

# Citizens Advice Scotland

Scottish Association of Citizens Advice Bureaux  
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## Consultation on Universal Credit Waiting Days

### Response from Citizens Advice Scotland

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Citizens Advice Scotland (CAS), our 61 member bureaux and the Citizens Advice Consumer Service helpline form Scotland's largest independent advice network. Advice provided by the Scottish CAB Service is free, independent, confidential, impartial and available to everyone. Our website, Adviceguide, also provides the public with up to date information on a range of topics. We are champions for both citizens and consumers and in 2013/14 citizen advice bureaux advised on over 550,000 new issues. We want a fairer Scotland where people as citizens and consumers are empowered and their rights respected.

Citizens Advice Scotland (CAS) welcomes the opportunity to respond to this consultation on the Government's proposal to extend the number of benefit waiting days from three to seven for Universal Credit. CAS raised similar concerns in response to the similar proposal to extend the number of waiting days for Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) in June<sup>1</sup>, which has now been enacted. This response builds on the principles outlined in our prior response.

### Equalities impact

For claimants of Universal Credit, a first payment will not be paid until one month and seven days after they first make a claim. This could lead to considerable hardship. Based on the published levels of award for Universal Credit, claimants stand to lose at least £55.40 as a result of this change and in most cases considerably more, as Table 1 shows.

**Table 1 – Amount lost from waiting days by Universal Credit element**

Universal Credit element	Monthly award	Loss to claimant – 7 waiting days
<b>Basic element – single claimants</b>		
Aged under 25	£249.28	<b>£55.40</b>
Aged 25 and over	£314.67	<b>£69.93</b>
<b>Basic element – joint claims</b>		
Aged under 25	£391.29	<b>£86.95</b>
Aged 25 and over	£493.95	<b>£109.77</b>
<b>Child element</b>		
First child	£274.58	<b>£61.02</b>
Each subsequent child (additional)	£229.17	<b>£50.93</b>
Disabled child (additional)	£124.86	<b>£27.75</b>
Severely disabled child (additional)	£362.92	<b>£80.65</b>
<b>Childcare costs element (maximum award)</b>		
One child	£532.29	<b>£118.29</b>
Two or more children	£912.50	<b>£202.78</b>
<b>Limited capability for work element</b>		
Limited capability for work	£124.86	<b>£27.75</b>
Limited capability for work-related activity	£311.86	<b>£69.30</b>
<b>Carer element</b>		
Carer element	£148.61	<b>£33.02</b>
<b>Housing costs element</b>		
Housing costs element	£417.11	<b>£92.69</b>

Source – Calculated based on figures at [http://www.turn2us.org.uk/information\\_resources/benefits/universal\\_credit/universal\\_credit\\_award.aspx](http://www.turn2us.org.uk/information_resources/benefits/universal_credit/universal_credit_award.aspx). Housing costs based on average Housing Benefit award in Scotland, May 2014 (£92.69 per week) (DWP Stat-Xplore)

Claimants with disabilities, those with children, and/or with housing costs stand to lose a substantially greater amount than other claimants. Therefore this proposal may have a discriminatory impact on those entitled to additional premiums. As these groups may also be protected under equalities legislation, the equalities impact of this proposal needs to be examined carefully.

<sup>1</sup> Benefit waiting days consultation – Response from Citizens Advice Scotland, June 2014.

The draft regulations propose that certain categories of claimants would be exempt from serving waiting days, including those who are terminally ill; recent victims of domestic violence; care leavers; 16 or 17 year olds without parental support; discharged prisoners; together with those who have previous claims. CAS agrees with all of the above categories being exempt from waiting days.

As we highlighted in our response to the SSAC's previous consultation on waiting days in JSA and ESA, extending waiting days for those who have previous claims could act as a disincentive to work for people that regularly move in and out of work, such as those on zero hours contracts, or seasonal workers. Recently released prisoners are an example of people who have not been in work but are coming onto benefit. We welcome these exemptions.

However, there may be a case for making other groups exempt from waiting days. As Table 1 shows, those with additional elements of their Universal Credit award could stand to lose considerable sums, for instance those with severely disabled children, or those who have been assessed as having limited capacity for work or work-related activity. There is an argument that additional elements, particularly those related to disability and supporting children should not be subject to waiting days.

In a survey carried out by CAS in April 2014, 88 per cent of bureau advisers who responded said that they had seen an increase in people coming to bureaux over the last two years because of benefit disentanglement as a result of non-compliance with the conditions of their benefit.<sup>2</sup> For example someone can be disentitled for not actively seeking work or not being available for work and not providing good reason within five days (if they did provide a reason within five days but it is not accepted, this would lead to a sanction). These people will also be affected by an extension in the number of waiting days, which effectively more than doubles the penalty for failing to meet their conditionality requirements.

Other people who may be penalised through this measure are people who try to find work of their own accord after losing employment, and then turn to the benefits system as a last resort when they realise they will not find work as quickly as they hoped and that they are running out of money.

Whilst waiting days will not apply to claimants who are in full-time employment, on the basis that it would disincentivise work, the policy is intended to apply to those who are not in work, or who are underemployed (unable to find enough working hours). Whilst the benefits system should not act as a disincentive to work it would mean that the Universal Credit entitlement for those with a very low income, or no income whatsoever would be cut as a result of waiting days, whereas the entitlement of those with a higher income would not be. This situation could be seen as somewhat anomalous, and the Committee may wish to reflect on this.

Additionally, it must be borne in mind that, unlike most existing benefits, Universal Credit is paid monthly to claimants in arrears, and as a result in addition to losing out on the sums outlined in Table 1 a new Universal Credit claimant will not receive any payment for a month and seven days. The Department of Work and Pensions' Explanatory Memorandum outlines the expectation that "many people come to benefits directly from employment and it is

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<sup>2</sup> Sanctioned: what benefit? – Citizens Advice Scotland, July 2014  
<http://www.cas.org.uk/publications/sanctioned-what-benefit>

reasonable to expect them to use those earnings to budget for an initial period of unemployment.”

However, a significant number of low paid jobs pay employees weekly, and have a one week notice period. This requires claimants to have saved up at least five weekly pay packets before they get any payment, which is likely to cause hardship and financial problems for claimants. This could result in claimants left without income falling into debt, unable to pay for food or fuel. In this scenario, we would expect the demand for charitable support, such as food parcels to increase, which is of concern.

- A South of Scotland CAB reports of a client who attended asking to be referred for a food parcel. The client is struggling to make ends meet because she is not receiving full ESA payments for the first two weeks due to the waiting days. The client will receive full payment on Monday but will struggle to buy food over the weekend.

Having to wait for a month and seven days for a first Universal Credit payment will leave claimants with very few options to receive any income during that period. Under the current system with a shorter period before the first payment, citizens advice bureaux in Scotland have seen clients who have had to resort to borrowing from high cost lenders such as payday loans and credit brokers and left in a dire situation as a result.

- A West of Scotland CAB reports of a client who applied online for payday loans after having to give up work due to health problems. The three companies who he applied to turned out to be brokers who charged him fees totalling £200. The client now claims sickness benefits and has been left with no money in his bank account after the fees were taken.

A worrying trend in CAB evidence is the rise of clients who seek advice because they have not been paid their final wage, or for any notice period. Sometimes they are also due unpaid wages from other periods of their employment on top of this. In these circumstances, it would be very difficult for Universal Credit claimants who have just become unemployed to cope with a five week spell of zero income.

- A West of Scotland CAB reports of a client who had left his job as a security guard after discovering the job was not as advertised. He was made to work for 16 hours a day for 12 consecutive days and felt that he had no option other than to leave. However, his ex-employer is refusing to pay him for any work he has done, or for any notice period.

### **Impact on housing and rent arrears**

Since the introduction of welfare reforms, most notably the underoccupancy charge, rent arrears have risen sharply as an issue for CAB clients in Scotland. In 2013/14, new issues related to local authority rent arrears rose by 21.6%, and RSL (Registered Social Landlord) arrears issues increased by 49.9% compared with the previous year. According to research by the Scottish Housing Regulator, at the end of 2013, total arrears accounted for 4.2% of rental income, up from 3.7% the year before. This represents a total of almost £79 million, at least £5.43 million of which was directly attributed to the changes to Housing Benefit.<sup>3</sup>

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<sup>3</sup> Impact of Welfare Reform on rent arrears. Research Report 3 – Scottish Housing Regulator, April 2014  
<http://www.scottishhousingregulator.gov.uk/publications/impact-welfare-reform-rent-arrears-research-report-3>

Despite action by the Scottish Government to mitigate the effects of the underoccupancy charge, and the forbearance of social landlords, rising rent arrears will inevitably lead to evictions and homelessness for tenants struggling to pay rent. Indeed, after several years of falling numbers, homelessness is increasingly affecting CAB clients, with new issues of actual homelessness from April – June 2014 rising by 31% compared with the equivalent period in 2013.

As the Committee will be aware, new Housing Benefit claimants do not currently have to serve waiting days. Set against the wider social context, coupled with the switch to direct payment to tenants, the introduction of waiting days for the housing element of Universal Credit is likely to further increase rent arrears, which could cause tenants to be evicted and become homeless.

### **Impact on other benefits**

The impact on other benefits needs to be looked at carefully. If this proposal leads to claimants not being entitled to council tax reduction or other passported benefits for an extra period, or alternatively means that they need to make nil income claims while they wait to apply, this could lead to additional costs for local authorities.

These proposals are likely to have an impact on demand for the Scottish Welfare Fund, which has replaced parts of the DWP's Social Fund. Our evidence suggests that this Fund has already seen increased demand as a result of other UK Government welfare reforms, including the changes to the sanctions regime, and not paying ESA during a mandatory reconsideration. The increase in time spent waiting for a first Universal Credit payment could result in increased pressure on the Fund for a longer time, putting a considerable strain on local authorities' allocated resources.

### **In-work claimants on zero hours contracts**

We also see many clients who are on zero hours contracts. According to the Office of National Statistics, in February 2014 there were around 1.4 million employee contracts that do not guarantee a minimum number of hours. Misuse of zero hours contracts by employers – such as when a full-time or part-time contract may be better suited – has caused considerable problems for CAB clients. These problems can include a lack of work causing debt and destitution, with clients unable to budget or estimate their income due to unpredictable hours. This currently causes a number of problems in ascertaining what, if any support a client on a zero hours contract is entitled to from the benefits system, due to their fluctuating hours.<sup>4</sup>

- An East of Scotland CAB reports of a client who was employed as a driver through an agency on a zero hours contract. However, he has had little work over the last two weeks and has no hours for the coming weeks. The client has signed on for Jobseeker's Allowance (JSA) but has multiple debts. He was seeking advice about possible bankruptcy

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<sup>4</sup> Working at the Edge: Zero Hours Contracts – Citizens Advice Scotland, July 2014  
<http://www.cas.org.uk/publications/working-edge-zero-hours-contracts>

- An East of Scotland CAB reports of a client whose employment varies dramatically because of a zero hours contract. She can work between 7 and 13 hours per week and her income can vary from £60 to £100. The client struggles with her budget and address her debt issues as she is not sure how many hours she will be working on a week to week basis and has no guarantee of any work

The Government have claimed that, the introduction of Universal Credit will help to address uncertainty over an individual's benefit entitlement, due to being an integrated in- and out-of-work benefit based on real time earnings information.<sup>5</sup> However, if an individual's working hours were to be suddenly reduced – a not uncommon problem for those on zero hours contracts – then the support they receive would still be limited, as they would lose out due to the imposition of waiting days on top of having to wait a month for their first Universal Credit payment to arrive, by which point an income crisis may well have occurred.

Not getting enough working hours can be a reason for a number of workers to leave zero hours contracts, or to decline the offer of a zero hours job. Citizens advice bureaux have advised a number of clients who were concerned that if they did so, they would be prevented from claiming Jobseeker's Allowance (JSA) or sanctioned for turning down an offer or voluntarily leaving a job. In October 2013, the UK Government confirmed that workers in this situation should not be sanctioned<sup>6</sup>, which CAS warmly welcomed.

However, recent indications from the Department of Work and Pensions (DWP) that claimants may be sanctioned for these reasons when Universal Credit is rolled out<sup>7</sup>, is of concern. Supporters of zero hours contracts justify them on the basis that they offer 'flexibility' to the worker and the employer – requiring jobseekers to apply for them or risk a benefit sanction has the potential to further undermine that flexibility. CAS has recommended claimants under Universal Credit should not be sanctioned for not applying for a zero hours vacancy if it does not meet their needs. If claimants were to be sanctioned for declining a zero hours job or leaving one, on the justifiable basis that it offers no guaranteed work or income, and very few enforceable rights<sup>8</sup>, then having to incur waiting days would result in a 'double-whammy' loss of income that will cause hardship.

### **Wider social context**

Many people who enter the benefits system are coming from low paid work. Bureaux are increasingly seeing clients in crisis. Between January and March 2014, citizens advice bureaux in Scotland recorded 1,311 new food parcel issues – this equates to one food parcel issue for every 50 clients who received advice. The Trussell Trust has found that low income is the joint second most common reason for a food bank referral, accounting for one in five (19 per cent) of referrals in Scotland. The biggest factor, accounting for 28 per cent of referrals in Scotland, is delays to benefits<sup>9</sup>. Shelter carried out a survey of 2000 people

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<sup>5</sup> Consultation: zero hours employment contracts – Department for Business, Innovation and Skills, December 2013 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/267634/bis-13-1275-zero-hours-employment-contracts-FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/267634/bis-13-1275-zero-hours-employment-contracts-FINAL.pdf)

<sup>6</sup> Freedom of Information request 3022/2013

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/269392/foi-3022-13.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/269392/foi-3022-13.pdf)

<sup>7</sup> Letter from Minister for Employment to Sheila Gilmore MP, March 2014 <http://www.sheilagilmore.co.uk/wp-content/uploads/2014/03/GILM0200202140092020020092.pdf>

<sup>8</sup> Evidence on Small Business, Enterprise and Employment Bill – Citizens Advice Scotland, October 2014 <http://www.cas.org.uk/publications/evidence-small-business-enterprise-and-employment-bill>

<sup>9</sup> Trussell Trust (2014) Fivefold increase in demand – Scotland 16 April 2014

which showed that 35 per cent would not be able to maintain rent or mortgage payments for more than a month if they lost their job<sup>10</sup>, demonstrating how little savings or financial resilience there is.

If these people then lose their jobs and have to wait an additional seven days before being able to claim, they may well struggle to make ends meet in the meantime.

CAS carried out a public survey between November 2012 and November 2013 asking payday loans users about their experiences. 36 per cent of respondents said they had used their payday loans to cover food, fuel or rent, and 15 per cent had used them to cover other bills. 14 per cent of respondents with a payday loan had benefits as their only source of income.

This gives some context for the proposal to increase the number of waiting days. Many people currently coming onto JSA and ESA, and who in future will be coming on to Universal Credit are already struggling to make ends meet. Extending the time they have to wait before receiving money will in many cases make that situation more difficult and will in some cases lead to people getting into considerable debt.

### **Impact on bureaux**

Citizens advice bureaux have already seen an increase in people coming for advice in crisis situations. The immediacy and severity of the situation facing many clients who seek advice is putting significant pressure on bureaux and their volunteers. Bureaux across the country have had to urgently amend their advice provision and make vital links with local sources of free food in order to meet the immediate needs of clients who cannot afford to eat.

Case evidence from bureaux indicates that benefit delays and welfare reform are a factor in driving increased need for food parcels. Further restrictions in access to benefits, and particularly income-replacement benefits, is only likely to exacerbate this.

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<sup>10</sup> Shelter (2013) 8 million people one pay check away from being unable to pay for their home [http://media.shelter.org.uk/home/press\\_releases/8\\_million\\_people\\_one\\_pay\\_check\\_away\\_from\\_being\\_unable\\_to\\_pay\\_for\\_their\\_home](http://media.shelter.org.uk/home/press_releases/8_million_people_one_pay_check_away_from_being_unable_to_pay_for_their_home)