, organisations such as Engender and Inclusion Scotland have identified the negative impact of changes to social security on the most vulnerable populations, especially women – especially lone mothers – and people with disabilities. The Trussell Trust has also linked the introduction of Universal Credit to increased use of foodbanks.[2]

Analysis of those receiving benefits suggests that

- working households without children are less likely to apply for benefits to which they are entitled
- working households with children are more likely to receive benefits to which they are entitled even though child tax credit rates have been cut more than working tax credits
- housing benefit and child benefit (which are incorporated into Universal Credit) comprise up to two thirds of social security income with tax credits providing much of the remaining payment.[1, 3]

Beatty and Fothergill argue that, ‘In practice, revisions to the “Work Allowances ” within Universal Credit, announced in July 2015 to take effect for new claimants from April 2016, mean that for many individuals and households Universal Credit will now be paid at a lower rate than the benefits it replaces.’[4] Universal Credit appears to result in lower income for recipients than the combined income from other benefits. Research also highlights the
disproportionate negative impact of welfare reforms on areas, and the people resident in these places, already experiencing economic hardship.[4, 5]

The use of Discretionary Housing Payments in Scotland has limited the negative impacts of restrictions on housing benefit eligibility (albeit with an opportunity cost in terms of other areas of public expenditure) but the limit on child benefit eligibility will have an ongoing impact in Scotland. Furthermore, there is some evidence to suggest that the impact of Universal Credit seems to be at odds with the desire for a simplified, work-focused welfare reform.[6] Concerns have been raised about the harshness of sanctions regimes, particularly to people in part-time or irregular work; the negative impacts of rent arrears and landlord problems presented by direct payment (in contrast to direct payment of Housing Benefit to landlords); and the inappropriateness of monthly payments in arrears for people in receipt of Universal Credit – people on low incomes already struggle financially and furthermore appear more likely to experience a high number of changes in personal circumstances over relatively short time periods. The conditionality of Universal Credit payment also removes independence and control from benefits recipients – notably at odds with the emphasis on dignity in the Social Security (Scotland) Bill.

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

The Scottish Government should consider or investigate:

- The interaction between childcare provision and universal benefits. Childcare costs are a major barrier for many working households. As Universal Credit is designed to encourage people into work, childcare needs to be seen as part of the support package. The increased provision of free childcare in Scotland is a positive step but it will be important to ensure that there is no unintended negative impact of benefits.
- Measures to increase benefits uptake among working households, especially those without children. The administration of Scottish Income Tax may provide a way to do this as it might be possible to identify routinely those people on low incomes.
- More regular payments and minimising the time accrued for payment in arrears.
- The evidence that welfare reform has had the greatest negative impact in the poorest parts of Scotland, notably in the Greater Glasgow conurbation, and assess whether Universal Credit is likely to compound this trend.


