

Five People, Five Reforms:

Strengthening Universal Credit after the Pandemic

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Who we are

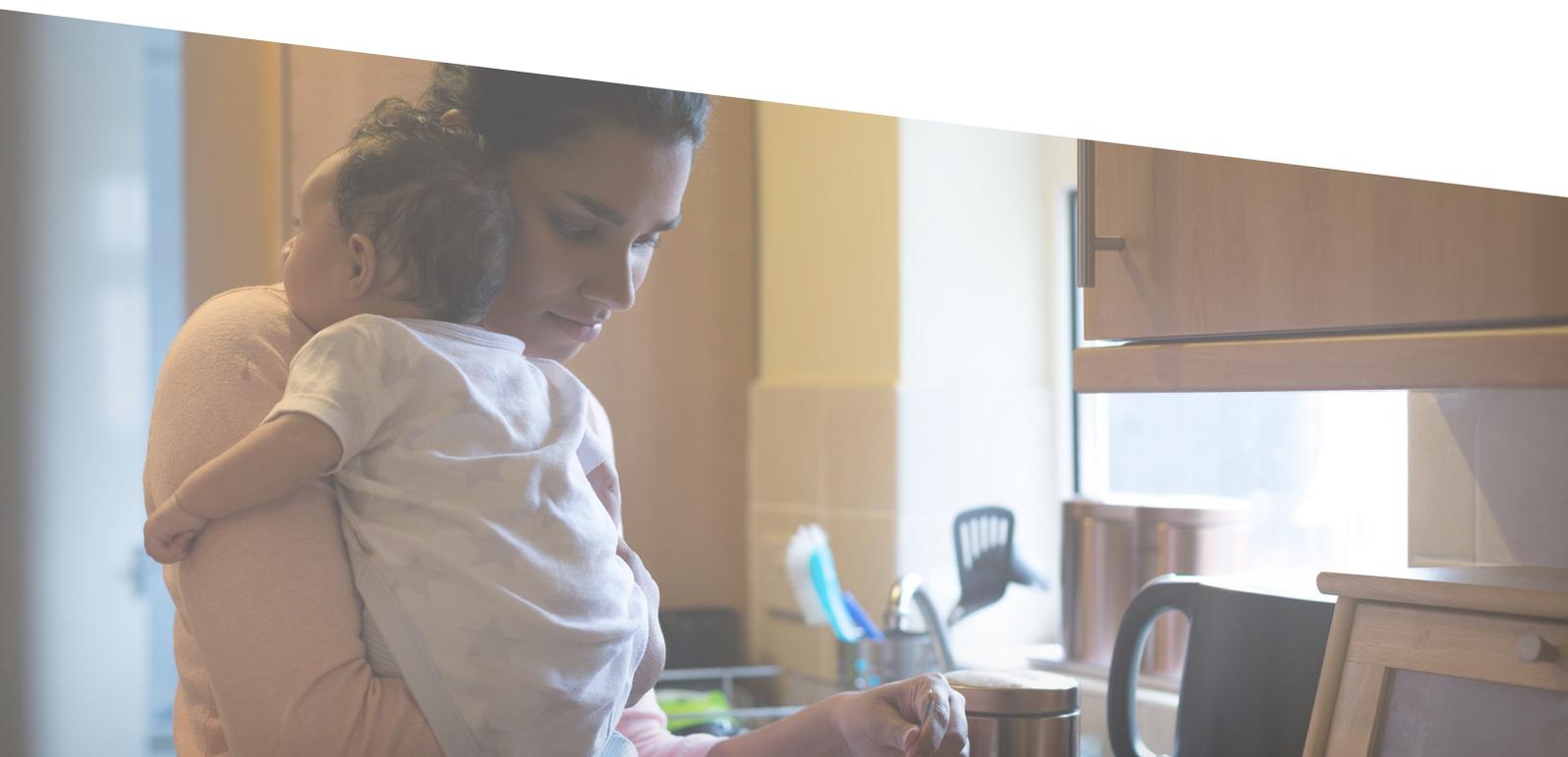
Citizens Advice Scotland (CAS), our 59-member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems. During 2020-21, the entire Citizens Advice network provided advice and assistance to over 171,000 individuals; this equates to one in every 26 adults living in Scotland. The network put almost £147 million back into people's pockets during this time, with every £1 invested in core advice funding returning £14 in gains for people. Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

About this research

Scotland's Citizens Advice Network is an essential community service that empowers people through our local bureaux 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.

Citizens Advice Scotland has long campaigned to ensure an accessible and effective social security net is in place. Benefits advice is the single biggest area of advice sought by Citizens Advice Bureaux clients. Without adequate support from the social security system, people can face extreme hardship, arrears, and mounting debt. Financial costs are pushed onto other parts of the public sector too - onto healthcare, homelessness services, social work teams, and housing providers. For these reasons, Citizens Advice Scotland regularly conducts research into our clients' experiences, to advocate on their behalf and inform policy change where things could be improved.

Nothing has tested our social security system quite like the COVID-19 pandemic, particularly the large increase in people needing support from Universal Credit - many for the first time. Accordingly, Citizens Advice Scotland commissioned research into the experiences of our clients during the pandemic in order to reflect on how the system has coped and suggest to the UK Government and the DWP where improvements could be made. Our hope is that learning lessons from the pandemic will help strengthen and future-proof UK social security to support people when they need it most.



Executive Summary

Introduced through the Welfare Reform Act 2012, Universal Credit (UC) is now the main means-tested income replacement payment, replacing older benefits such as Housing Benefit and Child Tax Credit. The UC system, along with the rest of society, faced an unprecedented test during the COVID-19 pandemic. The introduction of lockdown restrictions in March 2020 led to widespread job losses, lost working hours, and vanishing incomes. In response, the UK Government encouraged people to claim UC and millions found themselves turning to UC for the first time for protection from the financial hit of the pandemic.

But how easy was it for people to access their social security entitlements during the pandemic? What support did they receive? Did this support meet their needs? And did UC truly function as an effective social security safety net during COVID-19?

To find out, in January 2021 Citizens Advice Scotland commissioned research - the first of its scale and kind - into the experience of people in Scotland who claimed UC during the pandemic. Social Market Research surveyed 601 people who had sought UC advice from Citizens Advice Bureaux (CAB) between March and December 2020 and carried out 20 in-depth follow-up interviews to explore in people's own words how UC had supported them.

This report, the last in a three-part series on UC during the pandemic, sets out what lessons can be learned from the past 18 months to future-proof UC. Updating and contextualising our survey with data drawn from the Citizens Advice network across Scotland, this report outlines the fixes that are needed for UC to properly support five groups of people who seek advice from CAB every day:

- > People who are newly out of work
- > People who are looking for work
- > People who are in work
- > People who are unable to work due to caring responsibilities or a disability
- > People with children

While these client types are not in reality separate from one another – families will be variously in and out of work, just as many people with disabilities or caring responsibilities will be able to work – they highlight some of the core groups any social security system is intended to support. Breaking UC down in this way allows us to see where it can be strengthened to best meet its aims for everyone.

Executive Summary

Looking at how UC's design impacts each of the people listed above illustrates the need for a series of reforms:

- > **Almost half (48%)** said they had to borrow or take an advance to get through the five week wait for first payment, with the **majority (65%)** of these people saying they would find it difficult to repay that loan.
- > **One in five unemployed people** said they had gone without something altogether (for example, giving up using their heating, electricity or gas, or internet entirely)¹ since their UC claim began – **more than double the proportion of employed people we surveyed.**
- > **70% of employed people** found UC inadequate for their needs, with **one in three (33%)** cutting back on heating and **29%** cutting back on electricity or gas.
- > **54% of people unable to work** said UC was inadequate for their needs, with **32%** having to borrow money to pay for essentials – **twice the proportion of employed people we surveyed.**
- > **38% of single parents** said they had to borrow money to pay for essentials during their UC claim and **41% of single parents** reported increased borrowing generally.

These statistics show real gaps in the support UC offers. The five recommendations that we make below aim to correct aspects of UC's design to ensure it protects everyone effectively and equally. Bringing in these recommendations will support everyone on UC better, ensuring UC works to its full potential and helping prevent additional strain on local authorities, healthcare providers, and other public and third sector organisations.

Investing in social security is the right thing to do for our economic recovery.

Citizens Advice Scotland is calling for:

- > Safe access to UC by introducing a non-repayable assessment period grant at the beginning of all UC claims and replacing the DWP's debt recovery process with a revised system that better reflects people's ability to pay
- > A permanent increase to the basic allowance of UC
- > A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone, to make sure UC properly supports those in employment
- > Protecting and uprating support for people with disabilities and caring responsibilities
- > Scrapping the benefit cap and the two-child limit

¹ This was an open survey question with no suggested answers. Researchers at SMR then coded and grouped together responses under the following common categories: heating; electricity/gas; social activities – going out, cinema, going for coffee or meal; broadband/internet/data; gave up my car; treats; “I cut down on everything – I just exist”; cigarettes – gave up smoking; cancelled subscriptions/apps; holidays; paying bills (general); essential toiletries; household repairs; private mental health services (counselling); insurance – house/contents/life/pet; alcohol; TV subscriptions specifically; cleaning products; music – downloads/CDs/streaming; dental care; car payments; other; and don't know.

Introduction

Five People, Five Reforms: Strengthening Universal Credit after the Pandemic is the third in our three-part publication series exploring the experience of over 600 people who sought advice from Citizens Advice Bureaux (CAB) in Scotland on Universal Credit (UC) during the COVID-19 pandemic. These reports are based on a quantitative survey of 601 clients and in-depth interviews and case studies with 20 clients, carried out independently by Social Market Research (SMR) in February 2021 in accordance with the ISO20252 Standard. The 601 clients surveyed were weighted to be consistent with the CAB client profile in terms of key factors such as age and gender.²

Our first report considered clients' experiences applying for UC during the pandemic. Our research found that, despite UC performing well under the strain of the pandemic in some respects, there is significant need for improvement, with many long-standing issues with its design still causing stress, anxiety, and hardship.³

Our second report considered clients' experiences living on UC. It found that people faced sharp income shocks and increased hardship on UC, with a high number having to cut down on essentials like energy, heating, and food to survive. Many also had to borrow to make ends meet, trapping people in a cycle of debt and destitution.⁴

This final publication in the series explores reforms that would help make UC better at:

- > addressing poverty and hardship
- > helping people who can work get into good employment
- > preventing strain on other areas of public spending

Focusing on the different types of people UC is intended to support, this report makes a series of policy proposals that aim to provide a stronger safety net for people who are struggling, supporting our economic recovery from the COVID-19 pandemic and ensuring UC is built to last against future crises.

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		CAB client profile %	Sample %	Achieved Sample n
Gender	Male	45	45	218
	Female	55	55	264
Age	16-34	34	31	171
	35-59	53	57	318
	60+	13	12	65
Survey Method	Telephone		94	564
	Online		6	37

Note that data on gender was not available for 119 clients interviewed and age data was not available for 47 clients interviewed.

³ Citizens Advice Scotland, [“It’s a bit frightening seeing things slip away so fast after you’ve worked so hard.”: Citizens Advice Scotland Research into Applying for Universal Credit during the Pandemic](#), 30 July 2021.

⁴ Citizens Advice Scotland, [“I am constantly penny pinching.” Research into Living on Universal Credit during the Pandemic](#), 6 September 2021.

Introduction

Updating our survey with data drawn from the Citizens Advice network across Scotland,⁵ Five People, Five Reforms: Strengthening Universal Credit after the Pandemic outlines the policy proposals needed to support five groups of people:

- > People who are newly out of work (Section 1)
- > People who are looking for work (Section 2)
- > People who are in work (Section 3)
- > People who are unable to work because of caring responsibilities or a disability (Section 4)
- > People with children (Section 5)

These groups are not in reality separate from one another. Families will be variously in and out of work, just as many disabled people will be in work or looking for work. Instead, the intention is to highlight some of the core groups any social security system is meant to support. Breaking UC down in this way allows us to see where it can be improved and make sure it is able to meet its aims for everyone.

⁵ All CAB statistics used here cover Q1 (April-June) 2021-22 compared against the average for 2020-21 overall. All figures are based on advice code data. These are recorded by CAB advisers every time advice in relation to a particular topic is issued. All figures are expressed as percentages of their “parent” advice code category: e.g., Universal Credit advice is expressed as a proportion of all benefits issues, and Work Allowances advice is expressed as a proportion of all Universal Credits advice. This allows for more effective comparisons between quarters when overall numbers of clients fluctuate and/or there are changes in advice provision (e.g., the shift to telephone and email during lockdown). Our initial survey was conducted in January and February 2021.



Introduction

This third report suggests five reforms that would make UC more effective in supporting people the way it is intended to do so:

- > **Safe access to UC by introducing a non-repayable assessment period grant at the beginning of all UC claims and replacing the DWP's debt recovery process with a revised system that better reflects people's ability to pay.** This would help make sure those newly out of work are not faced with debt and hardship at the start of their claim.
- > **A permanent increase to the basic allowance of UC** would ensure those looking for work don't need to skip meals, ration energy, or miss rent until they can find a good job.
- > **A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone** would help make work pay and ensure people keep more of their income as they move off UC.
- > **Protecting and uprating support for people with disabilities and caring responsibilities** will ensure that those who are unable to work while on UC are still offered the right amount of support to take account of their extra costs.
- > **Scrapping the benefit cap and the two-child limit** will protect families from hardship and ensure children do not face poverty early in their lives, giving them the best possible start.

As with our five different groups of people, these five proposals are not sealed off from one another: a permanent increase to the basic allowance of UC, for example, will help meet the needs of all five client types. But each proposal helps target specific areas where UC's design could be improved, to ensure the system is built back stronger for everyone.

The report emphasises the positive impact increased social security support will have for individuals, encouraging those who can work to find well-paid and secure jobs and offering the necessary support to those who are unable to work. Investment in UC can also help prevent people reaching crisis point, where they will need significantly more substantial interventions from other parts of the public sector that are already struggling with demand. Offering people more support at source will help avoid pushing costs elsewhere.

It is the right step for our economic recovery to invest in social security.

Five clients' journeys

Interspersed through our previous two reports were case studies drawn from interviews with five CAB clients: Glen, Robert, Cait, Neal, and Sheila.⁶ In this report, we take each client as an illustrative example of the types of people who rely on UC for support. This connects our proposals for reform of UC to particular CAB client experiences, helping illustrate the wider statistics drawn from our survey and the CAS network.

Glen is in the 18 to 24 age group. He had just graduated when the pandemic started and lost his job when lockdown began.

In this report, Glen represents those who have recently lost their job before claiming UC.

Robert is in the 45 to 59 age group. He was self-employed but had his next contract cancelled due to COVID.

In this report, Robert represents those who are looking for work while on UC.

Cait is in the 60 to 64 age group and is currently furloughed on half pay.

In this report, Cait represents those who are already in work while on UC.

Neal is in the 45 to 59 age group. He was in hospital for three months with a serious illness and then had a fall while in hospital and injured his back. Now that he is discharged, he is medically unfit for work.

In this report, Neal represents those who are unable to work while on UC.

Sheila is in the 25 to 34 age group. She is furloughed from her job and applied for UC when her husband was made redundant.

In this report, Sheila represents people with children on UC.

⁶ All names have been changed to preserve our clients' anonymity.

1. “I had just finished my probation and they let me go so that they didn’t have to furlough me”:

Supporting people who have lost work

Summary

The pandemic has brought thousands into contact with the social security system for the first time in their lives. The most recent statistics show that there are just over 470,000 people on UC in Scotland – almost double the number before the pandemic and equivalent to more than 1 in 10 working age adults.

Many of these people will have turned to UC due to job losses caused by lockdown. While some will have claimed for other reasons, such as transferring from legacy benefits onto UC, for the majority of people their interaction with UC will come from a period of unemployment. They need UC to offer immediate support and help get them quickly back into work.

If we are to build back stronger from the pandemic, we need to understand how well UC supports people when they fall into crisis. Yet our survey results found that:

- > **Almost half (48%)** of the people we surveyed said they had to borrow or take an advance to get through the five week wait for first payment.
- > **The majority of these people (65%)** said they would find it difficult to repay.
- > While some borrowed from friends, family, and private sources of credit to cover the five week wait, **the majority (61%)** applied for an Advance Payment from the DWP, meaning their next 24 payments will be automatically reduced by DWP deductions.

Analysis of advice given by the CAB network since the survey was conducted also shows:

- > A **76% increase** in advice needed on UC overpayments.
- > A **24% increase** in advice needed on ID verification.
- > An **18% increase** in advice needed on third party and direct deductions.

These statistics help identify areas of UC that can be improved to make sure people are supported from the first moment of their claim. Reforming the five week wait for first payment and the current scheme for deductions would guarantee people can access UC safely and securely, starting their search for a new job off on the right foot.

Citizens Advice Scotland recommends

- > Safe access to UC by introducing a non-repayable assessment period grant at the beginning of all UC claims and replacing the DWP’s debt recovery process with a revised system that better reflects people’s ability to pay

1. “I had just finished my probation and they let me go so that they didn’t have to furlough me”:

Supporting people who have lost work



Glen’s story

Glen is in the 18-24 age group. Glen had just graduated when the pandemic started. He had found a job but lost it when lockdown came.

“I got a job in a phone store. I had just finished my probation and they let me go so that they didn’t have to furlough me.”

Glen applied for UC because he had no other income. Glen did his own research about UC online but found it confusing despite, he says, “being good with stuff like that”. He made contact with CAB to try to find out what his options were and it was there that he first heard about the five week wait for first payment.

“I didn’t know about the five week wait until I talked to CAB. You just have to rob Peter to pay Paul whilst you’re waiting for your payment to come through.”

Glen had applied for an advance and found it difficult to pay that back. It was only with the support of his partner that he was able to get through the five week wait.

“There shouldn’t be such a long waiting time for people to access funds. You can’t be broke for 5 weeks. I had to rely on my girlfriend and that’s not right. We are good, but it could put a strain on some relationships. There should be an emergency first payment that you don’t have to pay back.”

Glen says he could not live on UC if he were on his own.

“It wouldn’t be adequate if I was on my own, but I share food costs with my girlfriend and she pays the way basically. I can’t say that I’m happy about that and it wouldn’t be good for us if that went on for a long time.”

“I had no expectations about the amount, no idea at all. As it turns out it’s purely subsistence level, barely even that.”

“I borrow from my girlfriend or family but can’t afford to pay it back at the moment. I can’t have a credit card as I’ve no credit history and maybe it’s just as well.”

If there was an unexpected expenditure, Glen says that it would cause real difficulties. He does not even have enough to replace small items.

“I just don’t buy anything. We needed a new floor mop the other day and I couldn’t afford even that. I try to fix things that are broken rather than replace them.”

“I’m just living at the moment, not living really, just breathing. I live across from the park and just getting outside is good, the air is free. My priority is getting a job and kickstarting my life again.”

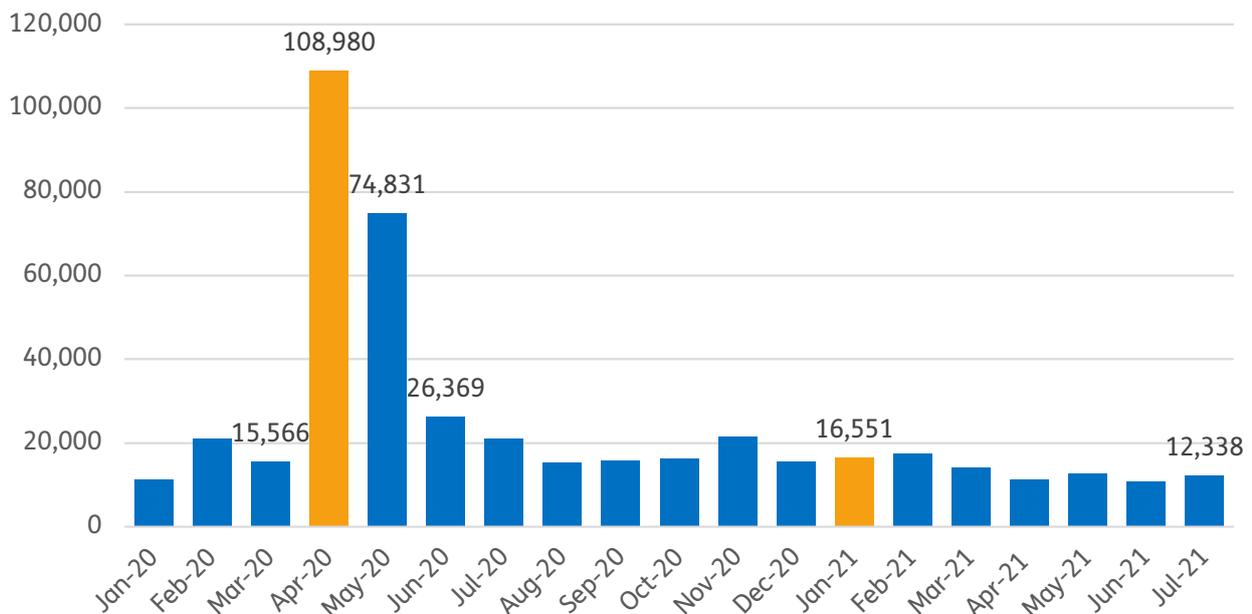
1. “I had just finished my probation and they let me go so that they didn’t have to furlough me”:

Supporting people who have lost work

Understanding the experiences of people new to UC

Glen’s story is reflective of many of the people we surveyed. Like Glen, 53% of those surveyed said they had suffered job losses prior to claiming UC, with 83% of those job losses attributed to the pandemic. 81% also said it was their first time claiming UC, meaning that like Glen they may only have learned about aspects of UC like the five week wait when they first made their claim.

Chart 1. New starts to UC in Scotland (with first and second lockdowns highlighted in orange)⁷



The demographic of people who have required support in relation to UC has changed significantly due to the widespread impact of the pandemic on the labour market. Recent analysis of UC CAB clients shows that clients who are new to the CAB service are:

- > Younger
- > Less likely to have health condition
- > More likely to be an owner/occupier
- > Much more likely to be from large urban area

⁷ Figures taken from DWP Stat-Xplore.

1. “I had just finished my probation and they let me go so that they didn’t have to furlough me”:

Supporting people who have lost work

This shows how the pandemic has brought different types of people into contact with UC for the first time. For these people, the income shock of moving onto UC will be more pronounced, with many having had higher incomes prior to claiming. Over seven out of ten (71%) of our survey respondents said the amount of UC they received was lower than they are used to living on, meaning they can face real difficulties meeting their previous financial obligations when they move onto UC.

For that reason, it is vital that UC is designed to allow new claimants to access social security safely and securely. But as we examined in our first report,⁸ the first thing many people encounter when they start on UC is debt:

- > Almost half (48%) of those surveyed said they had to borrow or take an advance to get through the five week wait for first payment.
- > The majority of these people (65%) said they would find it difficult to repay that borrowing.

In our survey interviews, people frequently singled out the five week wait as a source of anxiety:

“It was nerve wracking. Having to wait five weeks is way too long if you have no money, that was the worst thing.”

“I hadn’t expected the five weeks wait. It was horrendous, I was skint.”

While some people borrowed from friends, family, and private sources of credit to cover the five week wait, the majority (61%) applied for an Advance Payment from the DWP. This means that they face reduced payments for the next 24 months of their claim as the Advance Payment is automatically deducted from their UC (although for those in our survey they were recovered through higher deductions over a shorter time period of 12 months, with the repayment period only extended in March 2021). This leaves people having to stretch their UC even further in the early months of their claim, rather than cushioning their move from employment.

Advance Payments are not the only deduction people can face on UC. Up to a quarter of a person’s UC can be deducted every month to cover things like benefit overpayments (even where these are a result of DWP error), court fines, rent arrears, and historic tax credit debt. These deductions can cause real hardship and increased debt. Recent CAS analysis of 1,928 of our complex debt clients⁹ shows that the 131 clients with benefit overpayment debt were significantly more likely to have a negative monthly income¹⁰ compared to those with other kinds of debt.¹¹ This means deductions are leaving people unable to meet their essential costs, increasing the risk that people will take on further debt or require more significant emergency support from other parts of the public sector.

⁸ Citizens Advice Scotland, [“It’s a bit frightening seeing things slip away so fast after you’ve worked so hard.”: Citizens Advice Scotland Research into Applying for Universal Credit during the Pandemic](#), 30 July 2021, Section 5.

⁹ Complex debt refers to the level of support someone needs, whether that is due to the size of their debts in comparison to their income or the number of separate debts they have.

¹⁰ A negative budget is where a client’s debt repayments and essential living costs add up to more than their income. A positive budget is where a client’s income is sufficient to meet their debt repayments and cover essential living costs.

¹¹ See further Citizens Advice Scotland, [“I am constantly penny pinching.” Research into Living on Universal Credit during the Pandemic](#), 6 September 2021, page 31.

1. “I had just finished my probation and they let me go so that they didn’t have to furlough me”:

Supporting people who have lost work

While the maximum level of deductions has twice been lowered (from 40% to 30% in October 2019 and again to 25% in March 2021), currently there is no affordability check before deductions are applied. The maximum level of deduction tends to be used as the default level and recent statistics show the DWP only use their discretion to waive overpayment recovery in a very small number of cases.¹² This results in people having inappropriate debt repayment structures that take no account of their individual needs and circumstances, meaning they may require emergency support that pushes costs onto other areas of the public sector, as well as limiting that person’s opportunities to find a new job.¹³

In our survey, 10% of respondents reported having deductions taken from their UC payment during the pandemic, and analysis of advice given by the CAB network since the survey was completed shows that compared to the average across 2020–21 there has been:

- > A 76% increase in the need for advice on UC overpayments.
- > A 24% increase in the need for advice on ID verification.
- > An 18% increase in the need for advice on third party and direct deductions.

Recent statistics confirm that the pandemic has led to an increase in the number of people subject to these deductions. Almost 4% of benefit expenditure in 2020–21 was on overpayments – the highest overpayment rate to date¹⁴ – meaning more people than ever will be facing reduced payments as a result of deductions. The removal of ID verification requirements for claims in the early months of the pandemic has also resulted in people being pursued for overpayments even if these occurred as the result of honest mistakes or poor communications rather than deliberate fraud.¹⁵

These statistics show that many people on UC will be struggling on reduced incomes for the foreseeable future, meaning the pandemic will continue to have a lasting financial impact over the next few years.

¹² Rightsnet, [DWP used discretion to waive recovery in just 10 universal credit official error overpayment cases in 2020/2021](#), 20 August 2021.

¹³ For more on Government debt recovery, see Citizens Advice Scotland, [CAS response to the Cabinet Office consultation: Fairness in Government Debt Management](#), September 2020; and generally Citizens Advice Scotland, [“I am constantly penny pinching.” Research into Living on Universal Credit during the Pandemic](#), 6 September 2021, Section 4.

¹⁴ DWP, [Fraud and error in the benefit system for financial year ending 2021](#), 13 May 2021.

¹⁵ Rightsnet, [Retrospective verification of 900,000 ‘at risk’ universal credit claims made during COVID-19 pandemic finds 11 per cent ‘had something wrong’](#), 10 September 2021. See also Citizens Advice Scotland, [“It’s a bit frightening seeing things slip away so fast after you’ve worked so hard.”: Citizens Advice Scotland Research into Applying for Universal Credit during the Pandemic](#), 30 July 2021, Section 3.

1. “I had just finished my probation and they let me go so that they didn’t have to furlough me”:

Supporting people who have lost work

How we can fix UC for people who have lost their jobs

People need to be able to safely access the social security system when they need it. Already facing the stress of losing their job and their wage, people need to know the system will support them properly as they begin the search for employment. But as the statistics above show, many instead find themselves immediately in debt, facing reduced UC payments that can cause hardship, debt, and more costly emergency intervention from other areas of the public sector. We need to think about how UC can better support these people from one job to the next.

Abolishing the five week wait for first payment with the introduction of a non-repayable assessment period grant for all people claiming UC would be a big help for people who have recently lost their jobs. Ensuring people have support from the start of their claim means they can access UC without fear of debt or hardship. It would also reduce emergency spending elsewhere, with fewer people relying on foodbanks, crisis grants, and other forms of emergency support to make it through the five week wait. Introducing a non-repayable assessment period grant to replace the current Advance Payment system will give people the security net they need to budget for UC and begin looking for work immediately, reducing the risk that people become stuck in a cycle of debt and low incomes.

Replacing the DWP’s debt recovery process with a revised system that better reflects people’s ability to pay would also ensure people do not face unsustainable deductions to their income, particularly at the start of their claim where they may already be facing an income shock from the loss of their job. As CAS outlined in a consultation response to the Cabinet Office in 2020, DWP deductions are significantly harsher than comparable debt recovery schemes in the private sector.¹⁶ If a standard debt instrument such as the Standard Financial Statement (SFS) was used, repayments would be tailored to the person’s needs, ensuring they do not face acute hardship that holds people back from finding work. This is the best way to ensure debts are recovered without placing people in unnecessary financial difficulties or debt.

¹⁶ Citizens Advice Scotland, [CAS response to the Cabinet Office consultation: Fairness in Government Debt Management](#), September 2020.

2. “If I can keep a roof over my head for now and then get a job, I’ll be okay”:

Supporting people into work

Summary

UC is a work-focused social security payment. With the exception of those with Limited Capability for Work or caring responsibilities, people on UC are expected to be searching for work throughout their claim. But someone who is cold and hungry will not be able to succeed at a job interview, nor will they be able to afford clothing and transport costs for their first shifts. To secure a good job, people need to be able to meet their essential costs.

In this light, we need to ask if UC is helping people search for work effectively. Yet our survey found that:

- > **77% of unemployed people** said UC was inadequate for their needs.
- > **Almost two in three unemployed people** had to cut down on **heating (63%)** and **electricity or gas (61%)** while on UC.
- > **Two in five (41%) unemployed people** went without essentials to cover their bills.
- > **One in five unemployed people** said they had gone without something altogether (for example, giving up using their heating or electricity and gas entirely) since their UC claim began – **more than double the proportion of employed people we surveyed.**

Our survey also found the longer-term impact of low social security payments on people’s debt. Of the unemployed clients we surveyed:

- > **Over a third (36%)** had to borrow money in order to pay for essentials.
- > **A fifth (20%)** reported an increase in loans from friends and family.
- > **More than one in ten (11%)** reported an increase in credit card debt.

The adequacy of UC is not only an issue for those looking for work. Indeed, as we explore in Sections 4 and 5, people on UC who are unable to work and those with children also face significant difficulties meeting their essential costs. But with UC explicitly geared towards supporting people into work, it is important to ask whether it needs to be strengthened to achieve this goal. If UC is too low for people to meet their essential costs, this will be an obstacle rather than an encouragement for finding work.

Citizens Advice Scotland recommends

- > A permanent increase to the basic allowance of UC

2. “If I can keep a roof over my head for now and then get a job, I’ll be okay”:

Supporting people into work



Robert’s story

Robert is in the 45 to 59 age group. He is currently unemployed and applied for UC when he lost his job as a result of the pandemic.

“I was self-employed on a contract that came to an end. I was supposed to start another contract but it was cancelled due to COVID. It was friends that encouraged me to apply for UC.”

Robert says that he does not have nearly enough to pay for everything that he needs. He only buys essentials, does not buy clothes, and turns his heat off regularly because he can’t afford it.

“The rent has to be covered first. I cut back on food and try to buy economically by using value packs where I can, but still it’s not enough.”

“I usually run out of money before the end of the month and often have no heat for the last few days. My heating bills are high and I can’t afford them especially during the winter. I’m left with £6 per day after paying for everything.”

Robert borrows from friends, especially at the end of the month when he has run out of funds. He also depends on his local shop allowing him to have essentials and not pay for them until he has funds again.

“I borrow from friends at times, but everybody is finding it tight at the moment. Sometimes, at the end of the month, I have no money left at all and they help me out.”

“I shop in the corner shop next door and I can get things on tick there. I pay them when my money comes through.”

Robert is finding things difficult. He has developed ways of coping that he thinks no-one should have to use. His mental health is poor as is his quality of life.

“I run out of heat and when I do, I just go to bed at 6.30.”

“I just eat what I have to eat. Sometimes that is nothing.”

“I’m really struggling. I’ve no money for essentials never mind luxuries. I just want to get back to work.”

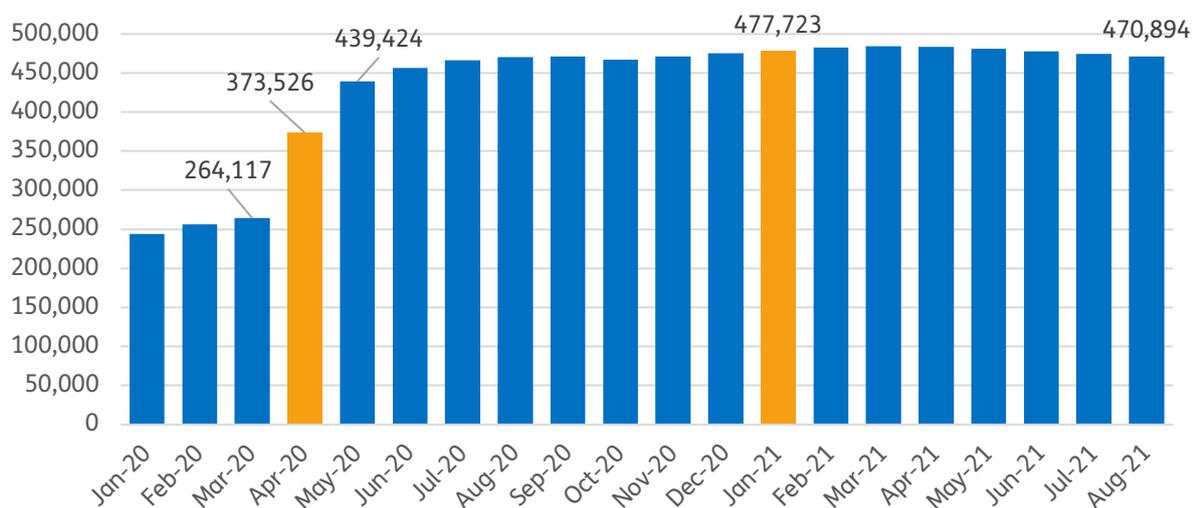
2. “If I can keep a roof over my head for now and then get a job, I’ll be okay”:

Supporting people into work

Understanding the experiences of those looking for work

Robert’s difficulties finding work during the pandemic were not uncommon. Despite restrictions easing and some sectors opening back up, the number of people on UC has been steady and remains much higher than during the strictest months of early lockdown. This means most people have not been able to find well-paid work since the pandemic began.

Chart 2. Number of people on UC in Scotland (with first and second lockdowns highlighted in orange)¹⁷



If a person is unable to meet their essential costs – if they are cold and hungry – they will not succeed when interviewing for jobs. This can trap them on a low income, risking a cycle of poverty and debt that will only further hinder their chances at finding work. In our survey, 77% of unemployed people said UC was inadequate for their needs, with almost two thirds of this group describing it as “very inadequate”. And because these figures were collected when the £20-a-week uplift was in place, UC will now offer even less support than it did at the time of the survey, placing people in further financial hardship.¹⁸

¹⁷ Figures taken from DWP Stat-Xplore.

¹⁸ See further Citizens Advice Scotland, “I am constantly penny pinching.” Research into Living on Universal Credit during the Pandemic, 6 September 2021, Section 5.

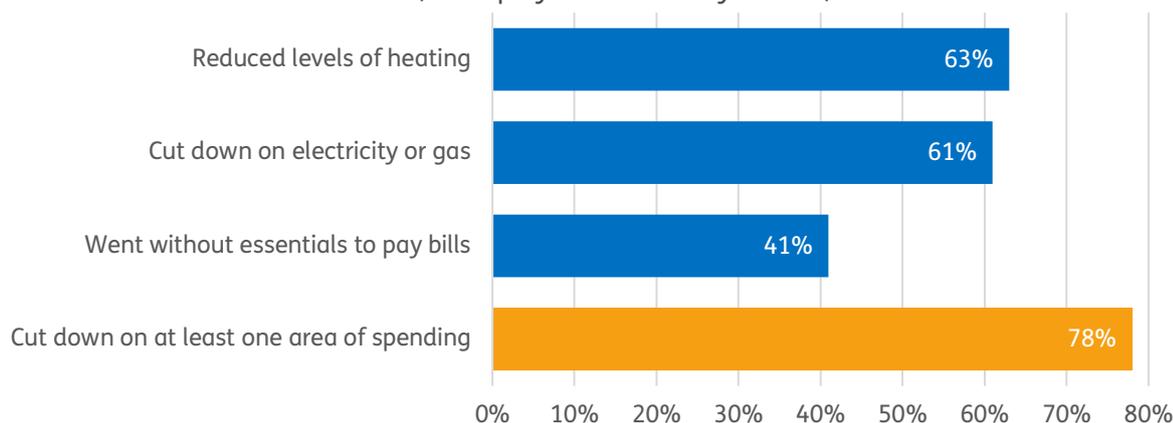
2. “If I can keep a roof over my head for now and then get a job, I’ll be okay”:

Supporting people into work

A low rate of social security support means people will cut back on essentials. In our survey, people told us how UC’s low payment level meant they had had to cut back on or even go entirely without various essentials, lowering their standard of living and jeopardising their chances of finding and holding down a good job. Nearly four in five (78%) unemployed people we surveyed reported having to do at least one of the actions listed in our survey to make their finances last since applying for UC,¹⁹ including:

- > Almost two in three (63%) having to cut down on heating.
- > A similar proportion (61%) cutting down on electricity or gas.
- > More than two in five (41%) going without other essentials to cover their bills.

Chart 3. Have you had to cut down on any of the following since applying for UC? (unemployed clients only: n=168)



One in five unemployed people we surveyed also said they had had to go without something altogether (such as heating, internet access, or their car) since their UC claim began – more than double the proportion of employed people we surveyed (employed, 9%; unemployed, 20%; economically inactive, 25%).²⁰

¹⁹ Our survey asked people whether they had done any of the following actions since applying for UC: cut down on non-essential travel; put off or cancelled activities; reduced levels of heating; cut down on electricity or gas; prioritised others ahead of yourself; done without essentials to pay bills; cut down on essential travel; borrowed in order to pay for essentials; and gone without food.

²⁰ This was an open survey question with no suggested answers. Researchers at SMR then coded and grouped together responses under the following common categories: heating; electricity/gas; social activities – going out, cinema, going for coffee or meal; broadband/internet/data; gave up my car; treats; “I cut down on everything – I just exist”; cigarettes – gave up smoking; cancelled subscriptions/apps; holidays; paying bills (general); essential toiletries; household repairs; private mental health services (counselling); insurance – house/contents/life/pet; alcohol; TV subscriptions specifically; cleaning products; music – downloads/CDs/streaming; dental care; car payments; other; and don’t know.

2. “If I can keep a roof over my head for now and then get a job, I’ll be okay”:

Supporting people into work

A lower than required income can have other negative effects, particularly in terms of debt. Of the unemployed clients we surveyed:

- > Over a third (36%) had to borrow money in order to pay for essentials.
- > A fifth (20%) reported an increase in loans from friends and family.
- > Over one in ten (11%) reported an increase in credit card debt.

This makes clear the link between a low rate of UC and sustained debt problems. Increased borrowing means people will carry around that debt even when they find work, trapping them on lower incomes even when they find work. Links between debt and poor mental health are also well evidenced, meaning that prolonged hardship may introduce additional barriers to people finding and sustaining good work.²¹

How we can fix UC for people looking for work

These statistics show the clear need for **a permanent uprating of UC**. If people cannot buy food, heat their homes, or cover internet access and transport costs to search for jobs, they are going to struggle to get back into work. Faced with a permanently low income, our survey also shows that many will borrow money to make ends meet, trapping them in a cycle of debt even when they find work. Ensuring that UC matches people’s costs will reduce the need for them to borrow money elsewhere and make sure they are able to move into work safely and securely.

When people don’t have to worry about meeting their basic bills, they can focus on moving forward and looking for work. This is good for the individual and good for the economy. Investing in social security prevents additional demand on the NHS by protecting people’s physical and mental health, just as making sure rent is covered stops the risk of eviction and homelessness, avoiding further pressure on local authorities and homelessness services. If a person cannot meet their basic needs, these emergency costs are pushed onto other parts of the public sector, meaning our economic recovery suffers in the long run.²²

Strengthening the support that UC offers will give everyone the right starting point to look for secure and well-paid jobs and reduce the financial pressure on other parts of the public sector.

²¹ See, among other sources, Elaine Kempson, [Independent Review of the Banking Code: Report to Code sponsors](#), September 2004; Money Advice Liaison Group, [Good Practice Awareness Guidelines for Helping Consumers with Mental Health Conditions](#), 2015; Money and Mental Health Policy Institute, [Income in Crisis: How the Pandemic has affected the living standards of people with mental health problems](#), June 2020.

²² See, for example, Sophie Wickham et al, [Effects on mental health of a UK welfare reform, Universal Credit: a longitudinal controlled study](#), (2020) 5(3) *The Lancet Public Health* 157 (March 2020); Scottish Government, [Homelessness and Universal Credit: research report](#), 17 March 2021.

3. “Sometimes it just doesn’t cover everything. I now have a job and I have the work taper”:

Supporting people in work

Summary

Over a third (38%) of people on UC in Scotland today are in work. Yet the focus on getting people on UC into work often obscures the number of people who are already in work while in receipt of UC. For these people, UC acts as a form of income support, topping up low wages and encouraging people to remain and progress in work.

Nevertheless, our survey still found gaps in the support UC offers to these people:

- > **70% of employed people** found UC inadequate for their needs.
- > **One in three (33%)** had cut back on heating since their UC claim began.
- > **29%** had cut back on electricity or gas.
- > **16%** had gone without other essentials to pay bills.
- > **Almost a quarter (24%)** reported an income drop compared to the period before they claimed UC, meaning their current job pays less than their pre-UC employment.

Analysis of advice given by the CAB network since the survey was conducted also shows:

- > A **45% increase** in advice on Mandatory Work Activity.
- > A **32% increase** in advice on Work Allowances.
- > A **17% increase** in advice on UC conditionality.

While we believe that social security should be adequate for everyone’s needs, regardless of whether they are able to work, it is clear from our survey that UC does not offer enough support to those on low incomes.

Citizens Advice Scotland recommends

- > A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone, to make sure UC properly supports those in employment

3. “Sometimes it just doesn’t cover everything. I now have a job and I have the work taper”:

Supporting people in work



Cait’s story

Cait is in the 60 to 64 age group. She is in employment but furloughed and applied for UC to top up her wages.

Cait wasn’t sure how much she would get. She is currently on half pay and the UC payment makes up some of her shortfall, but she acknowledges she could not survive on it alone.

“I really had no expectations about the amount, although in saying that, I was a bit surprised about how little it was. It wouldn’t be adequate if that was all I was getting, that’s for sure.”

Cait has had to adapt her lifestyle while living on UC. She had been paying extra each month on her mortgage, hoping to get it paid off before retirement. However, she has had to reduce those payments to make ends meet.

“I used to make extra payments on my mortgage to try to pay it off before retirement but I’ve had to reduce my payments and I’ll have to go on paying well into my seventies.”

Cait says that the key to making her money last is to think carefully before spending anything at all.

“I budget very carefully to make sure that I have enough to pay essentials like the Council Tax and the mortgage. I set it all down and make sure that the essential bills are covered before I even think about anything else.”

“Other than the essentials I have to think very carefully before I buy anything now, so there is no eating out, no alcohol, and no petrol for the car.”

Cait says that she would be able to replace an item if it broke down but says that it would have a big impact on the small amount of savings she has put by.

“If the washing machine broke down? I don’t know, I think I could manage to take it from my savings but it would have a big impact on the little money that I have left for emergencies.”

Cait does worry about money and about her health but says that she is in good spirits and her focus is on being grateful for what she has.

“I just worry about my health and whether I’ve enough money to stay well. I want my children and my grandchildren to be happy and have a good future.”

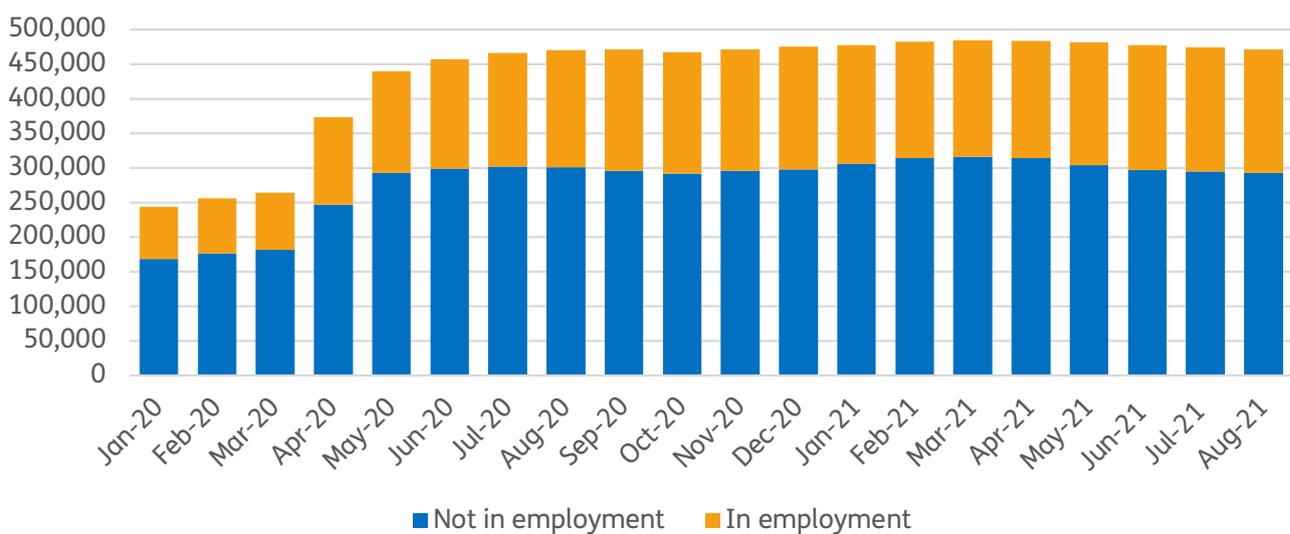
3. “Sometimes it just doesn’t cover everything. I now have a job and I have the work taper”:

Supporting people in work

Understanding the experiences of those in work

As Cait’s story shows, many of the people who rely on UC are in work. In Cait’s case, UC topped up her furloughed income, but for others UC is supplementing low-income or insecure jobs which do not provide an adequate wage. Nearly 180,000 people on UC in Scotland were in work in July 2021, more than twice as many as before the pandemic, and the proportion of people on UC who are in employment has also grown, accounting for 38% of people on UC in Scotland in August 2021 compared to only 31% between January and March 2020.

Chart 4. Number of people on UC in Scotland, divided by employment status²³



Month	Number of people on UC in employment	% of people on UC in employment
March 2020	82,740	31%
April 2020	126,918	34%
May 2020	146,384	33%
January 2021	171,685	36%
August 2021	178,100	38%

²³ Figures taken from DWP Stat-Xplore.

3. “Sometimes it just doesn’t cover everything. I now have a job and I have the work taper”:

Supporting people in work

This makes it all the more important to consider how effectively UC supports those in low-income work. Our survey results allow us to compare the views of those in employment versus those who were still unemployed at the time of the survey. While the expectation would be that those in work would find UC’s support more adequate, our survey found only a small gap between the two groups: 70% of employed people found UC inadequate compared to 77% of unemployed people, meaning work does not adequately pay for those on UC. As one interviewee – a frontline worker – told us:

“Sometimes it just doesn’t cover everything. I now have a job as a carer and I have the work taper.”

This means that many people in work on UC face the same set of difficulties as unemployed people. Our survey found that, even in work, 54% of the people we surveyed who were in employment had to cut back on essentials while on UC, including:

- > 33% who had cut back on heating.
- > 29% who had cut back on electricity or gas.
- > 16% who had gone without other essentials to pay bills.

Our survey also asked people how their income had changed since claiming UC, and the responses show that UC is not encouraging people into better paid work. Of the employed people we surveyed, almost a quarter (24%) reported a drop in their income compared to the period before they claimed UC, meaning their current job (and any remaining UC entitlement) pays less than their pre-UC employment. This suggests that UC is not succeeding in its aim to get people into well-paid and secure jobs.

In this regard, it is worth noting that for a person without children or Limited Capability for Work,²⁴ entitlement to UC and Local Housing Allowance can end with a monthly income as low as:

- > £939.34 for a single person under 25 (around 24 hours work per week on the National Living Wage).
- > £1062.08 for a single person over 25 (around 28 hours work per week on the National Living Wage).
- > £1323.67 for a couple where both people are under 25 (around 17 hours work per week per person on the National Living Wage).
- > £1515.36 for a couple where at least one person is over 25 (around 19 hours work per week per person on the National Living Wage).²⁵

A person losing entitlement to UC from working as little as 24 hours a week does not guarantee that their job is secure and sufficiently well-paid to meet their basic needs.

²⁴ People with children or Limited Capability for Work are entitled to Work Allowances which allow for a set amount of earned income before a person’s UC is “tapered” according to the Taper Rate of 55p for every £1 earned (lowered from 63p in the 2021 Autumn Budget). Work Allowances were previously available to everyone on UC but were removed for those without children or Limited Capability for Work in 2016.

²⁵ All figures calculated against the UC basic allowance plus the lowest relevant Local Housing Allowance rates in Scotland (£59.84 per week for a room in a shared flat in Dumfries and Galloway for single claimants; £74.79 per week for a one-bed flat in the Scottish Borders for joint claimants). The Taper Rate is calculated at the new lower rate of 55p in the pound, which was lowered in the Autumn Budget 2021. All working hour calculations presume the person is over 23 and in receipt of the National Living Wage, as opposed to the lower National Minimum Wage for those under 23, and are calculated as an average across the year. Because of UC’s monthly assessment period, clients working this number of hours per week would in reality find their UC entitlement fluctuate depending on the number of weeks in the monthly assessment period.

3. “Sometimes it just doesn’t cover everything. I now have a job and I have the work taper”:

Supporting people in work

Another point that came across in our survey is the complexity of UC as it relates to work and education. Our survey found that, before contacting CAB, clients frequently struggled to find the necessary information about UC to understand and make their claim safely. Almost one in ten people (8%) said there was information they were unable to get hold of on their own about applying for UC. When asked what information they were unable to find, 5% reported incomplete information on the impact of work on UC and 7% were unable to find information on the impact of education or training courses on UC entitlement.²⁶

Complexities in the system make it harder for people to understand how UC works for those in employment. As a consequence, people require additional support from advice services to understand how their employment will impact their UC. Analysis of advice given by the CAB network since the survey was conducted shows that in-work UC remains a significant part of our work, with:

- > A 45% increase in advice on Mandatory Work Activity.
- > A 32% increase in advice on Work Allowances.
- > A 17% increase in advice on UC conditionality.

Simplifying the system would give people more security to take on work and training without risking their income support.

How we can fix UC for people in work

CAS has long campaigned for reform of UC’s in-work elements to make sure work pays as much as possible.²⁷ While the announcement of a decrease to the Taper Rate and an increase to Work Allowances in the 2021 Autumn Budget is to be welcomed, many working people on UC still face difficulties. In particular, Work Allowances were removed for people without children or without Limited Capability for Work in 2016, meaning they will have seen a far smaller level of income support from the 2021 Budget. The removal of Work Allowances for these people is one of the reasons why in-work poverty levels have increased over the past five years, even while the National Living Wage has increased over the same period.²⁸ People on low incomes need a strong social security system to avoid financial hardship.

Restoring Work Allowances for everyone would redress this balance, allowing more people to keep more of what they earn and helping reduce levels of in-work poverty and debt. It would also give people the security to take on training and look for better paid work while on low incomes, rather than hovering on a low income to sustain their entitlement to additional support.

In the longer term, the Government should commit to **a review of UC as an in-work benefit**, to make sure it is achieving its goal of getting people into secure and well-paid jobs.

²⁶ See further Citizens Advice Scotland, [“It’s a bit frightening seeing things slip away so fast after you’ve worked so hard.”: Citizens Advice Scotland Research into Applying for Universal Credit during the Pandemic](#), 30 July 2021, Section 2.

²⁷ Citizens Advice Scotland, [Making Universal Credit Work](#), January 2020; Citizens Advice Scotland, [UK Government Budget Consultation Response 2020](#), February 2020; Citizens Advice Scotland, [MP Briefing for Queen’s Speech](#), 10 May 2021.

²⁸ Learning and Work Institute UK, [The Future of the Minimum Wage](#), February 2021.

4. “Petrol for the car is a priority for me because I need it for getting to health appointments”:

Supporting people unable to work

Summary

UC also supports a wide range of people who are not expected to seek employment. This includes people with disabilities or health problems that reduce their capability to work, as well as those with caring responsibilities. It is vital that UC still offers an adequate standard of living for people who are unable to increase their income through work.

However, our survey found that for the economically inactive²⁹ people we surveyed:

- > **54%** said UC was inadequate for their needs.
- > **54%** said they were worried about paying their energy bills.
- > **53%** were worried about paying for food and other household shopping.
- > **43%** were worried about mortgage or rent payments.
- > **32%** reported having to borrow money to pay for essentials – **twice** the proportion of employed people we surveyed (32% compared to 16%).
- > **50%** had cut down on their heating usage.
- > **48%** had cut down on electricity or gas.
- > **35%** went without other essentials to pay bills.

When asked if they had gone without something altogether during their UC claim (for example, giving up heating, electricity or gas, or the internet entirely):

- > Economically inactive clients were **almost three times more likely** than employed clients to say they had entirely gone without something during their UC claim (**25% vs. 9%**).
- > Clients with a disability were **almost twice as likely to say** that they had gone without something altogether compared to clients without a disability (**21% vs. 13%**).

Not everyone with a disability or caring responsibilities will be unable to work. But for those who have no option but to rely on UC, the social security system needs to offer them enough support to have an adequate standard of life. Focusing on these people’s experiences will help us understand whether UC succeeds at supporting everyone equally.

Citizens Advice Scotland recommends

- > Protecting and uprating support for people with disabilities and caring responsibilities

²⁹ In our survey, economically inactive refers to any clients neither employed nor unemployed.

4. “Petrol for the car is a priority for me because I need it for getting to health appointments”:

Supporting people unable to work



Neal’s story

Neal is in the 45 to 59 age group. He was in hospital for three months with a serious illness. While he was in hospital, Neal had a fall and injured his back. Now that he is discharged, he is medically unfit for work.

“I was in hospital with major health issues for 13 weeks. I also fractured my spine whilst in hospital. Now I can’t work.”

After being discharged from hospital, Neal was not sure what his next step should be. He went to the Jobcentre where he was advised to apply for UC. While this was helpful to him, he had difficulties accessing the building and in proving his incapacity to climb stairs.

“They just wanted rid of me when I had to go in to sign on. I had difficulty accessing the Jobcentre; there was no lift and I couldn’t climb stairs so I had to wait for hours for an office to become available downstairs. They were very unsympathetic.”

“Then they wanted proof of the problems that I had with climbing stairs. I gave them all the relevant information including all the sick notes, but I was very confused about the whole thing and nobody really told me what stage things were at or when I might get a payment.”

Neal’s spending has gone up and he says he needs good online access in the pandemic. He says that he needs to continue running his car because he has frequent medical appointments associated with his back injury and he cannot travel to the hospital by public transport.

“I would say that my spending has gone up. I need the internet now for dealing with things as everything is online at the moment. I need a good mobile phone too as the very basic ones are no good now for the kind of internet access that I need.”

“Petrol for the car is a priority for me because I need it for getting to health appointments. It’s not possible for me to go by bus.”

“If the washing machine broke down I’d just have to go without until I could get hold of one, maybe secondhanded or from a charity. It would be a problem.”

Neal says that he is getting by, but he gets “very down” sometimes.

“Winter was awful as I’m on my own. I get very lonely. I take a lot of painkillers that kind of knock me out. Sometimes I feel very down but tomorrow’s another day. I’m just trying to stay alive.”

4. “Petrol for the car is a priority for me because I need it for getting to health appointments”:

Supporting people unable to work

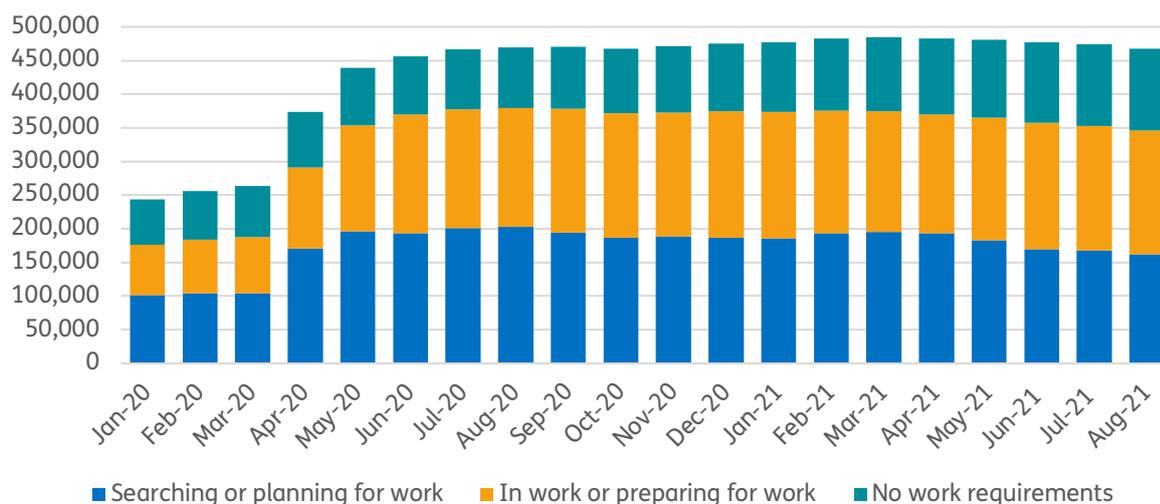
Understanding the experiences of those unable to work

Neal’s story highlights the double trap faced by people who are unable to work while on UC. On the one hand, they are unable to increase their income with wages, meaning their income is limited to the amount provided by UC’s basic allowance and any additional elements they might be entitled to. At the same time, they often face additional costs not borne by other people, such as the transport costs Neal mentions for his hospital visits. This means their low income on UC is stretched even further by costs completely outwith their control.

For a person with caring responsibilities, social security is also a valuable part of recognising and compensating their caring responsibilities as work. The value of unpaid care work in Scotland is estimated at a staggering £36 billion a year, and research has shown that 7 in 10 (72%) people in Scotland support more government spending on social security for carers.³⁰ As CAS has outlined in other areas of our work, we believe carer’s social security payments should equally compensate carers for income that would have been earned through employment, recognising the equal value that care work provides to society.³¹

People with no work conditionality requirements account for around a fifth to over a quarter of all people on UC in Scotland,³² meaning understanding their experiences is vital for ensuring UC remains a strong and effective safety net for everyone.

Chart 5. Number of people on UC in Scotland by conditionality regime³³



³⁰ Oxfam Scotland, [Unpaid care work worth £36bn in Scotland](#), 20 January 2020.

³¹ See, for example, Citizens Advice Scotland, [Response to the Coronavirus Carer’s Allowance Supplement Consultation](#), July 2021

³² Highest proportion: 29% (March 2020); lowest proportion: 19% (May-August 2020).

³³ Figures taken from DWP Stat-Xplore.

4. “Petrol for the car is a priority for me because I need it for getting to health appointments”:

Supporting people unable to work

Month	% searching or planning for work	% in work or preparing for work	% with no work requirements
March 2020	40%	32%	28%
April 2020	46%	32%	22%
May 2020	45%	36%	19%
January 2021	39%	39%	22%
August 2021	35%	39%	26%

While UC has additional payments for those unable to work, in the form of Carer’s Element and Limited Capability for Work Element, our survey suggests that UC still does not offer sufficient financial support. 54% of economically inactive clients we surveyed said UC was inadequate for their needs, and when asked how worried they were about paying for essentials:

- > 54% said they were worried about paying their energy bills.
- > 53% were worried about paying for food and other household shopping.
- > 43% were worried about mortgage or rent payments.
- > 33% were worried about transport costs.

32% of the economically inactive people we surveyed also reported having to borrow money to pay for essentials – twice the proportion of employed people we surveyed. Without the ability to find work and increase their incomes above social security levels, this increased debt is particularly concerning as people unable to work can easily become trapped in a cycle of debt.

Economically inactive clients also frequently reported cutting down on essentials during their UC claim:

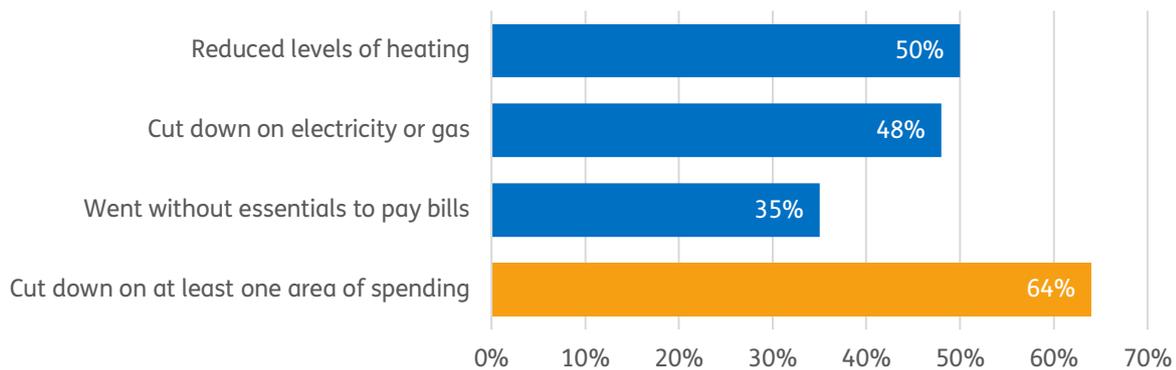
- > 64% cut down on at least one area of essential spending.³⁴
- > 50% cut down on their heating usage.
- > 48% cut down on electricity or gas.
- > 35% went without essentials to pay bills.

³⁴ The people we surveyed were asked if they had undertaken any of the following actions since applying for UC: cut down on non-essential travel; put off or cancelled activities; reduced levels of heating; cut down on electricity or gas; prioritised others ahead of yourself; gone without essentials to pay bills; cut down on essential travel; borrowed in order to pay for essentials; and gone without food.

4. “Petrol for the car is a priority for me because I need it for getting to health appointments”:

Supporting people unable to work

Chart 6. Have you had to cut down on any of the following since applying for UC? (economically inactive clients only: n=215)

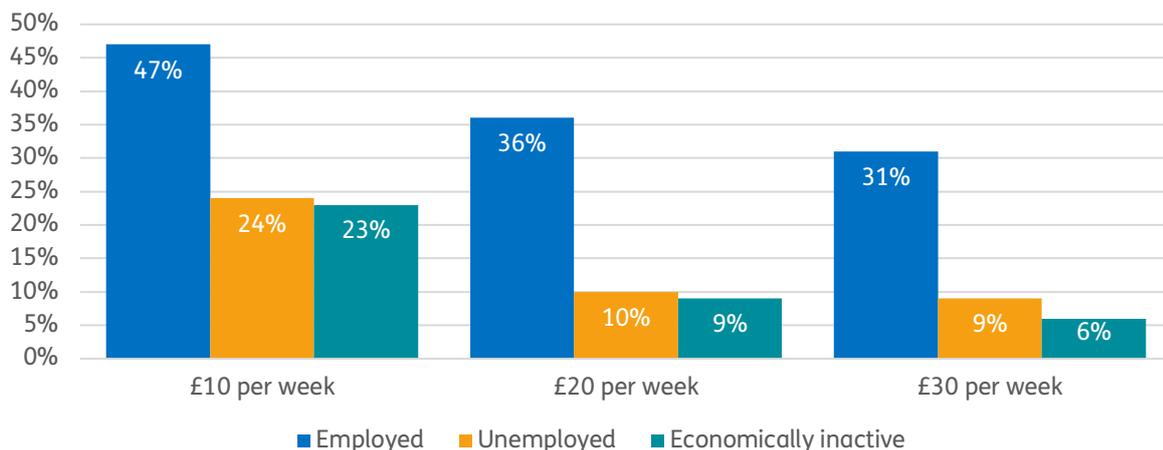


Asked if they had gone without something altogether during their UC claim (for example, giving up using their heating, electricity or gas, or internet entirely):

- > Economically inactive clients were also almost three times more likely than employed clients to say they had gone without something entirely since claiming UC (25% vs. 9%).
- > Clients with a disability were almost twice as likely to say that there are things they have had to go without altogether since making their claim for UC compared to clients without a disability (21% vs. 13%).

When the people we surveyed were asked whether they would struggle with drops to their income of £10, £20, or £30 a week, economically inactive clients were the least likely to say they could cope financially. Only 9% said they could handle an income drop of £20 a week – a drop that was implemented in October 2021, after our survey was conducted – and only 6% could cope with an income drop of £30 a week. This highlights how close to poverty many of those who are unable to work on UC already are, with no ability to top up their income.

Chart 7. Demographic data on ability to cope financially if income was reduced (n=601)



4. “Petrol for the car is a priority for me because I need it for getting to health appointments”:

Supporting people unable to work

How we can fix UC for people unable to work

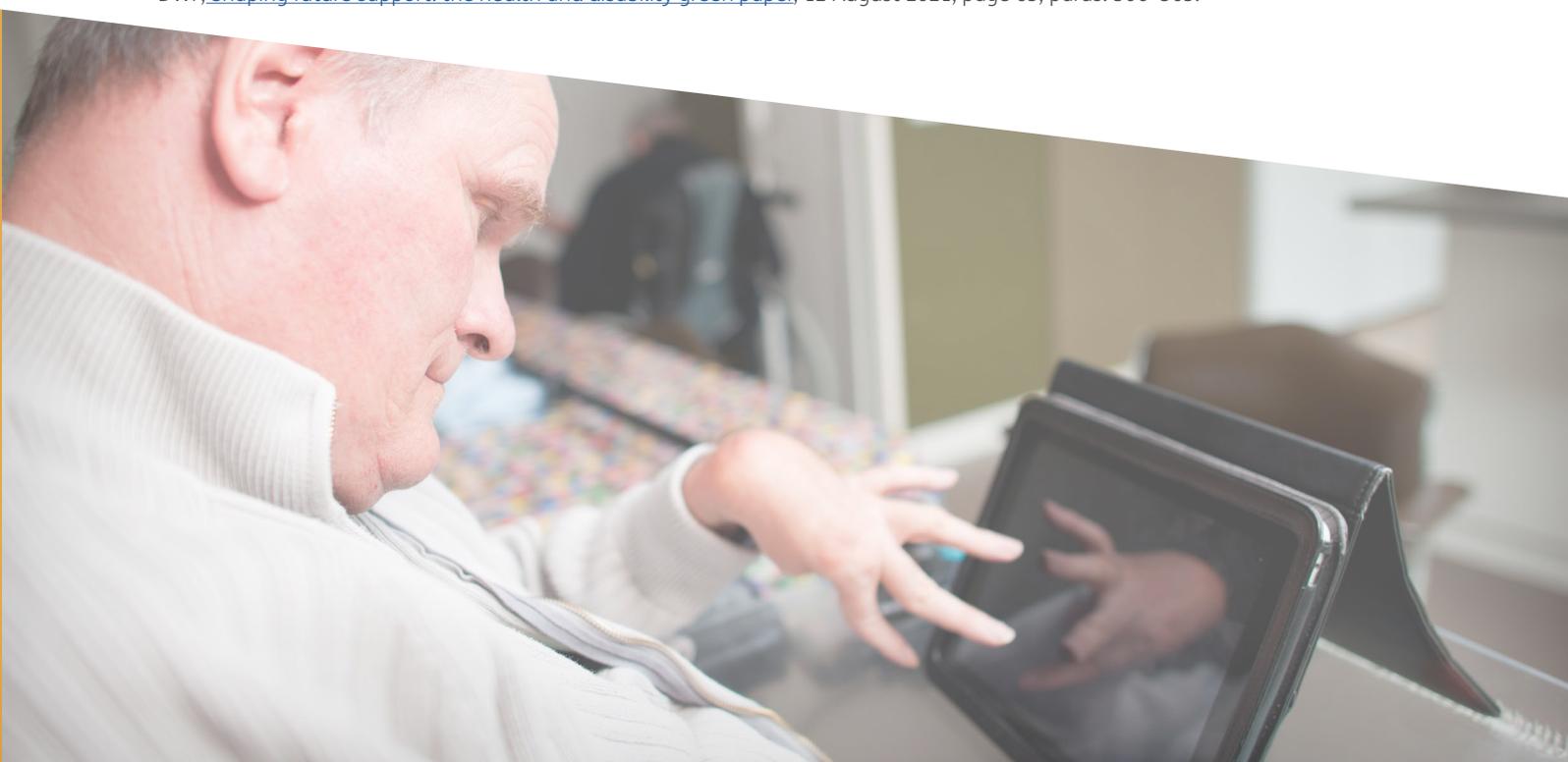
People unable to work while on UC would benefit from abolishing the five week wait and uprating UC's basic allowance, as we have called for in Sections 1 and 2. But without the ability to benefit from increased Work Allowances, other areas of the social security system will need to make up the shortfall.

Protecting and uprating support for people with disabilities and caring responsibilities will help close this income gap. Making sure people with disabilities can afford fuel, heat, and food is vital for ensuring their health conditions do not worsen, and for those with caring responsibilities, social security is important for properly compensating their care work as work, as well as indirectly improving the living standards of those they care for. Ultimately, investment in social security means those unable to work can still participate meaningfully in society.

Some of this uprating can be done within UC itself, for example by increasing the Carer's Element and Limited Capability for Work element. Other non-means-tested social security payments, such as the Carer's Allowance and the Personal Independence Payment (PIP), should also be uprated to compensate directly for the barriers people face while caring or living with a disability. While both of these benefits have been devolved to the Scottish Parliament, Social Security Scotland have committed to ensuring parity between the two systems until they are fully rolled out, meaning that any uprating at a UK level will transfer over to the Scottish system.

On this point, it is concerning that the UK Government's Disability Green Paper suggests merging non-means-tested "extra costs" disability assistance with UC in order to facilitate a single medical assessment.³⁵ Precisely because UC is intended to support people into work, it is unsuitable to merge this support for people who are unable to work. Protecting and uprating extra costs assistance will ensure that all people with disabilities receive the support necessary to compensate for the societal barriers they face.

³⁵ DWP, [Shaping future support: the health and disability green paper](#), 12 August 2021, page 63, paras. 300–303.



5. “The kids get very disappointed... not being able to give them things is heart-breaking”:

Supporting people with children

Summary

The final type of people who rely on UC are people with children, who make up over a third (between 34% and 40%) of households on UC in Scotland. These households have greater costs to meet to ensure their children have a good start in life. Yet our survey found clear gaps in the adequacy of UC for people with children, particularly for single parents:

- > **52% of single parents** we surveyed had to borrow during the five week wait, meaning their income was reduced as they repaid that debt.
- > **38% of single parents** said they had to borrow money to pay for essentials during their UC claim.
- > **41% of single parents** reported increased borrowing generally during their UC claim.

These statistics show that proper support from UC is critical for fighting child poverty. But because of policies like the benefit cap and the two-child limit, many people with children will have received inadequate support throughout the pandemic.

- > The pandemic has shown a significant rise in the number of people subject to the benefit cap, with **more than three times as many households subject to the benefit cap** in May 2021 compared to February 2020.
- > This means proportionately more households on UC are being impacted by the benefit cap than before, with **a 78% rise in the proportion of all households on UC** that are subject to the benefit cap compared to pre-pandemic.
- > While single parent households only account for around a quarter of all households on UC, they make up around **two-thirds of all households subject to the benefit cap**.
- > While couples with children account for only around 10% of all UC claims, they make up around **a third of all households subject to the benefit cap**.

The two-child limit will have reduced the support UC offered to many larger families claiming UC for the first time during the pandemic and the benefit cap will have prevented any targeted boosts to UC from reaching families who need that extra support. Removing these policies will ensure UC can support the children who need it most.

Citizens Advice Scotland recommends

- > Scrapping the benefit cap and the two-child limit

5. “The kids get very disappointed...not being able to give them things is heart-breaking”:

Supporting people with children



Sheila's story

Sheila is in the 25 to 34 age group. She is furloughed from her job and applied for UC when her husband was made redundant. Sheila and her husband had both been in well-paid employment and she says they are struggling to hang on to what they have.

“We’re in a different position from where we were. We live in a large house. We haven’t lost our house, yet, but if we continue on like this we could lose our home and our car.”

Sheila says she had no expectations about the amount she would receive, especially at the start of the process when she was getting contradictory indications from the website.

“I was so confused about whether we would get it at all at the start and then I couldn’t work out how much we might get. As I got to know the system, I realised the amount we got was about right, but it really isn’t adequate, we really need additional support.”

Sheila says that, as a family, they have had to cut back.

“Our spending has gone down. It had to, to survive. We don’t spend on ourselves anymore. I shop in different places from before. We’re more mindful about what we eat and I buy cheaper brands.”

Sheila says that they run out of some essentials before the next payment comes in, but they get by. She finds the situation depressing.

“We run out of things like fruit. You just do without until the next week.”

“Having to do without things has definitely impacted on our mental health. We feel awful, depressed, anxious about the future, worried about our children, but there are others that are worse off than us.”

Sheila has to supplement her UC with a little from her savings each month.

“So far we can pay the gas and electricity. We have a wee bit of savings, something put aside for a rainy day, but it’s disappearing fast.”

Sheila says that, with their savings being used up for essentials, they would find it difficult if there were unexpected bills or expenditure.

“That would be a disaster. We’d have to ask family for help or ask for freebie from somewhere.”

Sheila says that they are managing poorly overall. She is fearful that she and her family may be on a downward spiral into poverty. So far they are managing both spending and borrowing, but she knows that she needs to get back into work soon.

“I don’t know what to hope for really. It’s a bit frightening seeing things slip away so fast after you’ve worked so hard. I guess my biggest priority is my children. At least I am getting to spend time with them at the moment.”

5. “The kids get very disappointed...not being able to give them things is heart-breaking”:

Supporting people with children

Understanding the experiences of people with children on UC

Families with children make up a significant proportion of the people on UC in Scotland. Over a third (between 34% and 40%) of households on UC in Scotland have children, which was just over 150,000 households in May 2021.

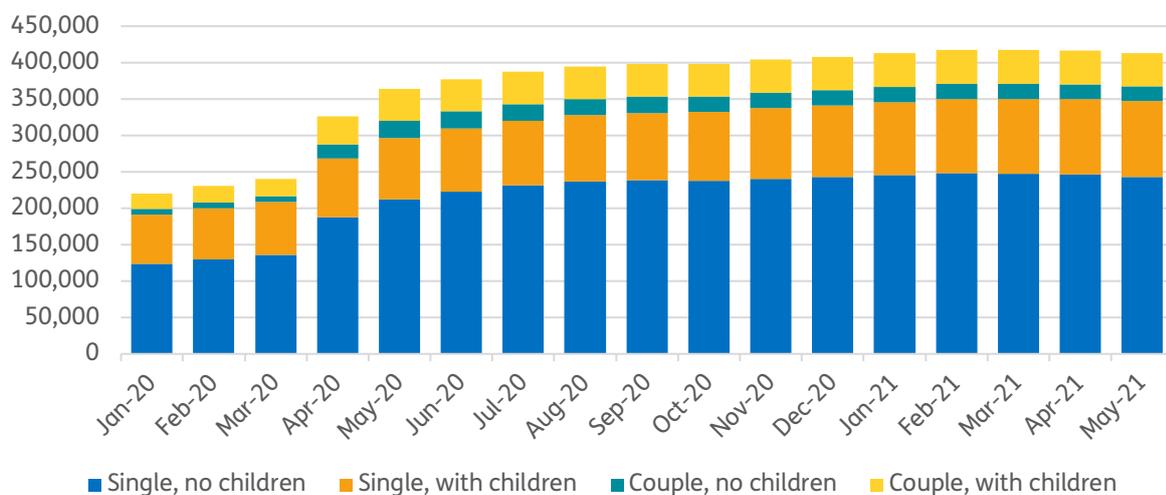
Sheila’s worries about her children were common across our survey. In interviews, people we surveyed emphasised how distressing it is not having enough to buy things for their children.

“The kids come first. Clothes for them. My partner and I we have to do without.”

“Due to health reasons, the diet that I and my son need is more expensive. I am not able to afford the groceries that we need.”

“The kids get very disappointed and for me not being able to give them things is heart-breaking.”

Chart 8. Number of households on UC in Scotland by family type³⁶



Month	% of households on UC who are single parents	% of households on UC who are couples with children	Total number of households on UC with children
March 2020	30%	10%	96,386
April 2020	25%	12%	119,033
May 2020	23%	12%	128,442
January 2021	24%	11%	146,424
May 2021	25%	11%	150,252

³⁶ Figures taken from DWP Stat-Xplore.

5. “The kids get very disappointed...not being able to give them things is heart-breaking”:

Supporting people with children

UC offers additional financial support to families through the Child Element (usually £237.08 per child per month, although higher if the first child was born before 6 April 2017) and Childcare Costs Element (85% of your childcare costs met, up to a maximum of £646.35 per month for one child and £1,108.04 per month for two or more children). Families on UC in Scotland also receive the Scottish Child Payment of £10 per week for every child under six, as well as the Best Start Grants and Best Start Foods payments.

However, there is still a clear shortfall in the level of support UC offers families with children. Our survey found that:

- > 38% of single parents we surveyed had to borrow money to pay for essentials during their UC claim, meaning they risk becoming trapped in debt and low incomes.
- > 41% of single parents reported increased borrowing generally during their UC claim.
- > 52% of single parents also had to borrow during the five week wait, meaning their already low claims will be reduced as they repay that borrowing.

A permanent increase to UC's basic allowance, as we call for in Section 2 of this report, could help many of these families avoid debt, poverty, and hardship,³⁷ as well as protecting the entitlement of working families near the income threshold of UC to devolved benefits like the Scottish Child Payment.³⁸ But any increase can be negated by the benefit cap, which places a limit on the amount an individual can receive from UC and other legacy benefits. The benefit cap is set and is set differently according to the characteristics of the household:

- > £384.62 per week (£20,000 a year) if you're in a couple.
- > £384.62 per week (£20,000 a year) if you're a single parent and your children live with you.
- > £257.69 per week (£13,400 a year) if you're a single adult

The benefit cap means that many families would not see the impact of any increase to UC as any uprating would be restricted by the cap. This has been visible during the pandemic when UC was uplifted by £20 a week in March 2020, placing more households close to the benefit cap limit.

The pandemic has shown a significant rise in the number of people subject to the benefit cap, both:

- > **In real numbers:** more than three times as many households were subject to the benefit cap in May 2021 compared to February 2020 (165,480 households in May 2021 compared to 46,498 in February 2020).
- > **As a proportion of all households on UC:** a 78% rise from 0.75% of all households on UC in February 2020 to 1.38% in May 2021.

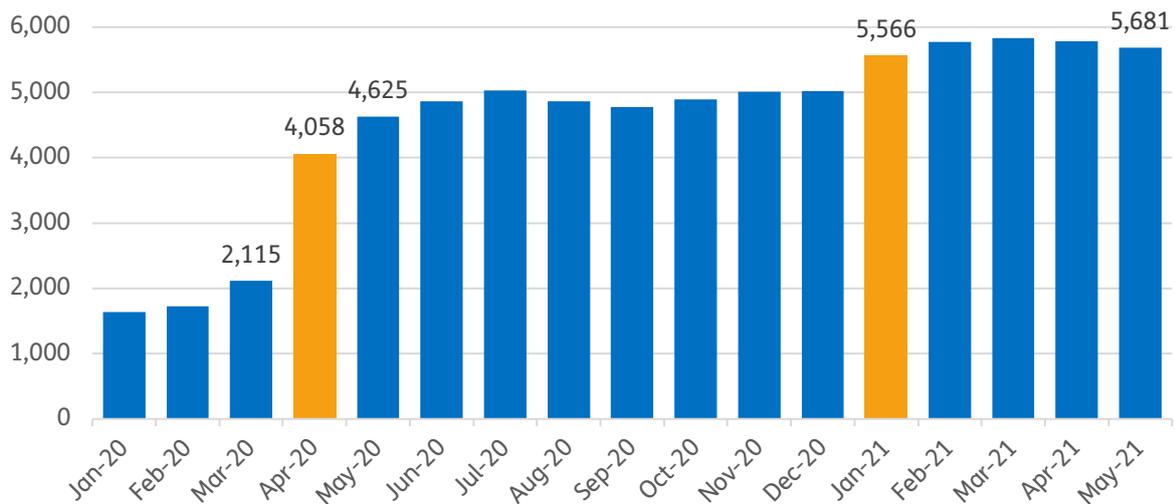
³⁷ For example, Scottish Parliament Information Centre (SPICe), [Removing the Universal Credit uplift: what will be the effect on Scottish households?](#), 1 September 2021 estimates that the 6-month extension to the £20 a week uplift to UC and Working Tax Credits from March 2021 to September 2021 reduced child poverty across Scotland by 4% (from 24% of children in Scotland in poverty to 23%), and would have dropped this figure by a further 4% had it been extended for another 6 months (from 23% to 22%).

³⁸ See further Scottish Campaign on Rights to Social Security (SCoRSS), [Cancel the £20 cut to Universal Credit and Tax Credits](#), 9 September 2021, which estimates that 4,000 households containing 8,000 children across Scotland will have lost entitlement to Scottish Child Payment as a result of the £20 a week cut to UC in October 2021.

5. “The kids get very disappointed...not being able to give them things is heart-breaking”:

Supporting people with children

Chart 9. Number of households on UC affected by the benefit cap (with first and second lockdowns highlighted in orange)³⁹



Month	Total number of households subject to the benefit cap	Households subject to the benefit cap as a % of all households on UC
February 2020	1,728	0.75%
March 2020	2,115	0.88%
April 2020	4,058	1.24%
May 2020	4,625	1.27%
January 2021	5,566	1.35%
May 2021	5,681	1.38%

³⁹ Figures taken from DWP Stat-Xplore.

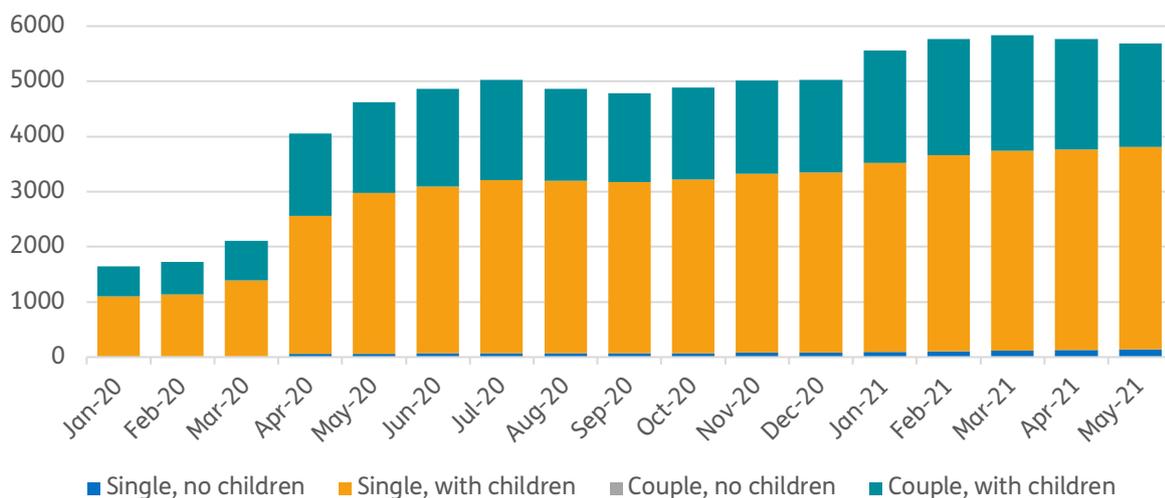
5. “The kids get very disappointed...not being able to give them things is heart-breaking”:

Supporting people with children

What is also clear is that the benefit cap disproportionately impacts households with children, particularly single parents:

- > While single parent households only account for around a quarter of all households on UC, they make up almost two thirds of all households subject to the benefit cap – more than double what would be proportionate.
- > The figures for couples with children are even more striking: despite accounting for only around 10% of all UC claims, couples make up around a third of all households subject to the benefit cap – three times what would be proportionate.

Chart 10. Number of households on UC affected by the benefit cap, divided by family type ⁴⁰



Month	% of households subject to the benefit cap who are single parents	% of households subject to the benefit cap who are couples with children
March 2020	66%	34%
April 2020	62%	37%
May 2020	63%	36%
January 2021	62%	37%
May 2021	65%	33%

These households have received no uplift throughout the pandemic, meaning that additional support has not reached children who need it. As one survey respondent made clear to us, lockdown restrictions meant families have really felt the pressure of increased household costs due to their children being home more:

“All my bills have increased. The kids are at home more. I feed them 3 meals a day and they are snacking in between. The TV is on all the time and we are using a lot more electricity.”

⁴⁰ Figures taken from DWP Stat-Xplore.

5. “The kids get very disappointed...not being able to give them things is heart-breaking”:

Supporting people with children

These problems are exacerbated if the family is subject to the two-child limit. The two-child limit means that any third or subsequent child born on or after 6 April 2017 receives no Child Element payment, meaning families on already low incomes receive no additional support for that child. This can cause real hardship for those families, reducing their ability to support each child to the full extent they need. Analysis by the Joseph Rowntree Foundation found that a couple with three children will receive less than half of what is needed for an acceptable standard of living if they rely on UC alone, and even if both parents work full-time they would end up more than £110 a week short of that acceptable living standard.⁴¹

It's worth highlighting that for those who have claimed UC for the first time during the pandemic, they will never have previously had to account for their third child for social security purposes. People could have been in a perfectly secure position at the point when they decided to have a family, only to have that security snatched away by the pandemic. This means families like Sheila's above, who were previously in well-paid work and have higher existing financial obligations such as mortgage costs, will be suffering an even more significant income shock through no fault of their own.

How we can fix UC for people with children

The disproportionate impact of the benefit cap and the two-child limit means they must be scrapped for UC to effectively support families with children. The two-child limit leaves larger families with inadequate support for each child, and as the £20-a-week uplift to UC has shown, the benefit cap can cancel out any attempts to provide further support and security. The disproportionate number of households with children impacted by the benefit cap means its removal would work as a targeted intervention to get more support to more children across the country.

The links between proper social security support and child poverty are clear. The New Economics Foundation estimates that removing the two-child limit and the benefit cap, alongside a modest uplift of £12 a week to UC's basic allowance, would lift almost a million (910,000) people out of relative poverty across the UK, including 530,000 children.⁴²

Removing the two-child limit (and ensuring any additional income is not consequently limited by the benefit cap) would restore support to people with three or more children and ensure they have the income necessary to give their children a good start. Investing in social security will make sure those children are kept warm, fed, and able to participate at school. It is the right thing to do to make sure every child has the best start in life.

⁴¹ Joseph Rowntree Foundation, [A Minimum Income Standard for the United Kingdom in 2021](#), 14 July 2021, pages 12–13. Note that the £110-a-week figure includes the £20-a-week UC uplift, meaning the shortfall would be even greater today.

⁴² New Economics Foundation, [Options for Universal Credit reform beyond the £20 uplift](#), October 2021.

6. Conclusions and recommendations

The pandemic has brought sharply into focus the importance of a strong social security system. When a crisis hits, people need a safety net to support them from one job to the next. They need a social security system that can give security during periods of low-paid work and a dignified life for those who are unable to work. And for families, a strong system is needed to ensure that no generation is held back by poverty at an early age.

This report has zoomed in on the aspects of UC's design that prevent it from achieving these aims. By focusing more diagnostically on the experiences of different people on UC, we have seen how many people receive inadequate support to pay for essentials, leading to debt, hardship, and poverty. Reforming UC to ensure it meets everyone's needs will go a long way in encouraging those who can work to find good jobs and ensuring those who cannot work are provided with the right support.

We have also highlighted the impact these policies have on the advice sought from CABs across Scotland every day. These figures show how UC's design increases pressure on support services like foodbanks, crisis support grants, and homelessness services. While people will always need some level of support, investing in social security can help relieve these pressures at the source by preventing people falling into hardship in the first place.

If we can learn any lesson from the past 18 months, it is that we must build UC back stronger. In the short term, strengthening social security will provide targeted investment to the most deprived areas of the country, helping stimulate the economy at a local level.⁴³ In the long-term, a strong social security system will guarantee people the right level of support whenever they need it, shrinking emergency support costs and ensuring UC is future-proofed against any other economic crises. Investment in UC should therefore be a key part of the Government's plans for the country's economic recovery.

Strengthening our shared safety net is the right thing to do.

⁴³ See, for example, Zara Canbary and Charles Grant, [The Marginal Propensity to Consume for Different Socio-economic Groups](#), Brunel Economics and Finance Working Paper No. 1916, October 2019. See also House of Lords Economic Committee, [Employment and COVID-19: time for a new deal](#), 14 December 2020, para 85: 'We heard that higher spending on social security can serve as an effective economic stimulus which would help people through the crisis and support the recovery. Thomas Pope, Senior Economist at the Institute for Government, said, "people on low incomes tend to have a much higher marginal propensity to consume out of their income, so, if you give them more income, they are more likely to spend it. It is certainly not an ineffective form of stimulus." Helen Barnard, Director of the Joseph Rowntree Foundation, said, "the stimulus effect of social security spending is better than the stimulus effect on demand of things like tax cuts.''



Conclusions and recommendations

Citizens Advice Scotland recommends

Safe access to UC by introducing a non-repayable assessment period grant at the beginning of all UC claims and replacing the DWP's debt recovery process with a revised system that better reflects people's ability to pay. This would help make sure those newly out of work are not faced with debt and hardship at the start of their claim and be better placed to find good work or start training where suitable.

A permanent increase to the basic allowance of UC would ensure those looking for work don't need to skip meals, ration energy, or miss rent until they can find a good job.

A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone. This would help make work pay and ensure people keep more of their income as they move off UC.

Protecting and uprating support for people with disabilities and caring responsibilities. This will ensure that those who are unable to work while on UC are still offered the right amount of support to take account of their extra costs.

Scrapping the benefit cap and the two-child limit. This will protect families from hardship and ensure children do not face poverty early in their lives, giving them the best possible start.





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