

CAS briefing on child poverty in Scotland debate

Thursday 1st May 2008



Citizens Advice Scotland welcomes both the Scottish Affairs Committee inquiry into poverty in Scotland and the publication of its two reports into the issue.

Scotland's network of Citizens Advice Bureaux dealt with 444,122 new issues in 2006/2007, a 9% increase on the year before. Analysis of these issues reveals:

- the largest area of enquiry regards state benefits (31%), followed by consumer (including debt) (22%), employment (11%) and housing (10%)
- the single biggest issue is consumer debt (14%)
- the second biggest issue is disability benefits (6%), which has risen from fourth biggest to second biggest in just three years

Enquiries are therefore dominated by issues which arise from, or contribute to, poverty. Whilst people of all incomes use their local CAB, in general, bureau clients are:

- significantly more likely to be unemployed (21.2% compared with 4.5% of the population)
- less likely to be in full time employment (20.7% compared with 45.5%)
- more likely to live in council housing (32.8% compared with 20.6%) or other rented accommodation (21% compared with 10.1%). .

The CAB service is therefore a trusted intermediary with direct experience of advising and assisting citizens in poverty. This briefing focuses on fair employment, income maximisation and benefit backdating as important aspects of tackling child poverty.

There are many welcome recommendations in the report on Child Poverty in Scotland. In particular, the committee recognises:

- the need to match, if not surpass, the level of resources and commitment of the past decade in order to reach the target of halving child poverty by 2010
- the prevalence of in-work poverty and the pressing need to tackle the problems of low pay, job retention and career advancement
- the importance of simplifying the tax and benefits system and the need for the UK Government to "do its utmost to improve awareness of entitlements" (para 62) and "increase the take-up of benefits and tax credits" (para 23)

Work is an important route out of poverty, but many CAB clients face barriers to employment. These include being only marginally better off or even worse off in work, financial instability caused by unpredictable income streams moving between benefits and work, difficulties obtaining suitable jobs and a lack of affordable, suitable childcare.

Overcoming these barriers is important. However, problems encountered once in employment mean that poverty is often not left behind. Cuts in pay and working hours, problems with sickness rights and no holiday pay are all common employment problems for CAB clients. On leaving work there are also difficulties with enforcing statutory rights such as wages due and proper dismissal procedures. Our evidence points to the need for a 'fair employment commission' to help vulnerable employees secure their rights at work and better enable them to take up and sustain employment.¹

Income maximisation is another key contribution of Scotland's CAB service, securing £48.3m in confirmed financial gain for clients in 2006/2007. Across the UK there were between £9.1bn and £14.4bn unclaimed benefit and tax credits in the last year alone².

¹ Rooting out the rogues: Why vulnerable workers and good employers need a 'fair employment commission', Citizens Advice England & Wales and Citizens Advice Scotland, December 2007

² Income Related Benefits Estimates of Take-Up in 2005-06, and Child Tax Credit and Working Tax Credit Take up rates 2005-06

Research by the Fraser of Allander Institute in 2005 showed that the majority of the £5.48m of client financial gain from Glasgow citizens advice bureaux is spent on goods and services. It therefore directly led to the creation of 98 jobs in Glasgow and a further 22 across Scotland³. Income maximisation therefore helps at both the micro and macro level, tackling individual poverty and growing the country's economy.

Efforts to maximise income, reduce financial hardship and tackle poverty are undermined, however, by DWP proposals to reduce the backdating period for key benefits. The UK Government has announced that, from October 2008, the maximum period of backdating for pension credit, housing benefit and council tax benefit will be reduced from twelve to three months.

Citizens Advice Scotland is very concerned about the potential effect that this will have on CAB clients, particularly in relation to housing benefit. The DWP say the change is of benefit to customers as it is 'less financially intrusive'. In reality, it offers less choice and increasing hardship. Customers concerned about financial intrusion can at present choose not to apply for backdating. The change will mean increasing financial hardship and even evictions, since many problems relating to housing benefit are not uncovered or resolved within three months.

The DWP wishes to reduce backdating at time when benefit take up is a challenge - last year, £1,890m of housing benefit and £1,960m of council tax benefit was unclaimed.

In particular, the reduction in benefit backdating will have a detrimental impact on:

- clients with rent arrears who are unaware of their entitlement to housing benefit. Backdating of housing benefit for up to twelve months can dramatically reduce arrears, halt eviction proceedings and alleviate financial hardship
- vulnerable clients, especially those with literacy problems, mental health issues, language barriers or disabilities. Such circumstances mean that problems frequently take longer than three months to identify and resolve
- clients whose rent or council tax arrears have accrued as a result of maladministration by the local authority. They will become liable for the portion of these arrears that is more than three months old, even though they are not at fault
- clients applying for a housing benefit backdate when the local authority has incorrectly applied a non-dependant deduction to their benefit. This is a common CAB problem and often takes well over three months to identify as an issue, resulting in accrual of significant rent arrears⁴

We do not believe that this is what the Scottish Affairs Committee has in mind when it calls for simplification of the benefits system. Tackling complexity must be aimed at improving support for recipients – something this proposal fails to deliver.

Citizens Advice Scotland therefore calls on Scottish MPs to:

- support the Committee's call for increased resources to tackle child poverty
- support efforts to tackle low pay and poor employment conditions, including the need for a fair employment commission
- seek DWP support for increased benefits up-take and greater recognition of the role of income maximisation in tackling poverty
- urge the Secretary of State for Work and Pensions, James Plaskitt MP, to reconsider the introduction of reduced backdating for benefits

For more information or to discuss the issues further, please contact David McNeish, Parliamentary and Policy Officer, david.mcneish@cas.org.uk or 07834 051392.

³ The Effect of Citizens Advice Bureaux on the Glasgow economy, Fraser of Allander Institute, March 2005

⁴ For further information see our briefing Benefits Backdating <http://www.cas.org.uk/benefitbackdating.aspx>