

# Minimum Income Guarantee Call for Views Submission

## Citizens Advice Scotland

September 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

Citizens Advice Scotland (CAS) gathers evidence from the more than 171,000 clients a year supported by our network. Many of the problems faced by our clients are rooted in or linked to their incomes not being enough to meet their needs and live a dignified life. For many people coming to see us they simply do not have enough money to make ends meet: YouGov in May of this year indicated **1 in 7 Scots is struggling on their present income** even with the temporary financial support measures put in place as a result of the pandemic. In fact, 56% or half a million pieces of advice provided by our network every year can be attributed to income maximisation. During the pandemic CABs unlocked £147million for people through things like social security payments, employment entitlements and lower bills for utilities. A Minimum Income Guarantee would mean the Citizens Advice network could ensure people have even more security and opportunity.

This evidence base, from over 80 years as Scotland's largest free, impartial and confidential advice network, gives CAS a unique understanding of the issues that IPPR proposes could be addressed by a Minimum Income Guarantee. In addition, our experience supporting clients over the course of the pandemic shows that even those who were coping before the crisis still found themselves vulnerable if their income dropped or costs went up even slightly.

**Over the course of the pandemic we observed that new clients – people using the CAB network for the first time - have had a different demographic profile compared to more regular CAB clients, with**

- **more being in employment (26% as opposed to 16%),**
- **younger (33% under 35 compared to 22% repeat clients),**
- **and living in the least deprived Scottish Index of Multiple Deprivation areas.**

In terms of pandemic recovery: it is our clear desire to see an inclusive recovery that puts incomes and living standards at its heart. But even beyond the pandemic, improving incomes and living standards for the least well off must be the priority of government.

A Minimum Income Guarantee could play a role in this, but a number of factors must be considered:

- A Minimum Income Guarantee differs from Universal Basic Income in that it is means-tested. Its interaction with wages, property, tax and wealth can be complex.
- A flat Minimum Income Guarantee level will not take account of the differences in people's needs or responsibilities. Disabled people often have to spend more on their living costs than people who are not disabled to overcome the barriers they face in a society not designed for their needs. This can

include increased heating and transport costs as well as spending on food and equipment. Similarly, those with caring responsibilities will have higher costs than those without, and even geographical area can affect one's cost of living with people in rural areas or further away from urban centres often facing higher costs for energy, food and transport.

- Current Scottish Government powers over social security are limited. Any Minimum Income Guarantee would also have to interact with the UK social security system, and it is unlikely that the Scottish Government could introduce a full-scale Minimum Income Guarantee unilaterally.
- A Minimum Income Guarantee should be viewed as a poverty reduction measure, not an employability policy. While being better able to meet your living costs can make it easier in some circumstances to focus on training or employment, a Minimum Income Guarantee should not involve any form of conditionality.

## 1. What do you see as being the key elements of a Minimum Income Guarantee?

- A Minimum Income Guarantee should ensure every person a minimum income that is sufficient to live on. This must take into account individual circumstances.
- Its primary aim is to reduce or prevent poverty by making sure everyone can meet essential living costs. It's not an employability policy. While being better able to meet your living costs can make it easier in some circumstances to focus on training or employment, a Minimum Income Guarantee should not involve any form of conditionality.
- It differs from a Universal Basic Income as it is means-tested – if a person earns more than the Minimum Income, they are ineligible to receive a payment.

## 2. What do you see as the main benefits, challenges and risks of a Minimum Income Guarantee in Scotland?

- A Minimum Income Guarantee differs from Universal Basic Income in that it is means-tested. Its interaction with wages, property, tax and wealth can be complex.
- The benefits of an effective Minimum Income Guarantee include allowing individuals the means to live a dignified life, but also reducing demand on other public services caused by the social, physical and mental impact of poverty.
- The biggest practical challenge to introducing a true Minimum Income Guarantee in Scotland are the limits to the powers held by the Scottish Government and the ability to work with and take account of reserved tax, social security and wage-setting systems.
- There are risks in setting a flat Minimum Income Guarantee rate, which may penalise people who have higher living costs through no fault of their own.
- There are also risks in setting the Minimum Income Guarantee too low overall. Current full-time minimum wage levels are not enough to afford a decent standard of living in most circumstances. Without tackling low wages and high costs for e.g. housing in the private rented sector, or high fuel costs, there is a risk that a Minimum Income Guarantee would act as a subsidy for and serve primarily to benefit low-paying employers, private landlords and energy companies.
- Without the full powers to introduce an effective Minimum Income Guarantee, there is a risk that work to develop proposals could also reduce resources available elsewhere to introduce and improve existing anti-poverty measures and targeted support in the wider Scottish social security system.

### **3. Are there certain groups of people that you think should be given particular attention when thinking about how a Minimum Income Guarantee in Scotland should work?**

- Disabled people, and people with caring responsibilities face higher costs than others. While some existing elements of social security are designed to fill this gap, current levels are not adequate. A Minimum Income Guarantee will only be effective if it secures a higher and more appropriate income for disabled people and carers.
- People in rural and remote areas face higher costs for essentials like food, transport, energy and digital access. These higher costs must be taken account of.
- Single parents, especially those with larger families, are also vulnerable to higher costs, while being limited in how many hours they can work due to their caring responsibilities. Single parents and carers are more often women, so a gendered analysis of the benefits and risks of a Minimum Income Guarantee are vital.
- As well as the above, CAB evidence from the pandemic shows that the proportion of advice on social rented sector arrears has fallen since March 2020, whereas advice on private rented sector arrears has risen. This suggests the higher costs faced by private renters are worth giving particular attention.
- Temporary accommodation for people experiencing homelessness can also be incredibly expensive and a Minimum Income Guarantee must be able to support these people as well.
- Younger people (under 25 or under 30) are entitled to lower levels of social security support from Universal Credit and lower minimum wage rates, despite their essential costs being the same as other groups. Any Minimum Income Guarantee designed to work alongside existing social security provision must take this into account.

### **4. What steps should we take first to deliver the Minimum Income Guarantee in Scotland? You may wish to think about public services, employment and employers, and social security.**

- Until a clearer picture emerges of what the Scottish Government wants a Minimum Income Guarantee to achieve, and some of the issues above might be resolved, it remains too early to propose specific policy interventions at this stage.