# Comprehensive Spending Review 2020
## Citizens Advice Scotland Representation: September 2020

*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. The UK population and UK Government face an unprecedented on-going simultaneous economic and public health crisis. Swift, effective and efficient action by government has and will continue to be essential in protecting the lives and livelihoods of those living in the UK.

Protecting and maximising household incomes and averting mass unemployment are the essential foundations on which the Spending Review in this time of COVID-19 must be built. The Government can do this by committing to the following actions;

- Implementing targeted job protection initiatives to avert unemployment,
- Strengthening the Universal Credit safety net by ensuring level of payments are maintained at least at current levels,
- Making Universal Credit work for those in work.

Citizens Advice Scotland (CAS) welcome the opportunity to contribute to the Spending Review process and provide our insight and data. CAS sets out three much needed policy actions that are vital for citizens that we believe must be included in the Comprehensive Spending Review or any replacement fiscal event this autumn.

**Based on CAB evidence, CAS recommend the Government:**

- **Extend the furlough scheme through new job protection initiatives in a targeted way to account for the relative reliance on key sectors in different parts of the UK, as well as the differing approaches to easing lockdown in the four nations of the UK.**
- **Make the £20 a week increase to UC permanent**
- **Extend the Work Allowance to all UC claimants**

## Protecting Jobs and Preventing Redundancy

CAS welcomed the creation of the Coronavirus Job Retention Scheme (CJRS). The timely implementation of the CJRS protected many people's incomes during the initial lockdown, ensured that people retained employment and has allowed many to return to work rather than being made redundant. The CJRS also reduced some of the pressure on Universal Credit, which likely would have faced a significantly larger number of claims than the already unprecedented increase in claims.

Now, however, action must be taken to ensure that the end of the CJRS does not provoke a sudden wave of redundancies leading to a Winter of unemployment.

Data from Citizens Advice Bureaux (CAB) shows the rising demand for redundancy information and advice. Between 16 March and 31 August 2020, 35,094 pieces of advice were provided in relation to employment. The proportion of employment advice being sought on redundancy more than doubled between April and June (Chart 3). CAS evidence also shows that a significant proportion of people are concerned about their future income and employment security.

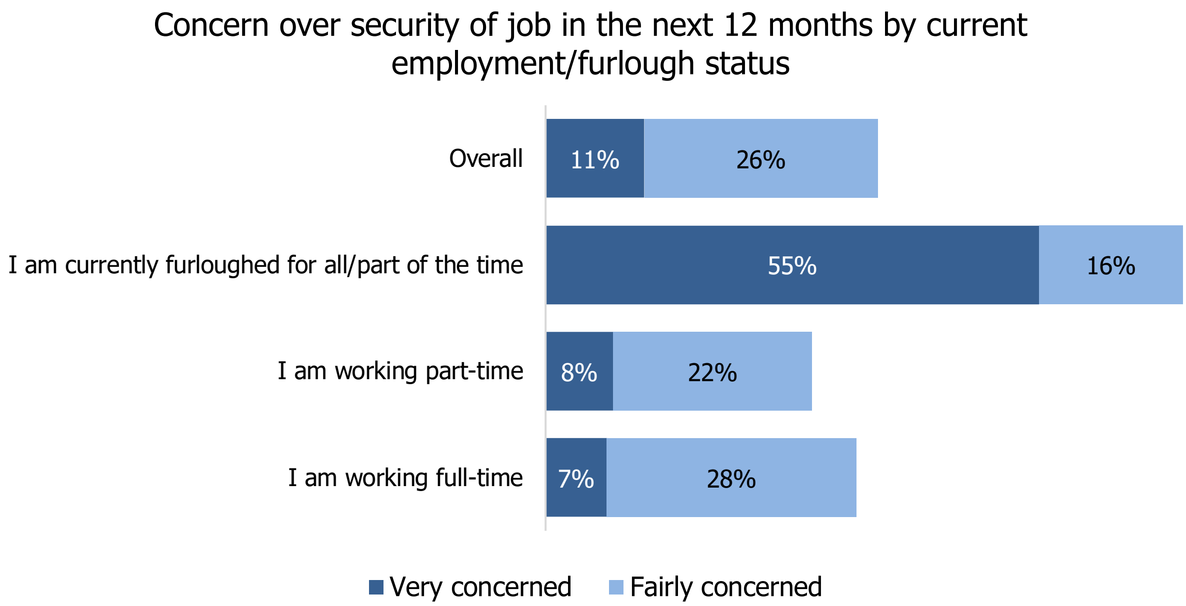
We urge the government to extend the furlough scheme through new job protection initiatives that work in a targeted way to account for the relative reliance on key sectors in different parts of the UK.

### Public concern over job security and income

Recent CAS polling found that 1 in 3 people in Scotland are concerned about their job security over the next 12 months (see Chart 1). Although the number of people captured in the research who were in the position of currently being 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.

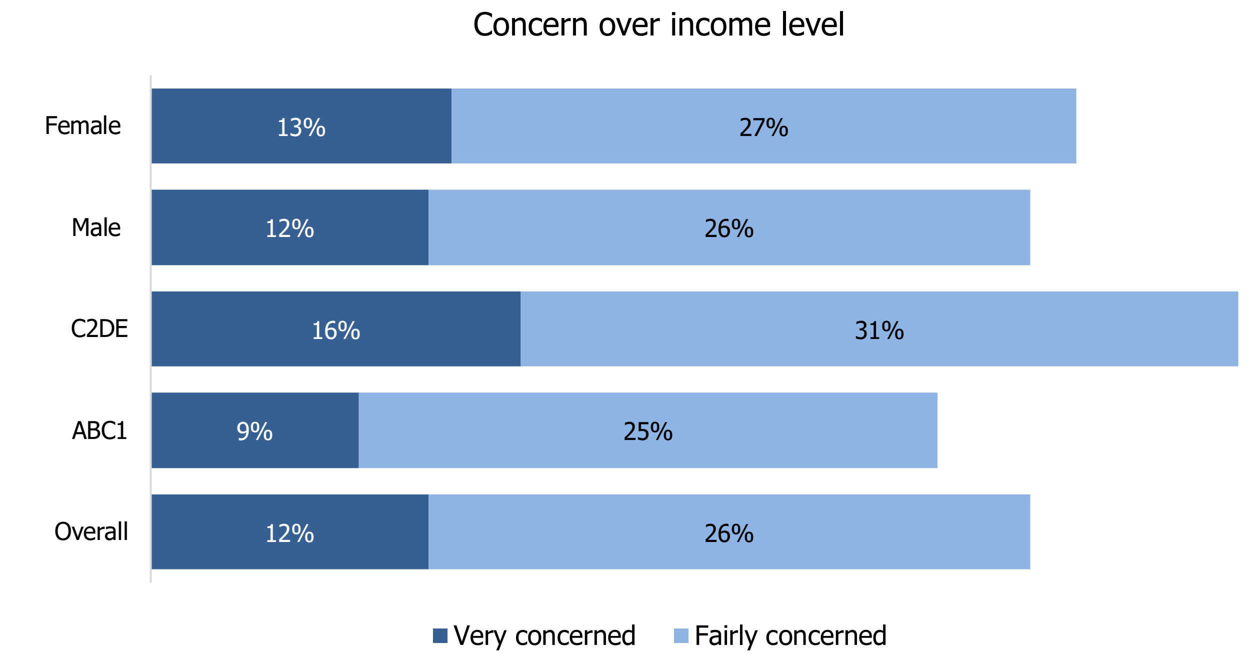
The same polling found that 1 in 3 people in Scotland are concerned about their income. The combination of economic anxiety over future employment and income could be brought to end by targeted job protection schemes that would give employees and employers government support when they need it most.

*Chart 1: External CAS polling (fieldwork August 2020)*



| | *Working Full-time* | *Working Part-time* | *Currently Furloughed* | *Overall* |
|---|---|---|---|---|
| *Very concerned* | 30 (7%) | 10 (8%) | 31(55%) | 75(11%) |
| *Fairly concerned* | 123 (28%) | 29 (22%) | 9 (16%) | 174 (26%) |

*Chart 2: External CAS polling (fieldwork August 2020)*



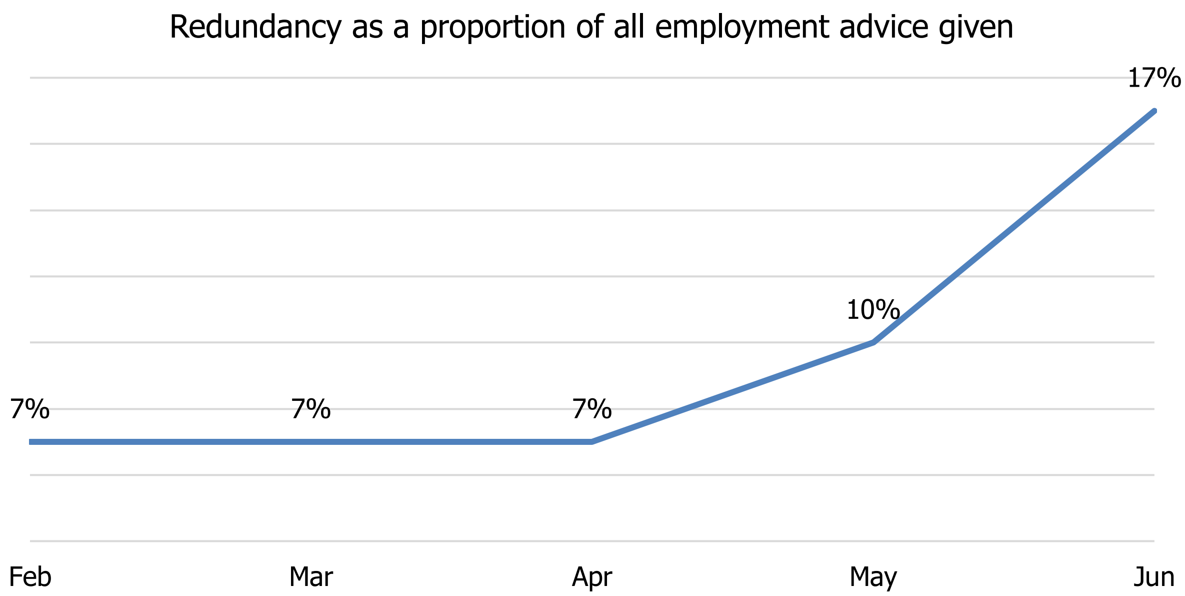

| | *Female* | *Male* | *C2DE* | *ABC1* | *Overall* |
|---|---|---|---|---|---|
| *Very concerned* | 71 (13%) | 62 (16%) | 62 (16%) | 52 (9%) | 133 (12%) |
| *Fairly concerned* | 148 (27%) | 140 (26%) | 118 (31%) | 141 (25%) | 288 (26%) |

**Rise in redundancy advice seeking from the Citizens Advice network**

Comparing the external polling carried out by CAS with the internal data from our network it is clear that concern over job security and income are being borne out in the seeking of advice and information on redundancy. Worryingly, between April and June, advice on redundancy more than doubled (Chart 3).

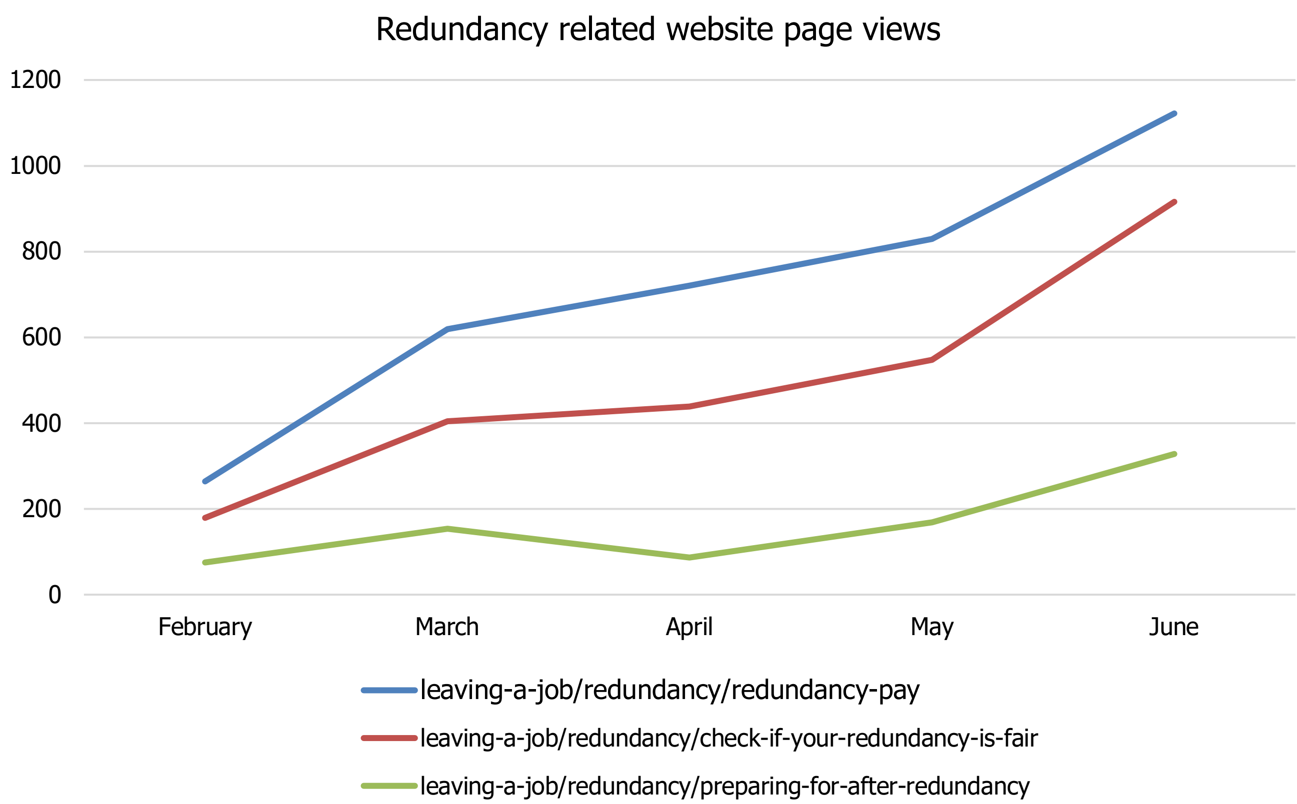
Visits to the Citizens Advice network public advice pages on redundancy have grown at a similarly alarming rate (Chart 4). The number of visits to the webpage 'preparing for after redundancy' alone grew by over 300% between February and June.

*Chart 3. Redundancy as a proportion of all employment advice (CAB data)*




| | Feb | Mar | Apr | May | Jun |
|---|---|---|---|---|---|
| **Redundancy** | 7% | 7% | 7% | 10% | 17% |

*Chart 4. Redundancy related website page views (CAS public advice site*



| Webpage | February | March | April | May | June |
|---|---|---|---|---|---|
| *leaving-a-job/redundancy/redundancy-pay* | 264 | 619 | 721 | 829 | 1122 |
| *leaving-a-job/redundancy/check-if-your-redundancy-is-fair* | 179 | 405 | 439 | 548 | 916 |
| *leaving-a-job/redundancy/preparing-for-after-redundancy* | 75 | 154 | 86 | 169 | 328 |

## Preventing rising redundancies and protecting jobs

The evidence from our network paints a stark picture of the current employment prospects faced by many during the current economic uncertainty. As the CJRS is due to end in its current form, similar equally ambitious and imaginative job protection initiatives will be vital to the long-term economic health of people and business in the UK.

Urgent action and announcements are required to quell the anxiety and real risk and experience of redundancy many people are facing at this very moment. Not acting swiftly heightens the prospect of a redundancy surge, which itself would trigger a 'second wave' of claims to Universal Credit.

Despite the cost to the Treasury of job protection initiatives it is imperative that the deeper lasting ramifications of not extending job protection initiatives are considered. The greater longer-term costs of higher unemployment, increased spending on rising social security claims and reduced consumer spending are extremely likely without further government action.

CAS are calling on the UK Government to extend the furlough scheme through new job protection initiatives in a targeted way to account for the relative reliance on key sectors in different parts of the UK, as well as the differing approaches to easing lockdown in the four nations of the UK.

In Scotland, hospitality and tourism make up a greater proportion of employment compared to the rest of the UK. It is clear, that both the hospitality and tourism trade have been some of the hardest hit industries over preceding months and are likely to continue to struggle as future restrictions to protect health are necessarily implemented. The government should work to create job protection initiatives that are tied to the easing and implementation of restrictions and the direct economic effects on the pandemic on different sectors and geographical areas of the UK.

Workers in the UK deserve job security and the government must act to do all it can to support this. In seeking to prevent a drop-in employment in the UK, the government should consider job protection initiatives such as the Kurzarbeit in Germany.

The Kurzabeit is credited by the IMF as helping Germany to be the only G7 country that did not experience a drop in employment levels in 2009 following the global recession.[1] The Kurzabeit pre-dates the outbreak of COVID-19, however it's basic premise of income protection when there is a reduction in work hours has allowed the scheme to quickly support employees to maintain income levels and employers to retain staff (saving on the cost of recruitment and re-training). The IMF notes the Kurzabeit is considered the 'gold-standard' of short time work schemes.

It is unfortunate that the proposed new single enforcement body for employment rights[v] had not been set up by the time the CJRS was established, as it could have played a key role in enforcing any abuse by employers of job protection initiatives. CAS has long supported the establishment of a Commission

[1] IMF, Kurzabeit, https://www.imf.org/en/News/Articles/2020/06/11/na061120-kurzarbeit-germanys-short-time-work-benefit

whose functions include bringing together the enforcement powers of the current range of separate agencies to better protect workers and prevent rogue employers from causing hardship to employees, denying them their statutory rights or putting their health at risk[vi].

Scottish Government analysis has recently noted that 61,000 jobs would be saved by the extension of the CJRS.[2] CAS urge the UK government to extend job protection initiatives in order to prevent mass unemployment over the coming months.

### CAS Recommends:

- **The extension the furlough scheme through new job protection initiatives in a targeted way to account for the relative reliance on key sectors in different parts of the UK, as well as the differing approaches to easing lockdown in the four nations of the UK.**
- **Any new job protection initiatives are kept under constant review: where there are gaps, problems or areas requiring further support this must be acted upon swiftly.**

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

At the start of the on-going pandemic, CAS welcomed the quick action taken by the government to strengthen the safety net by boosting the level of payment of Universal Credit. CAS for some time had called on the government to increase the rate of Universal Credit payments. The time has now come for the government to commit to making the £20 a week increase to Universal Credit permanent.

Universal Credit is the main means tested benefit in the UK and has been a key part of the economic response to COVID-19. An unprecedent number of people have claimed Universal Credit for the first time since March, with the £20 a week increase boosting annual payments by the value of £1,040. Maintaining the increase is the first step in ensuring that UC can meets the needs of the increased claimant count.

Statistics from the Citizens Advice network included in our representation show the potential impact of removing the £20 a week; mainly, exacerbated financial hardship for individuals, as well as the potentially devastating knock-on wider economic impact.

We urge the government to ensure financial stability and enable longer-term financial planning for people and families by committing this autumn to making the £20 a week increase to UC permanent.

### A growing need for Universal Credit

Chart 5 shows Universal Credit as a proportion of all benefits advice given by CAB. There was a clear sharp rise in the number and proportion of advice given on Universal Credit in the initial stages of the pandemic between February and April.

Universal Credit is a key part of the social security safety-net that must be a priority for investment. We note that depending on the measures taken to protect jobs, it is possible that a further spike, similar to what was seen between February and April is possible following the onset of mass redundancies.

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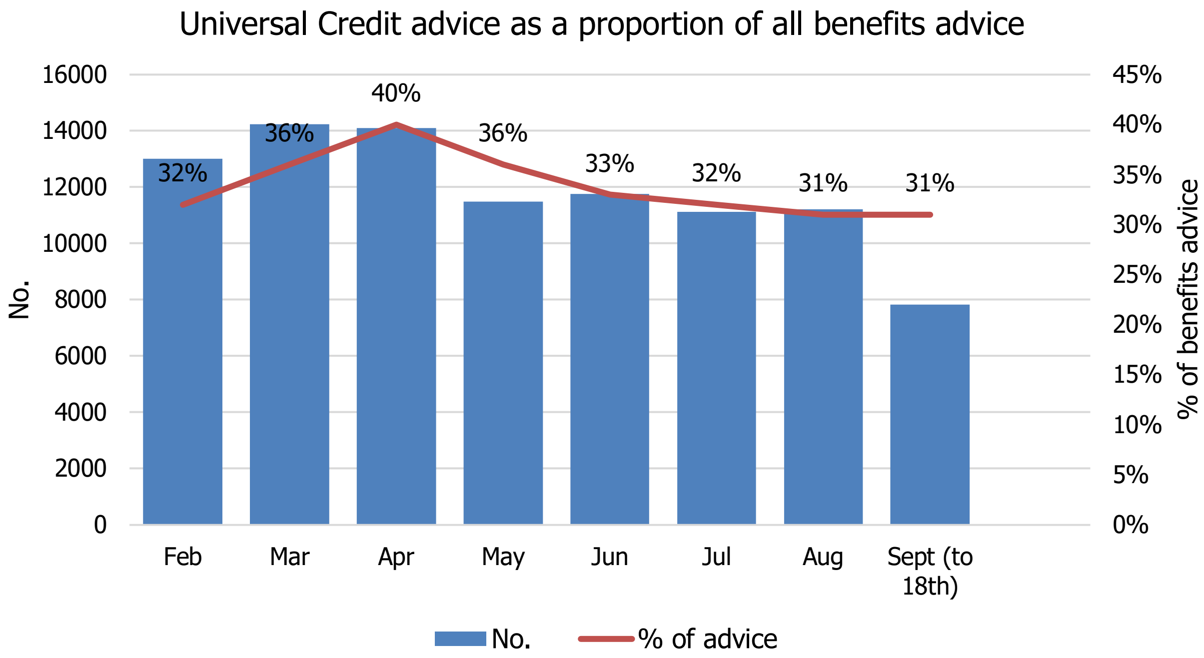
[2] SG, Impact of Furlough, September 2020 https://www.gov.scot/news/impact-of-furlough/

*Chart 5. Universal Credit as a proportion of all benefits advice*




| | *Feb* | *Mar* | *Apr* | *May* | *Jun* | *Jul* | *Aug* | *Sept (to 18th)* |
|---|---|---|---|---|---|---|---|---|
| *Number of pieces of advice* | 13002 | 14241 | 14100 | 11487 | 11761 | 11132 | 11216 | 7834 |
| *Proportion of all benefits advice* | 32% | 36% | 40% | 36% | 33% | 32% | 31% | 31% |

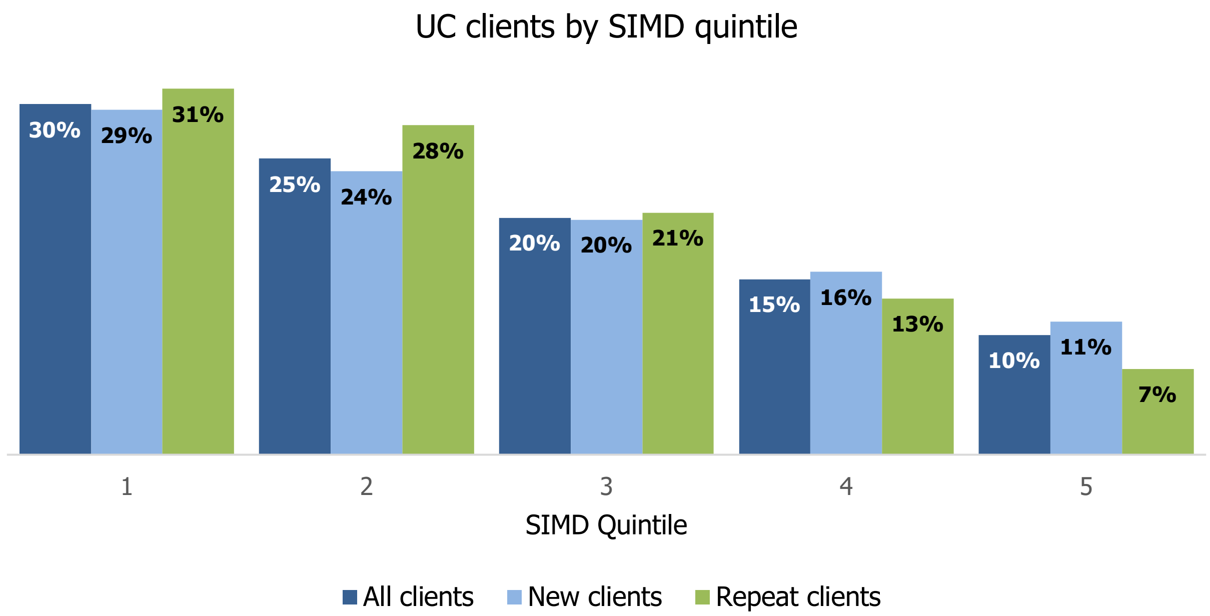
## A changing demographic

Citizens Advice network data replicates what is commonly thought regarding the upsurge in claims to Universal Credit and the changing demographic of who is making UC claims. Mainly, that many people claiming Universal Credit are doing so for the first time and are coming from more affluent areas with a greater number of people being home owners.

CAS has long called for the level of Universal Credit payment to be lifted to a more adequate level. Particualy pertinant when considering many people now finding themeselves claiming Universal Credit for the first time are likely to have financial commitments that outstrip the level of UC payments. Any roll-back on the £20 a week increase could have profound financial implications for all claiming UC, including the significant number who have experienced a severe income shock when initially having to claim UC.

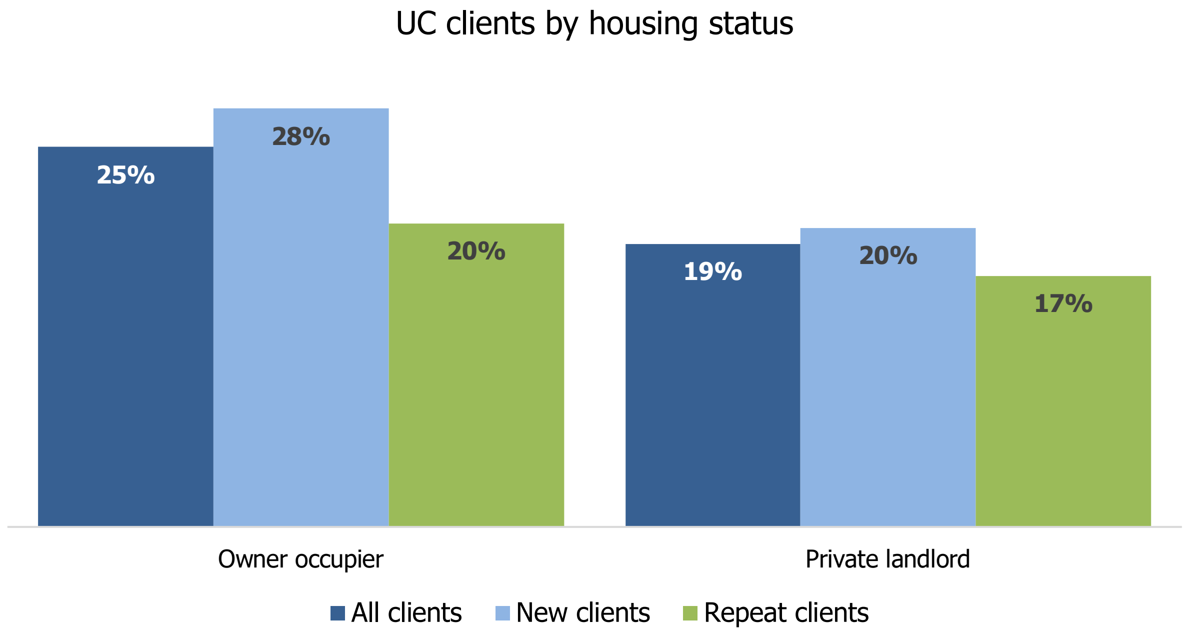
Chart 6 shows UC clients by Scottish Index of Multiple Deprevation (SIMD). The trend has been that CAB are seeing a greater proportion of new clients from quintiles 4 and 5 (the least deprived). Similarly, Chart 7 shows an increase in the proportion of new clients who are owner occupiers or renting from a private landlord. Both groups are likely to expereince difficulty with UC covering housing costs. Mortage payers are not entitled to any support with housing costs until 39 weeks of claiming UC – for this group the additional £20 a week (£1040 a year) will be making a much needed contribution to covering housing costs.

*Chart 6. UC clients by Scottish Index of Muliple Deprivation (SIMD) [CAB data]*




| *SIMD Quintile* | *All clients* | *New clients (first contact since April)* | *Repeat clients (used CAB previously and revisited since April)* |
|---|---|---|---|
| *1* | 4870 (30%) | 3445 (29%) | 1425 (31%) |
| *2* | 4115 (25%) | 2833 (24%) | 1282 (28%) |
| *3* | 3292 (20%) | 2350 (20%) | 942 (21%) |
| *4* | 2436 (15%) | 1828 (16%) | 608 (13%) |
| *5* | 1665 (10%) | 1331 (11%) | 334 (7%) |

*Chart 7. UC clients by housing status (CAB data)*

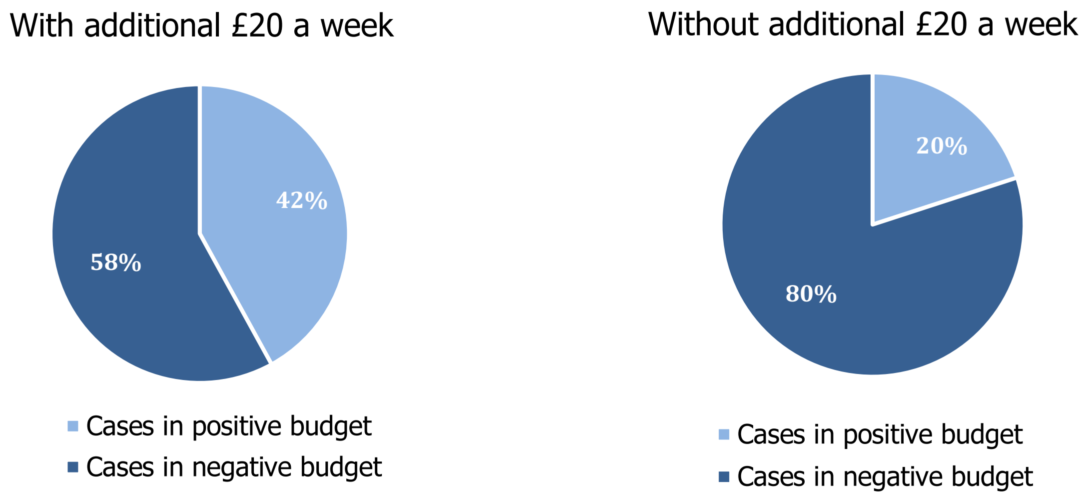



| | *All clients* | *New clients (first contact since April)* | *Repeat clients (used CAB previously and revisited since April)* |
|---|---|---|---|
| *Owner occupier* | 2888 (25%) | 2116 (28%) | 772 (20%) |
| *Private landlord* | 2152 (19%) | 1513 (20%) | 639 (17%) |

**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' reveals the stark impact removing the £20 a week increase would have on this particularly vulnerable group (see Chart 8). Without the additional £20 a week announced in March, 8 in 10 of these CAB clients would be in a negative budget. The additional £20 a week reduces by 22% the number of clients who are in a negative budget.

*Chart 8. Impact of £20 a week on CAB clients seeking complex debt advice (between Apr-Aug).*




| | *With additional £20 a week* | *Without additional £20 a week* |
|---|---|---|
| *Cases in positive budgets* | 75 (42%) | 36 (20%) |
| *Cases in negative budgets* | 105 (58%) | 144 (80%) |

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

The growing demand on the UC system, the changing demographic and the economic uncertainty currently being experienced is all evidence that it is necessary to now commit to making the £20 a week increase permanent. As noted in Chart 2, 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 6 and 7 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.[3]

CAS supports the current Joseph Rowntree Foundation *Keeping the Lifeline* campaign on making the £20 a week increase to UC permanent and extending the increase to legacy benefits.[4] The Joseph Rowntree Foundation estimates that withdrawal of the uplift would risk sweeping 700,000 more people, including 300,000 children into poverty. Keeping the £20 a week uplift (in additional to normal annual uprating by CPI) would cost £7.7bn in 2021/22.

Committing to keeping the £20 a week increase in the autumn statement would send a strong signal of support to those struggling on UC as well as enabling greater financial certainty.

It is also important to keep to the fore that social security spending is one of the key fiscal levers that the government currently has. Keeping the £20 increase and therefore at the very least maintaining the

[3] Resolution Foundation, This Time is Different: Universal Credits First Recession, May https://www.resolutionfoundation.org/publications/this-time-is-different-universal-credits-first-recession/
[4] JRF, Keeping the Lifeline, 2020

rate of UC allows the government to maintain income to households and support the spending and consumption of those households.

We urge the government to commit to making the £20 a week increase permanent in the autumn statement.

**CAS Recommends:**

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

## Making Universal Credit work for those in work

Universal Credit is both an in- and out- of work benefit. For many low-paid or part-time workers Universal Credit 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 autumn statement to make UC work for those who are in work by announcing the extension of Work Allowances to all Universal Credit 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.

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 Universal Credit to make work pay.

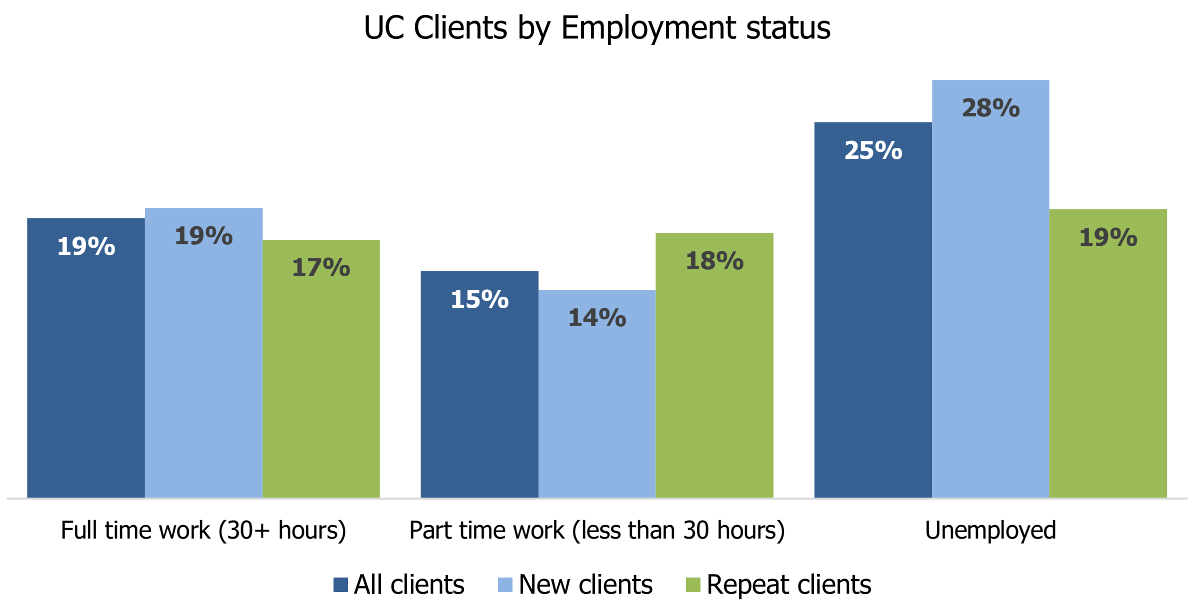
At this time of economic uncertainty, extending the Work Allowance to all UC claimants would also increase the adequacy of the benefit for those who are in work. It would also give a level of financial stability and improve the ability people have to take on what is often precarious or low-paid work – sure in the knowledge their UC payment is protected until they earn over a set amount.

### A growing need for in-work support

Since April, CAB have seen a notable proportion of new UC clients who are in full-time employment (Chart 9). 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. Over 6 in 10 (62%) of the clients seeking Universal Credit advice for the first time since April do not have children nor a limiting health condition/disability – therefore will not be entitled to any Work Allowance.

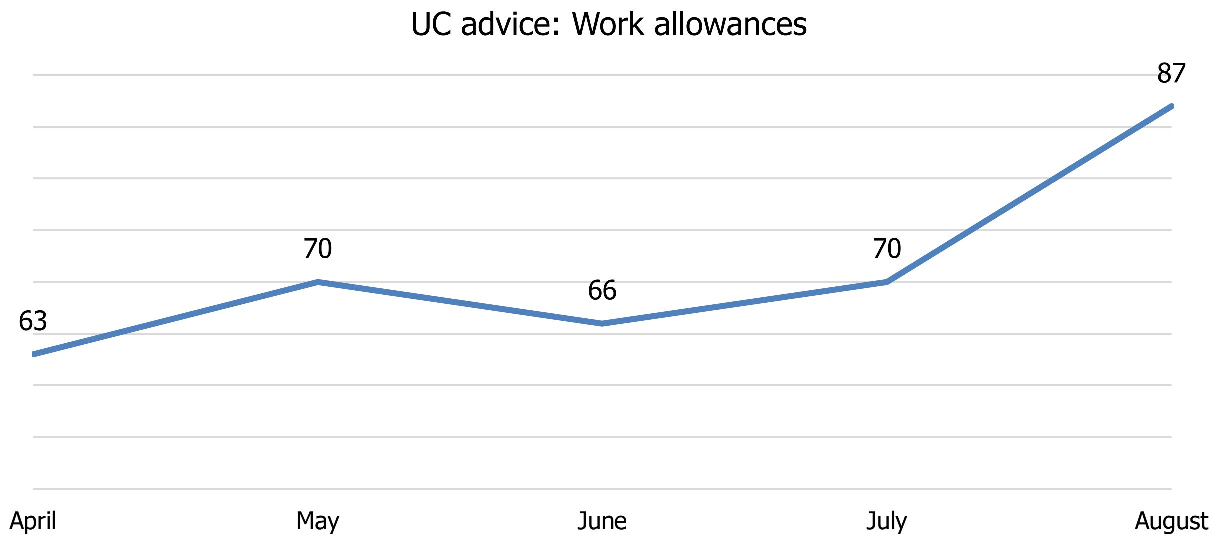
Whilst dealing in small numbers, CAB have seen an increase in the number of advice given on Work Allowances (Chart 10). It is important to note that whilst these numbers are small, they are perhaps surprising in a time where employment is not necessarily increasing. This is indicative of the growing importance of Work Allowances over the coming months as a key element of the UC response to stimulating economic recovery.

*Chart 9. UC clients by employment status (CAB data)*




| | *All clients* | *New clients (first contact since April)* | *Repeat clients (used CAB previously and revisited since April)* |
|---|---|---|---|
| *Full-time work* | 2190 (19%) | 1527 (19%) | 663 (17%) |
| *Part-time work* | 1777 (15%) | 1097 (14%) | 680 (18%) |
| *Unemployed* | 2940 (25%) | 2199 (28%) | 741 (19%) |

*Chart 10. UC advice on Work Allowances (CAB data) NB small numbers.*



| | Apr | May | Jun | Jul | Aug | Sept (to 18th) |
|---|---|---|---|---|---|---|
| **Work Allowance** | 63 | 70 | 66 | 70 | 87 | 54 |

## Extending the Work Allowance

Work Allowances are a targeted initiative with the direct impact of helping to increase the amount a person can earn before impacting their Universal Credit payment and is therefore a key lever to boost the income of working households and foster economic activity.

Statistics from the Department for Work and Pensions show that many UC claimants have limited knowledge around how earnings from employment interact with UC payments. Only 2% of claimants could identify both groups eligible for the Work Allowance. Using the autumn statement to announce the extension of the Work Allowance to all UC claimants is a key step to support low-paid workers in the UK.

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.

Changes to the Work Allowance were previously made through the following instrument:
*The Universal Credit (Miscellaneous Amendments, Saving and Transitional Provision) Regulations 2018 - UK Statutory Instrument 2018 No.65 [increases to work allowance]*

To improve UC for people in-work, the government would be required to undertake similarly minor legislative changes to expand the eligibility for a Work Allowance to all UC claimants.

## CAS Recommends:

- **The extension of the Work Allowance to all Universal Credit claimants**