

Social Security and In-Work Poverty

Social Security Committee Chamber debate

23 April 2019

Briefing from Citizens Advice Scotland

Citizens Advice Scotland (CAS), our 59 member Citizen Advice Bureaux (CAB), and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone.

In 2017/18, Scotland's CAB network provided advice on 19,047 issues related to Universal Credit (UC), which by the end of the period had only been rolled out to around half of Scotland's local authority areas. Additionally, CAB advised clients on 10,562 Working Tax Credit and 11,499 Child Tax Credit issues, which are the main in-work benefits that will be replaced by UC.

The impact of Universal Credit on in-work poverty

Citizens Advice Scotland has consistently raised a substantial number of issues associated with the rollout of Universal Credit that have caused stress, detriment or hardship to CAB clients.^{i ii iii} These issues, which have affected in-work, as well as out of work clients, include:

- An in-built five week delay before people receive their first UC payment
- Administrative delays which have prolonged this waiting period further, or have resulted in elements missing from clients' UC payments
- Clients struggling to make and manage a claim entirely online
- Increased rent arrears amongst tenants receiving Universal Credit
- Direct deductions to repay advances, overpayments or historic debts being taken at levels that leave people in hardship
- Difficulties making an initial appointment at the Jobcentre as part of the claim process (in particular, for clients who are working during the jobcentre's usual business hours)

The rising level of in-work poverty during the last five years has also been a concern for CAS. According to the latest official figures, 59% of working-age adults in relative poverty after housing costs were living in working households.^{iv} Citizens Advice Scotland has previously published research on some of the causes of in-work poverty in Scotland, including the rise of zero hours contracts, low pay, childcare costs as well as issues with the benefits system.^v Specifically with regard to people in work who have moved onto Universal Credit a number of particular issues have arisen:

Difficulties caused for people whose employers do not pay them monthly. Universal Credit is calculated using a calendar monthly assessment period. However, a significant number of people receive their wages more frequently than this^{vi}, most commonly weekly, fortnightly,

or four-weekly. This creates a mismatch between payment cycles which means there is at least one month in the year where people receive an additional pay packet in a calendar month, which artificially takes their income above the Universal Credit threshold, resulting in their claim being closed and needing to be re-opened.^{vii} In this situation, they may also lose entitlement to any passported benefits they receive during the period where their claim is closed.

Issues for people whose income is fluctuating and unpredictable, such as people on zero hours contracts. Previous CAS research has indicated a range of issues affecting people whose earnings vary month-to-month, which often arises in connection with zero hours contracts. CAS has evidence of CAB clients who work on zero hours contracts and receive Universal Credit accruing rent arrears. This is due to their receiving a variable amount of housing support because of their fluctuating working hours, making it difficult to budget. In some cases, people's Universal Credit claims have been closed due to them working a higher number of hours and exceeding the earnings limit.

In addition, some CAB clients have also felt forced into taking work on a zero hours contract due to Universal Credit conditionality, which has proved unsuitable for their needs due to the issues above. In some cases, they have given up the job due to these reasons, but then received a Universal Credit sanction for leaving the job.

Issues for people who are self-employed. Self-employed earnings can often fluctuate. If a person is deemed to be 'gainfully self-employed' then after a start-up period of 12 months they will be assumed to be earning the Minimum Income Floor (MIF). This equates to full time work at the National Minimum Wage. This is taken into account as earnings in the UC calculation whether the person earns that much or not in the assessment period.

By contrast, if a self-employed person has a 'good month' and earnings are £2,500 over where UC was assessed as NIL then the surplus is carried over to the next month as earnings. This could mean NIL UC the following period and so on until the surplus is used up. UC has to be reclaimed each month until the surplus is exhausted even when the claimant knows they will not qualify.

In April 2020 it is due to reduce to £300 which means many more people will be impacted. The surplus earning rules apply to the employed also but the self-employed are more likely to have large fluctuations. Surplus earnings will also affect seasonal workers, e.g. those who have high summer earnings in tourist areas but minimal or no earnings off season.

Issues related to in-work conditionality. Whilst there is still relatively little known about the impact of in-work conditionality, due to the policy still being subject to ongoing trials and piloting by DWP^{viii}, and yet to undergo a full rollout, a small number of in-work CAB clients claiming Universal Credit have been sanctioned.^{ix} However, CAB evidence suggests that clients who are already working part-time hours and have caring responsibilities or health conditions have struggled to adhere to Universal Credit conditionality requirements. Additionally, a number of in-work CAB clients have had difficulty with Universal Credit conditionality, because of poor

digital skills and access which has meant they are unable to search for jobs online without substantial support.

Potential mitigation action by the Scottish Parliament and Scottish Government

Whilst the Scottish Government does not have policy control over Universal Credit, aside from the devolved administrative Scottish Choices, there are a number of areas where it could take action to mitigate any negative effects.

The Scottish Government could continue to promote levels of pay and fair work to help ensure that people in work are less reliant on Universal Credit for substantial portions of their income. This could include continuing to encourage employers to pay the Scottish Living Wage, ensure that public sector pay keeps pace with the cost of living, and continue to keep a focus on Fair Work, in particular, actions to discourage employers from inappropriate use of zero hours contracts.

Whilst a number of actions have been taken to provide affordable childcare, such as the commitment to provide 600 hours per year of free childcare, CAB cases indicate that some clients have not been able to find suitable flexible available local childcare. Research by Coram Family and Childcare suggests that a significant number of local authorities do not have sufficient childcare provision for a number of groups – in particular for parents working atypical hours, after school care for 12 – 14 year olds, and for disabled children.^x **Increasing the availability of flexible childcare could enable parents to maximise their earnings through increasing their hours at work.**

The Scottish Government could extend concessionary travel to low earners and work with providers and local authorities to improve provision of bus services. Recent CAS research showed that the cost of bus services, as well as service frequency and punctuality are big concerns for consumers, with 14% of survey respondents indicating they were unable to travel to work by bus.^{xi}

To help in-work families facing an income crisis, the Scottish Government could continue to work with COSLA and individual local authorities to raise awareness of the Scottish Welfare Fund, which could include working in partnership with other organisations, or investing in a specific awareness-raising campaign.

The Scottish Government could continue to provide support for income maximisation, money advice and independent advice services. In particular, consideration could be given to support for in-work households in the preparation of the strategy to promote social security take-up required by the Social Security (Scotland) Act 2018.

The Scottish Government could continue its work to introduce an Income Supplement as soon as is possible to boost the incomes of people experiencing child poverty.

Finally, the Scottish Government, and Scottish Parliament Social Security Committee could continue to raise issues with the UK Government to advocate changes where aspects of Universal Credit have a negative impact on people in Scotland.

Appendix – Cases from Scottish citizens advice bureaux

An East of Scotland CAB reports of a client who has lost £51 per week of income (Working Tax Credit) due to having to claim Universal Credit for housing costs while off work sick. She is not entitled to any UC on top of her full time, above-minimum wage earnings. This reduction in income is making it hard for her to make ends meet - after the rent and all bills have been paid at the start of each month she has very little left to live on. She was distressed about her financial situation, and confused as to why she was entitled to extra money under the tax credit system but not under UC. The client, who works on average 42 hours per week on a rotating shift pattern, feels that she would be better off not working, despite wanting to work, as she has so little to show for it.

A West of Scotland CAB reports of a client who is self-employed and receives Universal Credit. At the moment he is not earning anything through his business due to ill health, and has incurred a loss of £520 in the last month for rent of a business unit and van insurance. He received an advance payment of Universal Credit to cover this. He is being treated as earning his minimum income floor regardless of whether he has actually earned income or not. As his income floor is £1,091.06 this has resulted in a zero award. The client will continually be treated as earning this set amount regardless of if he does or not, and all subsequent UC payments will now be affected because of this.

An East of Scotland CAB reports of a client who is considering giving up employment due to the hardship she faces every week because of the amount of money she is having to pay out in childcare being more than she is awarded from Tax Credits. She is currently working 24 hours per week, at times which do not suit her family life as a single parent. She has two children who require childcare while she is at work, which is costing her over £200 per week.

A North of Scotland CAB reports of a client who was sanctioned for voluntarily leaving a zero hours contract with a cleaning company. As the client's conditionality meant she had to 'do anything possible to find work, the client had felt forced to apply for and accept the contract. The hours were extremely unpredictable and the client was struggling to pay for food, gas and electricity, as well as provide for her young children who stay with her at weekends. The client eventually decided that this situation was unsustainable and so, for her own sake and for that of her children, gave up the job. She explained the circumstances to her work coach, but was still sanctioned. The client is experiencing extreme financial hardship as a result.

An East of Scotland CAB reports of a client who was sanctioned for non-compliance with additional work-search requirements. She works part-time and also lives with and helps to care for her elderly mother. She lives in a rural area and has no digital skills or online access to her journal so depends on the Jobcentre on informing her actions to take. She received a call from her Work Coach the previous week, who informed her that she needed to upload information to her journal. Given that she lives in a rural area and takes care of her mother, she was not able to travel to the Jobcentre or library to upload this information immediately. She was then sanctioned for not complying with requirements. The client is unsure how long she has been sanctioned for.

For more information or CAB cases, contact:

Rob Gowans

0131 550 1087 or rob.gowans@cas.org.uk

ⁱ Citizens Advice Scotland response to House of Commons Public Accounts Committee inquiry on Universal Credit, July 2018 - https://www.cas.org.uk/system/files/publications/pac_uc_inquiry_written_evidence_july_2018.pdf

ⁱⁱ Learning from Testing Times: Early Evidence of the Impact of Universal Credit in Scotland's CAB Network – Citizens Advice Scotland, June 2016

https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf

ⁱⁱⁱ Calling for a halt to Universal Credit: A Citizens Advice Scotland briefing for key stakeholders – July 2017

https://www.cas.org.uk/system/files/publications/halting_universal_credit_-_citizens_advice_scotland_briefing_july_2017_0.pdf

^{iv} Poverty and income inequality in Scotland: 2015 – 2018 – Scottish Government, March 2019

<https://www.gov.scot/publications/poverty-income-inequality-scotland-2015-18/>

^v Briefing for Scottish Parliament debate: 'An End to In-Work Poverty' – Citizens Advice Scotland, March 2015

<https://www.cas.org.uk/publications/work-poverty-parliamentary-briefing>

^{vi} Estimates suggest this could be as high as 60% of claimants. For more see page 19 of Learning from Testing Times: Early Evidence of the Impact of Universal Credit in Scotland's CAB Network – Citizens Advice Scotland, June 2016 https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf

^{vii} Universal Credit Guidance: different earning patterns and your payments (payment cycles) – Department for Work and Pensions, February 2018 <https://www.gov.uk/government/publications/universal-credit-different-earning-patterns-and-your-payments/universal-credit-different-earning-patterns-and-your-payments-payment-cycles>

^{viii} Universal Credit: in-work progression randomised controlled trial – Department for Work and Pensions, September 2018 <https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial>

^{ix} Citizens Advice Scotland response to Social Security Advisory Committee consultation on the Universal Credit Claimant Commitment – April 2019 <https://www.cas.org.uk/publications/cas-responds-call-evidence-universal-credit-claimant-commitment>

^x Childcare Survey 2018 – Coram Family and Childcare <https://www.familyandchildcaretrust.org/childcare-survey-2018>

^{xi} Creating Better Journeys: Findings from the Citizens Advice Scotland bus users survey – Citizens Advice Scotland, March 2018 https://www.cas.org.uk/system/files/publications/creating_better_journeys_report.pdf