

Budget 2021

Citizens Advice Scotland Representation: January 2021

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux (CAB) and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Summary

To protect citizens, public health and the economy, consistent and effective linkage between public health restrictions and economic support is essential. Even on the cusp of a comprehensive vaccination programme, the UK population and UK Government continue to face an unprecedented economic and public health crisis. Swift, effective, and efficient action by government has been and will continue to be essential in protecting the lives and livelihoods of those living in the UK.

Citizens Advice Scotland (CAS) welcomes the opportunity to contribute to the Budget process and provide our insight and data. In this submission CAS sets out **two much needed policy actions** that must be included in the Budget. The first is to ensure that Universal Credit (UC) is maintained at an adequate level to effectively fulfil its function as a vital safety net and public service. Making the £20 a week increase permanent is the first step to ensuring that UC can meet the needs of the increasing number of people relying on UC. The second is to allow UC to become a better tool for recovery and support more people into work when the economy can open back up, as well as those already in work and claiming UC.

Based on CAB evidence, CAS recommends the Government:

- **Make the £20 a week increase to UC permanent**
- **Extend the Work Allowance to all UC recipients**

Strengthen the Social Security Safety Net - Make the £20 a week increase to UC permanent

Universal Credit is the main means tested benefit in the UK and plays a crucial role in our social security safety net, which in turn is a key part of the economic response to COVID-19. An

unprecedented number of people have claimed UC for the first time since March, with the total number of UC recipients in Scotland doubling since January 2020.¹

At the start of the pandemic, CAS welcomed the UK Government increasing Universal Credit payments by £20 a week, and is now calling for the Government to make this uplift permanent. Scottish Government figures show that more than 60,000 people in Scotland, including 20,000 children, will be plunged into poverty if benefit measures brought in to provide support through the pandemic are withdrawn.² CAS, along with 60 other organisations (including our sister organisation Citizens Advice, whose evidence was drawn from their network in England and Wales), supports the current Joseph Rowntree Foundation *Keep the Lifeline* campaign to make the £20 a week increase to UC permanent and extend the increase to legacy benefits.³

Evidence from the Scottish Citizens Advice network included in our representation shows the potential impact of removing the £20 a week:

- The economy will continue to feel the impact of coronavirus restrictions throughout 2021, with the Bank of England not expecting unemployment to even peak until at least Summer this year.⁴ Cutting UC at this critical stage will send people into hardship, slow economic recovery, and place strain on other public services.
- Over a third (37% and 38%, respectively) of people surveyed by CAS are worried about their income and job security, with this figure spiking to 71% for those currently on furlough (although this group was relatively small). Maintaining the uplift will mitigate this worry and give people the confidence required for the country to build back better.
- A quarter (27%) of CAB clients seeking UC advice for the first time lived in Scottish Index of Multiple Deprivation (SIMD) quintiles 4 and 5 (the least deprived parts of Scotland). These claimants face new and different issues in terms of higher essential living costs and pre-pandemic expenses that already may not be met by UC. Cutting £20 a week will place them in further difficulties.
- For those already struggling with complex debt, cutting the uplift will hit hardest. If the £20 a week increase is cut, 7 in 10 CAB complex debt clients will be unable to meet their basic living costs (i.e., be in a negative budget).

UC is a key part of the social security safety-net that must be a priority for investment. We urge the government to reinforce this safety net and continue to support people on UC by making the £20 a week increase to UC permanent in the March 3rd Budget.

¹ Scottish Government, [Universal Credit Scotland Dashboard – December 2020](#), page 2.

² Scottish Government, [Impact of withdrawing emergency benefit measures](#), November 2020.

³ JRF, [Keeping the Lifeline](#), 2020.

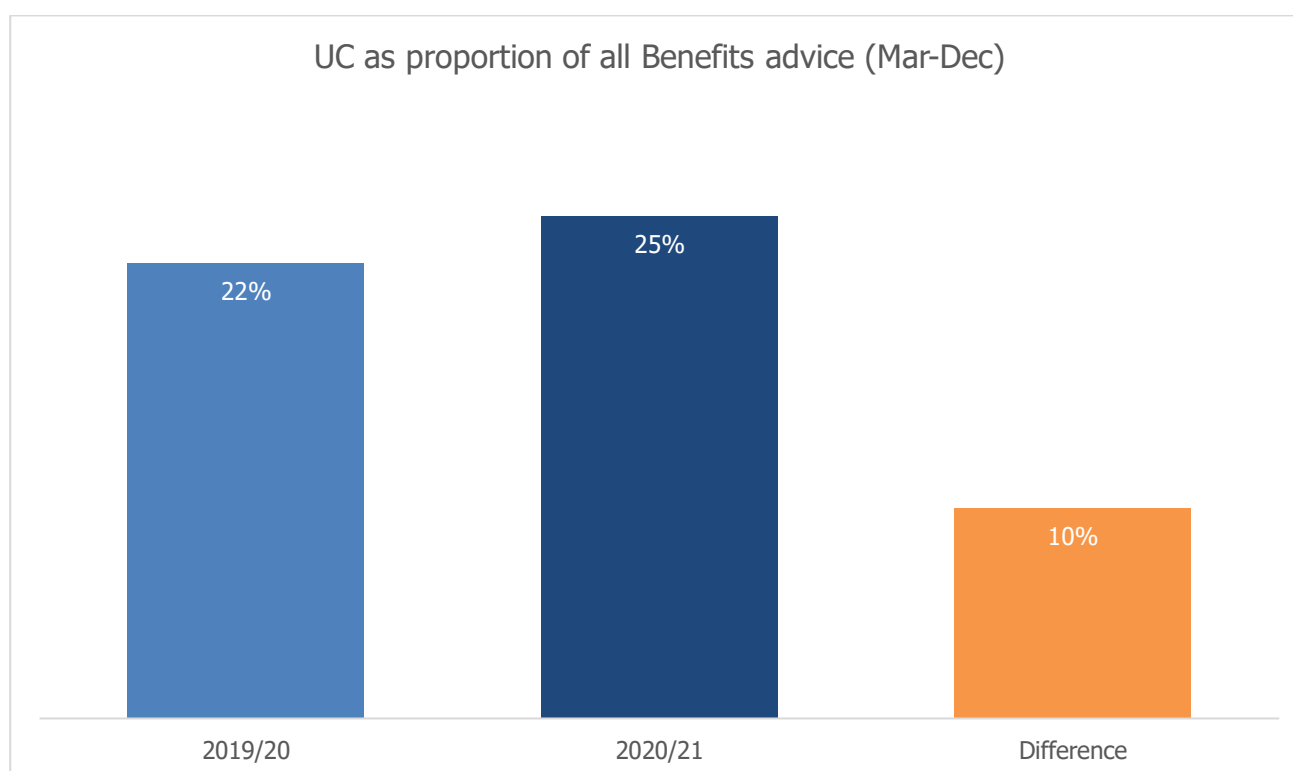
⁴ Bank of England, [Monetary Policy Report November 2020](#), pages 5-6.

A growing need for UC

UC has been one of the dominant advice needs of CAB clients since the pandemic began, with Scotland's Citizens Advice Network providing over 110,485 pieces of advice on UC since March 2020. This need was particularly pressing at the start of the pandemic, with UC making up 40% of all benefits advice given in April 2020 compared to 32% in February.

Chart 1 compares UC as a proportion of all benefits advice given by CAB over the same time period in 2019/20 and 2020/21. The proportional need for UC advice increased by 10% in 2020-21. This shows an increased need for support during coronavirus restrictions, even while other support like the Coronavirus Job Retention Scheme and Self-employed Income Support Scheme has held back a flood of even more new UC claimants.

Chart 1. Comparison of Universal Credit as a proportion of all Benefits advice (Mar-Dec)



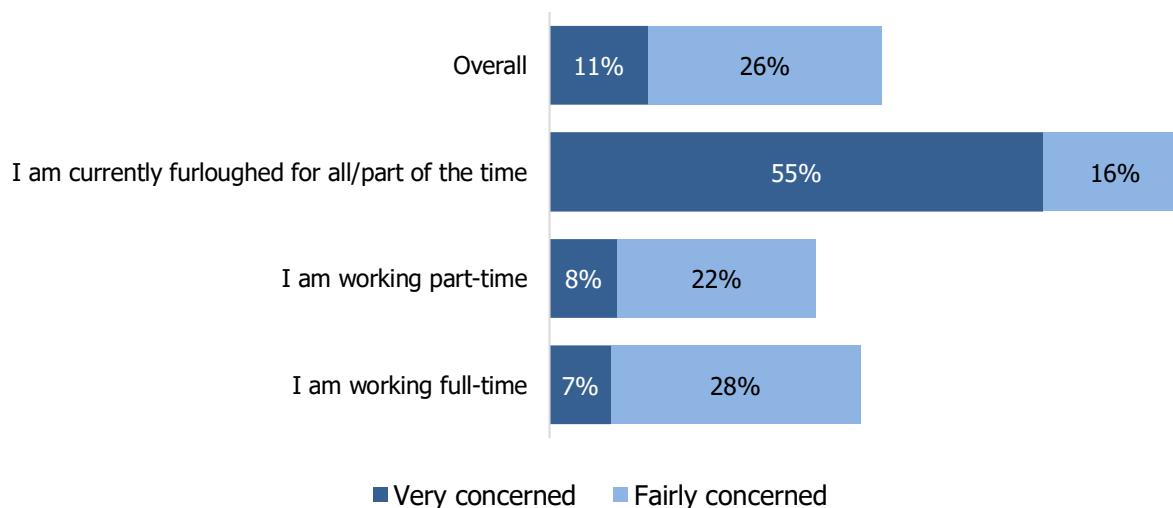
	2019/20	2020/21	Increase between years
Universal Credit (as proportion of all benefit advice, Mar-Dec)	22%	25%	10%

CAS polling in August 2020 found that 1 in 3 people in Scotland are concerned about their job security over the next 12 months (see Chart 2). Although the number of people captured in the research who were currently furloughed was relatively small, it is notable that the

overwhelming majority – over 7 in 10 - were concerned about their job security over the next 12 months.

Chart 2: External CAS polling (fieldwork August 2020)

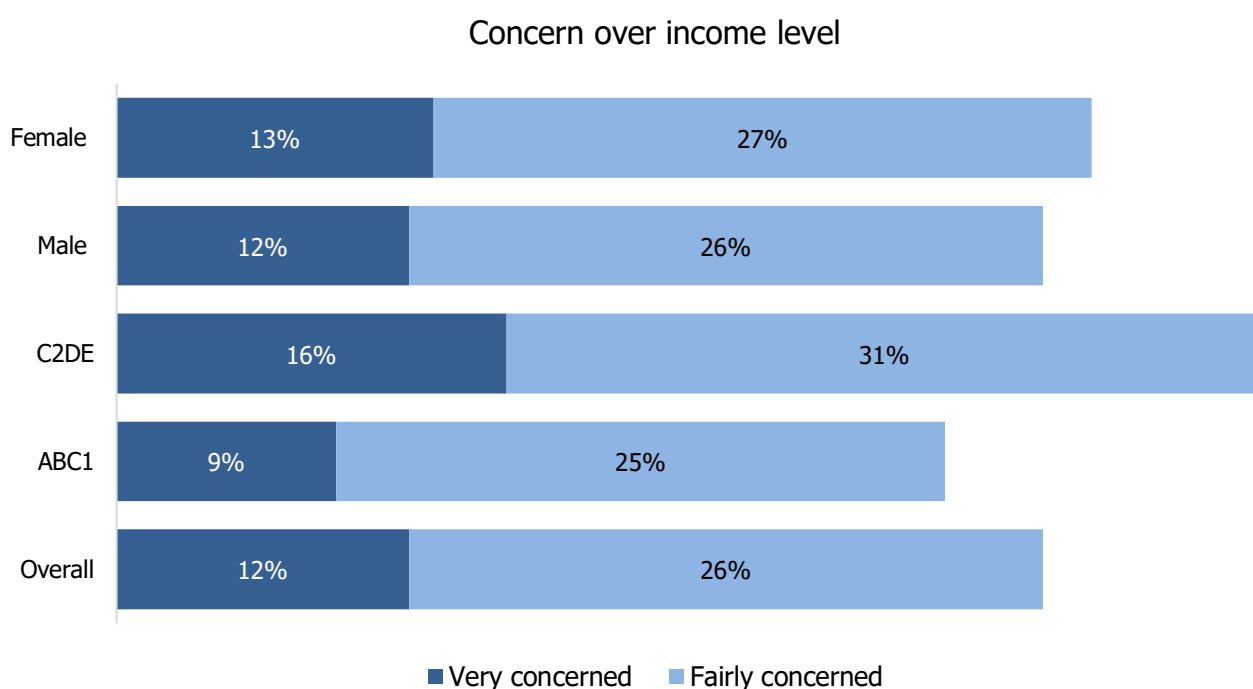
Concern over security of job in the next 12 months by current employment/furlough status



	<i>Working Full-time</i>	<i>Working Part-time</i>	<i>Currently Furloughed</i>	<i>Overall</i>
<i>Very concerned</i>	7%	8%	55%	11%
<i>Fairly concerned</i>	28%	22%	16%	26%
Total concerned	35%	30%	71%	37%

The same polling found that 1 in 3 people in Scotland are concerned about their income (see Chart 3). The combination of economic anxiety over future employment and income would be alleviated if workers knew they could rely on a sufficient UC safety net should their income drop.

Chart 3: External CAS polling (fieldwork August 2020)



	<i>Female</i>	<i>Male</i>	<i>C2DE</i>	<i>ABC1</i>	<i>Overall</i>
<i>Very concerned</i>	13%	16%	16%	9%	12%
<i>Fairly concerned</i>	27%	26%	31%	25%	26%
Total concerned	40%	42%	47%	34%	38%

A changing demographic

Scottish Citizens Advice network data replicates what is commonly thought regarding the upsurge in claims to UC and the changing demographic of who is making UC claims. Between April and August 2020, CAB evidence indicated that:

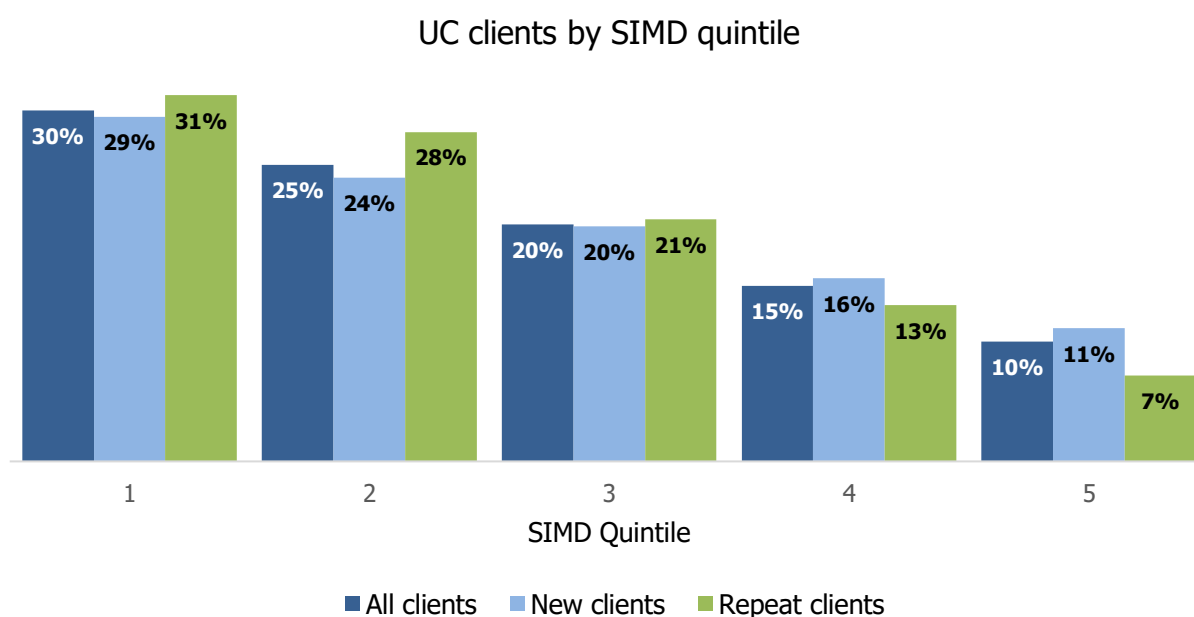
- A quarter (27%) of clients seeking UC advice for the first time lived in SIMD quintiles 4 and 5 (the least deprived parts of Scotland). 30% of new UC clients lived in the most deprived parts of Scotland (SIMD 1).
- Over 1 in 4 (28%) new CAB clients seeking UC advice were homeowners, who will receive no UC mortgage support for 39 weeks.
- 1 in 10 (11%) new CAB clients seeking UC advice were self-employed, in comparison to 5% of repeat UC clients.

CAS has long called for the level of UC payment to be lifted to a more adequate level. This is particularly pertinent when many people now find themselves claiming UC for the first time and are likely to have financial commitments that outstrip the level of UC payments. Moving to UC

from paid employment often entails a significant income shock and UC recipients in these circumstances may face particular financial risks if the £20 uplift is removed, including higher rent and mortgage costs, costs associated with self-employment, and even the cost of transport for those in low-paid jobs which are harder to do from home.

Chart 4 shows UC clients between April-August by Scottish Index of Multiple Deprivation (SIMD). The trend has been that CAB are seeing a greater proportion of new clients from quintiles 4 and 5 (the least deprived).

Chart 4. UC clients by Scottish Index of Multiple Deprivation (SIMD) (CAB data between Apr-Aug)

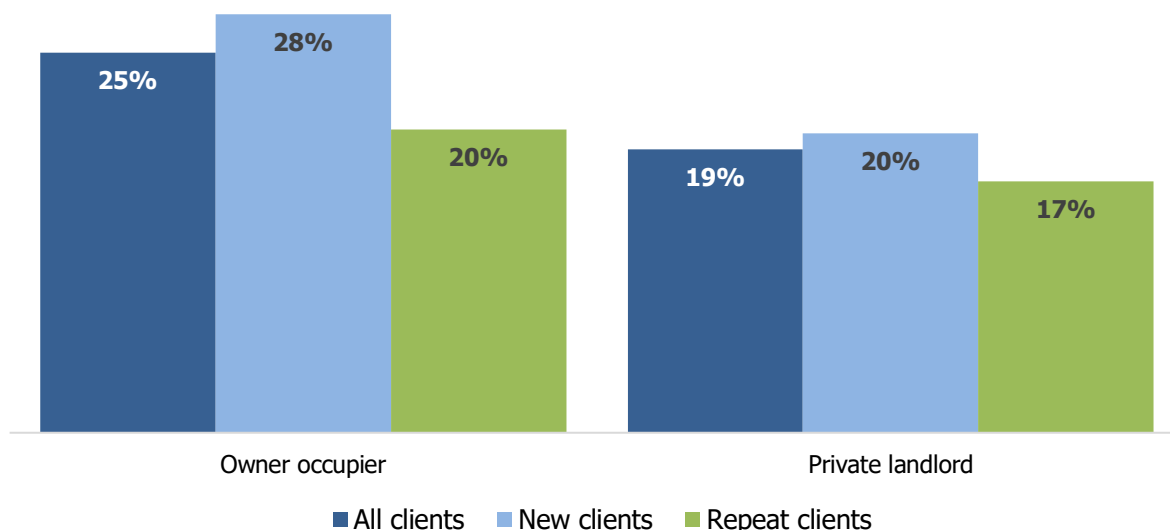


<i>SIMD Quintile</i>	<i>All clients</i>	<i>New clients (first contact since April)</i>	<i>Repeat clients (used CAB previously and revisited since April)</i>
1	30%	29%	31%
2	25%	24%	28%
3	20%	20%	21%
4	15%	16%	13%
5	10%	11%	7%

Similarly, Chart 5 shows an increase in the same time period of the proportion of new clients who are owner occupiers or renting from a private landlord. Both groups are likely to experience specific difficulty with UC covering housing costs. Mortgage payers are not entitled to any support with housing costs until 39 weeks of claiming UC, and Local Housing Allowance rates will be outstripped by median Private Rented Sector rents – for this group the additional £20 a week (£1040 a year) will be making a much needed contribution to covering housing costs.

Chart 5. UC clients by housing status (CAB data between Apr-Aug)

UC clients by housing status



	<i>All clients</i>	<i>New clients (first contact since April)</i>	<i>Repeat clients (used CAB previously and revisited since April)</i>
<i>Owner occupier</i>	(25%)	(28%)	(20%)
<i>Private landlord</i>	(19%)	(20%)	(17%)

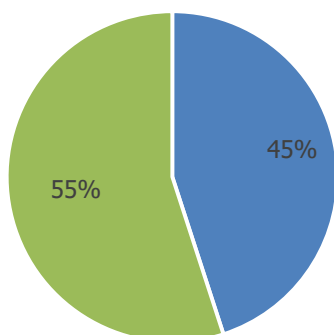
Impact on those already struggling

An analysis of UC clients who have used CAB services between April-August and are in what is considered 'complex debt'⁵ reveals the stark impact removing the £20 a week increase would have on this particularly vulnerable group (see Chart 6). Without the additional £20 a week announced in March, over 7 in 10 of these CAB clients would be in a negative budget. The additional £20 a week reduces by 17 % the number of clients who are in a negative budget.

⁵ *Complex debt refers to the level of support someone needs, whether that is due to the size of their debts in comparison to their income, or the number of separate debts they have*

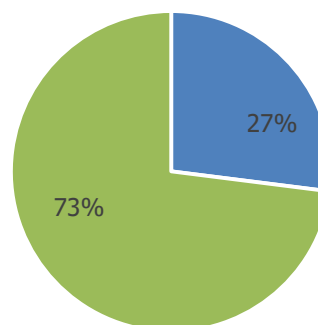
Chart 6. Impact of £20 a week on CAB clients seeking complex debt advice (between Apr-Dec).

With £20 a week increase is maintained



- Cases in positive budget
- Cases in negative budget

If £20 a week increase is cut



- Cases in positive budget
- Cases in negative budget

	With additional £20 a week	Without additional £20 a week
Cases in positive budgets	45%	27%
Cases in negative budgets	55%	73%

Securing the safety-net by making the £20 a week increase permanent

The growing demand on the UC system, the changing demographic of claimants and the economic uncertainty currently being experienced all mean it is necessary to now make the £20 a week increase permanent. As noted in Chart 3, over 1 in 3 people are concerned about their income. At present, making the £20 a week increase permanent is one step the government can take to give those relying on UC some added certainty over the coming months.

Research from the Resolution Foundation published in May found that new UC claimants had higher earnings and more savings than existing benefit recipients – this is reflected in Charts 4 and 5 that show an increased proportion in CAB clients from more affluent areas. Despite this, the same Resolution Foundation research showed that 36% were having trouble keeping up with bill payments, 42% had to cut back on spending to prioritise housing costs, and over half had already dipped into their savings.⁶

It is important to note that social security is not only a public service but also a key fiscal lever. Keeping the £20 increase and at the very least maintaining the current rate of UC allows the government to support the spending and consumption of those households on essentials while keeping strain off other already-overstretched public services.

⁶ Resolution Foundation, This Time is Different: Universal Credits First Recession, May <https://www.resolutionfoundation.org/publications/this-time-is-different-universal-credits-first-recession/>

We urge the government to commit to making the £20 a week increase permanent in the Spring Budget.

CAS Recommends:

- **The £20 a week increase to UC is made permanent**

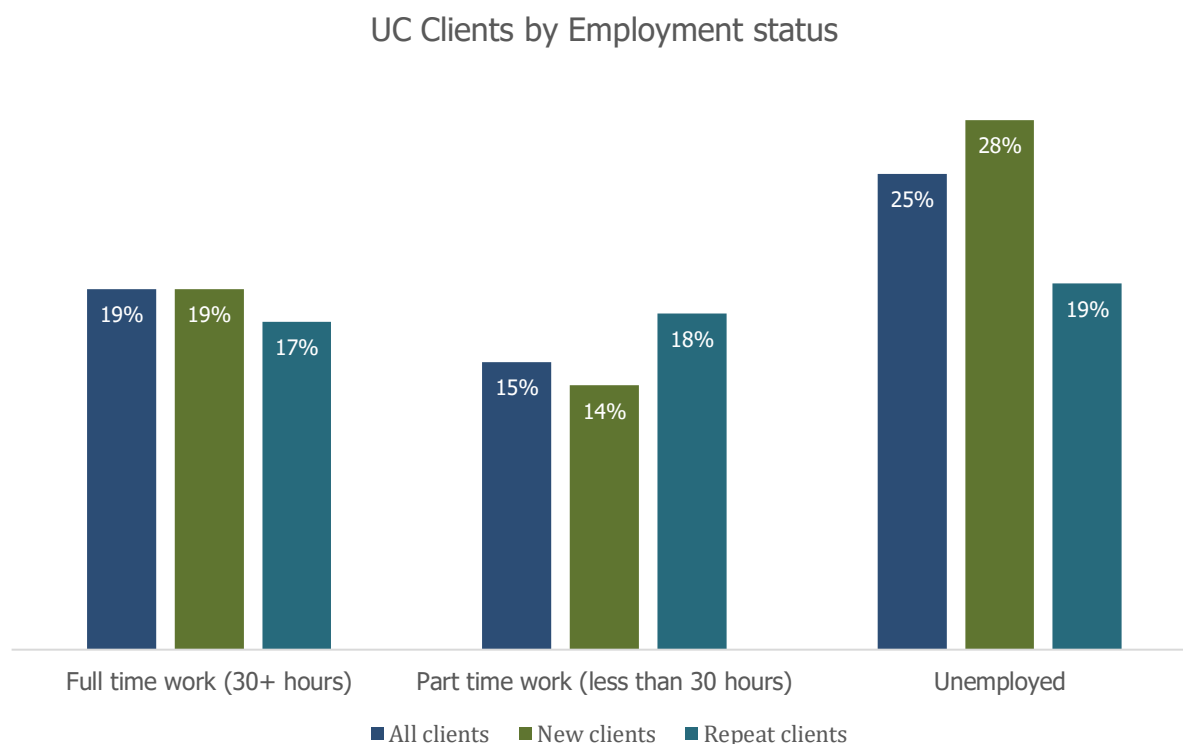
Making Universal Credit work for those in work

UC is both an in- and out- of work benefit. For many low-paid or part-time workers UC payments are key to topping up their wages. Despite the current unwelcome future employment forecasts and prospect of increased unemployment, it is essential that the government use the Spring Budget to make UC work for those who are in work by announcing the extension of Work Allowances to all UC claimants.

Work Allowance allows a person to earn up to a certain amount of money without any financial impact on their overall UC entitlement. Current Work Allowance rates are set at £292 for someone receiving housing costs and £512 if a person does not receive housing costs. For every one pound a person earns over their Work Allowance their UC payment is reduced by 63p. At present, only people with limited capability for work (a disability), or people with a child or children are entitled to a Work Allowance. Those without a Work Allowance have their UC deducted by 63p for every pound they earn from the first pound, which can result in low-paid workers being completely locked out of the UC system, by earning as little as £500 a month with no other support to meet bills and essential living costs.

A third (34%) of all CAB clients seeking UC advice were in part-time or full-time employment, and between April and August CAB saw a notable proportion of new UC clients who are in full-time employment (Chart 7). The chart also demonstrates that those in part-time or full-time work make up around a third of CAB UC clients – highlighting that UC is a critical in-work benefit for those on low-pay.

Chart 7. UC clients by employment status (CAB data)



	<i>All clients</i>	<i>New clients (first contact since April)</i>	<i>Repeat clients (used CAB previously and revisited since April)</i>
<i>Full-time work</i>	19%	19%	17%
<i>Part-time work</i>	15%	14%	18%
<i>Unemployed</i>	25%	28%	19%

Originally, all UC claimants were meant to have a work allowance to allow for greater financial certainty and planning when entering the workforce or taking on part-time and precarious work. The Summer Budget 2015 announced cuts to work allowances for most claimants from April 2016, including the complete removal of the £1,332 annual Work Allowance for a single person or couple, not living with a disability, and with no children. This cut drastically undermined the policy intention of UC to make work pay.

Work Allowances are a targeted initiative with the direct impact of helping to increase the amount a person can earn before impacting their UC payment and is therefore a key lever to boost the income of working households and foster economic activity. At this time of economic uncertainty, extending the Work Allowance to all UC claimants would also increase the adequacy of the benefit for those who are in work. It would also give a level of financial

stability and improve the ability people have to take on what is often precarious or low-paid work – sure in the knowledge their UC payment is protected until they earn over a set amount.

If people were secure in the knowledge that they could earn a certain amount before their UC payments were impacted this could help to boost an individual's economic activity and ultimately contribute towards economic growth and stability.

CAS Recommends:

- **The extension of the Work Allowance to all UC claimants**

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