Introduction

The Trussell Trust welcomes this inquiry and the opportunity to submit evidence. We are an anti-poverty charity that runs a network of 52 foodbanks across Scotland, and over 420 foodbanks across the UK, which provide a minimum of three days’ worth of nutritionally-balanced emergency food and support to people in crisis across the UK.

During April 2017 - March 2018, foodbanks in Scotland gave out over 170,625 three-day emergency food supplies, with 55,038 given to children, a 17% increase on the year before. Across the UK our network provided 1,335,952 three day emergency food supplies to people in crisis across the UK, a 13% increase on the previous year. Of these, 484,026 went to children.¹

Benefits issues are the most common reason for referral to a Trussell Trust foodbank in Scotland, accounting for 40% of referrals, and acute or chronic low income has been identified as the underlying reason for referral to a foodbank.¹ Universal Credit has rolled out to two-thirds of the Scottish Trussell Trust foodbank network as of August 2018. Analysis by The Trussell Trust has found an increase in demand for foodbanks in areas of full Universal Credit rollout even when accounting for seasonal and other variations.

Summary

- A key aim of UC is to reduce poverty by getting more people into work. However, cuts to the system seriously undermine this aim - it is a less generous system than tax credits, which many people on a low income receive. The work allowance, designed as a key incentive to work, has faced cuts, and in-work conditionality, another incentive, could increase poverty.
- While Universal Credit claims to be more attune to irregular work patterns, people in insecure work can find themselves dealing with over or underpayments and repayments.
- The consequences of the five-week wait for the first payment, and administrative issues, in particular, are affecting claimants on UC in work or moving from work to benefits.
- One in six households referred to foodbanks are in work, primarily part-time or insecure work, and families are more likely to be in work than other groups in foodbanks.
- The Scottish Government has already used its devolved powers to provide improved access to APAs and has other levers it could use to mitigate the harmful effects of Universal Credit – top-up payments and a stronger Universal Support system would

go a long way to ensure people do not find themselves referred to a foodbank because of an issue with Universal Credit.

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

The stated aims of Universal Credit are to reduce poverty, particularly through reducing ‘worklessness’. However, we know that work cannot always protect people from poverty – the Joseph Rowntree Foundation estimated that 55% of households in poverty are in work, and low pay and insecure work can lead to a foodbank referral. While work coaches under Universal Credit encourage people to find better paid work or more hours, we are concerned that their workload may not allow for the support and advice needed. In-work conditionality, the Department’s new punitive measure to incentivise this, has not been evaluated and could, like out of work conditions, lead to more people falling into crisis and needing foodbanks.

The Trussell Trust is also concerned that as more people move from working tax credits and child tax credits to Universal Credit, which has less generous payment levels, people will find themselves with less income and we will see a consequent increase in-work poverty. Income shocks have been shown to be a key trigger for a foodbank referral, particularly for vulnerable groups like disabled people and families with dependent children.

Monthly assessments should be more sensitive to the more irregular nature of modern, low-paid work. However, our research also suggests that for people in insecure work, who may receive more than one payment date a month or have irregular wages, the Universal Credit monthly assessment can lead to under or over-payments and subsequent repayments.

While the system of work allowances and the taper is useful to top up low pay, cuts to the work allowance mean people will be worse off than originally intended. Additionally, the impact of Universal Credit on self-employed people has not been fully evaluated.

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?

Research from foodbanks in The Trussell Trust network shows that the move to Universal Credit is posing difficulties for vulnerable groups, particularly disabled people, and in the absence of statutory support, third sector organisations were stepping in. The Trussell Trust surveyed 284 UC claimants referred to foodbanks to examine what triggered their referral, and what their experience of UC had been.

The research, which included claimants referred to foodbanks in England, Wales, and Scotland, found that a majority of respondents had experienced debt, mental health issues, or housing issues while waiting for their first payment. A fifth of respondents cited an issue with work during this time, particularly insecure or temporary work. One respondent stated

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3 R Loopstra, 2016 http://www.ox.ac.uk/news/2016-10-27-strong-link-between-increased-benefit-sanctions-and-higher-foodbank-use
that their temporary job in a call centre led to the termination of their claim – when they were laid off, they needed to re-apply to UC and wait another five weeks for their new claim, during which time they ‘have nothing to spend on food’.

One respondent, visiting a foodbank in East Dunbartonshire, reported that they moved onto UC when part-time work didn’t cover their cost of living. On UC, the assessment schedule left him with no money for December and January:

Working 16 [hours] a week and paying full rent and council tax leaving me with not enough money to work. Also time period between wages and your assessment period mean I got nothing for December and January but still had to pay December/January rent and council tax.

During the wait, the respondent reported having mental health issues, issues with housing, and issues with work. Whilst on Universal Credit, he reported being sanctioned, communication and administrative issues with the Jobcentre and Universal Credit centre, saying they ‘don’t always reply to emails’. Across the sample, administrative issues and over- or under-payment were frequent concerns for people in work on UC referred to foodbanks, with 50% of people in work affected by erroneous payments, often due to mistakes in monthly income assessments for people with variable work hours.

Given the high proportion of people moving onto UC who are financially vulnerable (up to 50% by the DWP’s own estimates⁴) the risk of debt within the system, particularly through the system of advance payments and repayments, is concerning. People in debt or on very low incomes can find it harder to look for work, attend interviews, and are at higher risk of sanctioning, all making it harder to find and stay in well-paid, secure work.

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

Most people experiencing in-work poverty are currently not on Universal Credit – people claiming working tax credits will be moved onto the system through ‘managed migration’, and there are many more people in low paid or insecure work who do not claim any benefits. Families, who make up the majority of people experiencing in-work poverty, have not moved onto Universal Credit at the scale of other groups, partially due to the suspension of full service UC to families with three or more children.

There is evidence suggesting that while more people are in work, in-work poverty is growing. Research from the University of Oxford found that 1 in 6 households referred to foodbanks are in work, primarily insecure or part-time work. This research also found that families with more than two children, in particular, were more likely to need foodbanks – a concern, given cuts to child tax credits in April 2017 and 2018 which have been carried over to UC.⁵ When larger families move onto UC, they will see a cut in their income.

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⁴ https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/740/74007.htm
What can or should the Scottish Government do to mitigate any detrimental impact?

It is encouraging that the Scottish Government is using its devolved powers to help reduce the risk of destitution and mitigate the negative impact of welfare reform through the Scottish Welfare Fund and by offering payment flexibilities for claimants. Research from Trussell Trust foodbanks shows that people who have needed to use a foodbank due to a UC issue felt that payment flexibilities, particularly fortnightly payments, would have been helpful for them to manage their money.

There are key steps the Government could take to further mitigate any negative impact of Universal Credit going forward:

1. **Universal Support**: A robust system of support to help people move onto the new system and manage their claims is essential for the success of Universal Credit. Evidence from claimants, and from the DWP itself, suggests this support is either not available; not reaching those who need it; or is not sufficient. The Scottish Government should use its power to top up Universal Support grants to local authorities to ensure vulnerable people can get the help they need. This funding should also cover debt advice, to ensure people can manage and reduce any debts accrued while waiting for their first payment or through repayments.

2. **Top-up payments**: Northern Ireland has invested in ‘top-up payments’ as part of a package of mitigations for Universal Credit, in recognition of the system being less generous. In particular, the ‘cost of working allowance’ (which provides payments to lone parents in particular to offset the cost of childcare) and top-up payments for people currently on disability premiums, would go some way to protect people worst-off under Universal Credit.

3. **Waiting times**: The wait for the first payment is still a key trigger for a foodbank referral when on Universal Credit. Any way to reduce the impact of this wait, through top-up payments or new support payments, would mean fewer people in need of emergency food.

4. **Bolstering other benefits**: As a range of other benefits are now devolved, topping up other benefits (particularly PIP, DLA, SDA, and DHP) would offset some of the losses in entitlements claimants will experience.

5. **Managed migration**: The DWP’s current proposals for managed migration are concerning, particularly as they do not set out a comprehensive strategy for identifying vulnerable people and offering proactive support to ensure claims do not end. A more sensitive and robust approach, which offers support to claimants, does not allow for sudden losses of income, and ensures people remain eligible for transitional protection for as long as possible, is necessary to ensure vulnerable people don’t find themselves with little or no income. We would encourage the Scottish Government to help ensure people do not find themselves in hardship in this transition.

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6 While the severe disability premium has been maintained following an announcement from the DWP Secretary of State, this can be lost through transitional protection eroding, does not apply to new claims, and does not apply to less severe disability premiums.