

SOCIAL SECURITY COMMITTEE

SOCIAL SECURITY AND IN-WORK POVERTY INQUIRY

SUBMISSION FROM CITIZENS ADVICE SCOTLAND

Introduction

Citizens Advice Scotland (CAS) welcomes the opportunity to provide evidence to the Committee's inquiry. 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.

Given that Universal Credit will eventually be received by around 652,500 households in Scotlandⁱ, and that a significant number of early issues have affected CAB clients^{ii iii}, it is a high priority for CAS policy work. As Universal Credit integrates in-work and out-of-work benefits, this includes assessing the impact of UC on working households, including to what extent it meets its original aim of 'making work pay'.

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. 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.^{iv}

What impact will Universal Credit have on in-work poverty in Scotland?

What is the experience so far in full-service areas in Scotland for those who are in work who are moving or have moved on to Universal Credit?

Citizens Advice Scotland has previously reported on the substantial number of issues associated with the rollout of Universal Credit that have caused stress, detriment or hardship to CAB clients.^{v vi} Along with a number of other organisations including the Scottish Government, COSLA and the Scottish Federation of Housing Associations, CAS has called for the rollout of full service Universal Credit to be halted to allow the issues to be fixed.^{vii} 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)

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^{viii}, 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.^{ix} 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. 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.

For those who are self-employed, Universal Credit introduces some new challenges. 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.

The Work and Pensions Committee in its report 'Self Employment and the gig economy' commented.

"The Department is seeking to support entrepreneurship without subsidising unprofitable self-employment. The existing Minimum Income Floor in UC does not get this balance right and risks stifling viable new businesses. *The incoming government should commission an independent review of the MIF with a view to improving its sensitivity to the realities of self-employment. Until this is complete, the MIF should not apply to self-employed UC claimants.*"^x

Self-employed earnings can often fluctuate. Where a claimant 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. This de minimis level introduced in April 2018 is high and so unlikely to be impacting many claims. However in April 2019 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. Concerns about self-employed people having to make repeated monthly claims that will fail have been raised by the Social Security Advisory Committee^{xi} amongst others.

According to the latest official figures, there are 18,085 people on Universal Credit in Scotland (17% of the total) who are working, but have no conditionality requirements, with a further 14,051 (13%) who are in work, but have some form of work search requirements.^{xii}

Despite this, there is still relatively little known about the impact of in-work conditionality. The full evaluation report on the Randomised Control Trials for testing approaches to in work conditionality is due to be published in Autumn 2018. We do not have much information on how this will impact on workers or employers, including any impact of sanctions on in-work claimants. Those with childcare or other caring responsibilities will struggle most to increase their hours of paid work which will have a disproportionately larger impact on women.

What is known about those experiencing in-work poverty in Scotland who do not claim or are not eligible for Universal Credit?

A number of CAB clients experience in-work poverty but are ineligible for, or do not claim Universal Credit for a range of reasons. In addition to those claiming tax credits or other legacy benefits, some of the issues have included:

People who were previously entitled to tax credits, but are not eligible for an equivalent amount of Universal Credit. This has occurred when clients who were in receipt of tax credits had to make a Universal Credit claim to meet their housing costs, or when a couple moved in together, for instance.

People who are in work but have become homeless. Some CAB clients who are in work have become homeless as a result of eviction or relationship breakdown. In some cases their earnings are too high to receive any benefits apart from housing support.

People who are unable to find available, flexible and affordable childcare. This has resulted in clients having to consider giving up work because their childcare costs are higher than the amount they receive in tax credits, or those on fluctuating zero hours contracts who cannot find suitably flexible provision.

People affected by particularly high living costs – in particular in rural areas. CAB clients who live in rural areas have come for advice because they are struggling financially, in part because of higher living costs due to living rurally – for instance because of long commutes, poor public transport connections^{xiii}, having no mains gas supply^{xiv xv}, or because the cost of food and essentials locally is higher^{xvi}.

Families which have separated. Working CAB clients can often seek advice due to financial pressures following a relationship breakdown.

What can or should the Scottish Government do to mitigate any detrimental impact?

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.^{xvii} 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.^{xviii}

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.

Finally, the Scottish Government, and Scottish Parliament Social Security Committee could continue to consider the impact of Universal Credit in Scotland, and liaise with the UK Government and relevant UK Parliament Select Committees on any identified issues.

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 clients who are a couple with two teenagers. One of the couple suffers chronic physical illness and is self-employed so that they can work around their energy levels but is not making meaningful income. The other works almost full time but suffers mental ill health and works with a supportive employer. The couple have high living costs, in part due to living rurally – a long commute, no mains gas and the local food shop is expensive. They are consistently left with an income shortfall and are struggling to identify a debt option to match their circumstances. This in turn negatively impacts upon their health conditions.

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 South of Scotland CAB reports of a client who works as a care worker on a zero hours contract. In practice she normally works between 25 and 35 hours per week, but this is not guaranteed. The client has no reliable childcare from her family, and none of the local childminders would be able to look after her child beyond 7pm, which causes problems as her evening shifts do not end until 10pm. She has been unable to get to her scheduled hours at work, particularly in the evening and at weekends as a result. Her boss has told her that there is no point signing her up for these shifts if she cannot do them and there is a great demand for school time hours so she will only be given less than 16 hours unless she

can work weekends and evenings. The client would not be able to afford to work fewer hours.

ⁱ Calling for a halt to Universal Credit: A Citizens Advice Scotland briefing for key stakeholders, July 2017 https://www.cas.org.uk/system/files/halting_universal_credit_-_citizens_advice_scotland_briefing_july_2017_0_0.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/publications/learning-testing-times>

ⁱⁱⁱ Citizens Advice Scotland response to Public Accounts Committee Universal Credit inquiry, July 2018 https://www.cas.org.uk/system/files/publications/pac_uc_inquiry_written_evidence_july_2018.pdf

^{iv} 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>

^v 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

^{vi} 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} 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

^{viii} 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

^{ix} 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>

^x <https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/847/847.pdf>

^{xi} https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675908/uc-regs-si-2018-65-surplus-earnings-ssac-report.pdf

^{xii} July 2018 figures. Calculated from DWP StatXplore <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml>

^{xiii} 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

^{xiv} Hot off the Grid: Delivering energy efficiency to rural, off-gas Scotland – Citizens Advice Scotland, June 2016 <https://www.cas.org.uk/publications/hot-grid>

^{xv} Pylons, Pipes and People: Energy networks in Scotland and their changing role with consumers – Citizens Advice Scotland, August 2018 <https://www.cas.org.uk/publications/pylons-pipes-and-people>

^{xvi} Cost of Living in Dumfries & Galloway: A look at the price of an everyday shopping basket across the region – Dumfries and Galloway Citizens Advice Service, October 2017 <https://www.dagcas.org/Handlers/Download.ashx?IDMF=6f2f468c-b0f4-466d-8ddf-f4e1b80c6e47>

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

^{xviii} 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