

Poverty Alliance submission to Scottish Affairs Committee: Inquiry into welfare policy in Scotland

December 2020

About us

The Poverty Alliance is Scotland's anti-poverty network. Together, we influence policy and practice, provide evidence through research, support communities to challenge poverty and build public support for the solutions to tackle poverty.

Our members include grassroots community groups, activists who are experiencing poverty, academics, large national NGOs, voluntary organisations, statutory organisations, trade unions, and faith groups.

Background

Since the onset of the Covid-19 pandemic in March, life has changed immeasurably for people in every community across Scotland, but it has particularly impacted people living on low incomes. People already living in poverty have seen its grip tighten, while many more people continue to be swept into poverty. It is clear that what began as a health crisis is creating a poverty and inequality crisis, with potentially significant longer-term implications for the human rights of people living in Scotland.

In this context, social security – at the UK and Scottish levels - is more important than ever. But even before the pandemic, UK social security policy was serving to pull people into poverty, and was driving hardship, food insecurity, and destitution. We therefore welcome the opportunity to contribute this submission to the Scottish Affairs Committee's inquiry into welfare policy in Scotland. This submission has been informed by ongoing engagement with organisations from across the Poverty Alliance network, by engagement and discussions with people experiencing or with experience of poverty, and by a number of research projects undertaken by the Poverty Alliance.

Responses to inquiry questions

Q: What impact has UK welfare reform had on poverty & inequality in Scotland?

Over the last decade, ever increasing numbers of people have been swept into poverty in Scotland. Currently, over 1 million in Scotland – around 19% of the population – are living in the grip of poverty, including 230,000 children.ⁱ The key driver of increasing levels of poverty in Scotland – as has also been the case across the rest of the UK - has been the social security cuts that have been implemented by consecutive UK governments. This poverty has manifested itself most visibly in many communities in growing levels of food insecurity, with the growth in food bank use being inextricably linked to the impacts of UK welfare reform.ⁱⁱ

Policies such as the benefits freeze, the two child limit, the benefit cap, the design of Universal Credit (in particular, aspects like the five week wait for first payments), and increased conditionality have combined to restrict the support that people can access from the social security system, and to pull them into the grip of poverty. Women (particularly women who are lone parents), disabled people, and people from black and minority ethnic backgrounds have been particularly impacted by these policies.



WORKING TOGETHER TO COMBAT POVERTY

The two-child limit, for example, is a policy that acts in contravention of one of the most fundamental tenets of our society; that we believe in protecting each other from harm. In denying support to families living on low incomes, the policy acts to pull families into poverty and damage the lives and life chances of children.

As of April 2020, 14,000 families in Scotland were impacted by the two-child limit. While around 6% received exemptions, the remainder have felt the grip of poverty tighten on their lives. As a direct result of the policy, we know that families are finding it even more difficult to cover their basic needs, with significant numbers being pushed into debt and financial crisis.ⁱⁱⁱ

It is also a policy, as members of our Community Activist Advisory Group – a group of people with experience of poverty - have told us, that has contributed towards the stigmatisation of people accessing social security. The policy's objectives were to both cut costs and influence behaviour, by encouraging "*parents to reflect carefully on their readiness to support an additional child.*"^{iv} By inferring that larger families are less deserving of support – and by being justified on the basis of 'fairness', 'cost' and 'responsibility' - the policy has acted as a value judgement on families with more than two children. This does not just have an impact on people's mental health and well-being, but can also have a detrimental impact on levels of benefit take-up, for example, with stigma acting as one of the most significant barriers to people claiming all of their social security entitlements.

As well as breaching the reproductive autonomy of women, the policy also disproportionately impacts black and minority ethnic women and refugee women, who are more likely than other women to have more than two children. With these groups of women already more likely to experience poverty, the policy acts to further increase this likelihood.

The benefit cap is another aspect of 'welfare reform' that has had a significant impact on people's lives in Scotland and has acted to pull families into deeper poverty. It is a policy that is not evidence-led, that is arbitrary in nature, and which is impacting increasing numbers of families – from 3,300 in March to around 6,400 in August.^v Of those households to whom the cap applies, around 97% contain children and just over 66% were lone parent families. The policy is clearly, therefore, one with a direct correlation to child poverty and one which disproportionately impacts women, given they are significantly more likely to be lone parents.^{vi}

While the benefit cap – through reducing the incomes of people on already-low incomes – has had a wide-ranging impact on people's lives, it has had a pronounced impact on people's housing situations. Work that we undertook with families in Glasgow in the earlier stages of the UK Government's programme of welfare reform highlighted the difficult situations faced by families in precarious or unstable housing tenures, who had accumulated rent arrears due to inadequate housing benefit as a direct result of the benefit cap. Families who had precarious or unstable housing tenures felt the impact of welfare reform more acutely. One participant spoke of rent arrears accumulated by a large family due to inadequate housing benefit as a result of the benefit cap.^{vii}

Q: How well is Universal Credit working in Scotland? Are there issues with Universal Credit that are specific to Scotland compared to the rest of the UK?

Universal Credit as a policy was intended to simplify the social security system, reduce poverty and support people into and in employment. On current evidence it is largely failing to meet these aims, with the problems with Universal Credit spanning both its design and

delivery. We have significant concerns about its impact and are concerned that the policy – as currently designed and delivered – is pushing people across Scotland and the rest of the UK into poverty and, often, extreme income crisis.

Our most significant concerns related to how Universal Credit is impacting people in Scotland include:

The five week wait for first payments

Chief among the failures of Universal Credit has been the in-built five week wait for first Universal Credit payments, which has acted as one of the major drivers of poverty and destitution across the UK in recent years. As detailed in Menu for Change's *Found Wanting* report, the five week wait has been one of the key factors forcing people into income crisis and food insecurity in recent years and has led to significant increases in food insecurity.^{viii}

The wait has – for too many people – meant that they have been forced to rely on family or friends to get by or have been forced into using food banks in order to meet their most basic of needs. Research undertaken by the Poverty Alliance and University of Glasgow for the Joseph Rowntree Foundation on the experiences of Universal Credit claimants in Glasgow found that the five week wait was the most negative aspect of Universal Credit for many people.^{ix}

Advance payments

The introduction of advance payments was a clear recognition by the UK Government that the five week wait was not working and was causing serious hardship for vast numbers of people. However, the evidence clearly shows that advance payments are not enough in meeting the needs of the overwhelming majority of Universal Credit claimants and that a new approach is required.

Our research with the University of Glasgow for the Joseph Rowntree Foundation on Universal Credit in Glasgow, for example, found that despite anxiety over how they would manage repayments, most participants took advance payments in order to avoid immediate rent arrears and hunger.^x

The majority then reported serious challenges in managing repayment deductions, causing significant and ongoing financial hardship. Unlike Jobseeker's Allowance (which has a seven day waiting period), there is an assumption underpinning Universal Credit that claimants will be financially able to meet their living and housing costs during the first five weeks of their claim. However, our joint research found that most claimants did not have savings or pay from a previous employment which covered this five week period.

The research also found that a number of the research participants were struggling financially several months after first being interviewed and were particularly affected by deductions due to advance payment repayments, often having to manage this alongside deductions for rent arrears and other debts (e.g. Council Tax). Some reported having to continue to borrow money from friends and family, going without food, and struggling to pay for their rent.

This reinforced evidence from the Menu for Change *Found Wanting* report, in which interviewees on Universal Credit described significant deductions being made to their monthly income in order to repay advances, rent arrears and other debts, which had often

accumulated during periods when they were receiving no income. Derek, a participant in the research from Dundee, explained the impact of Universal Credit deductions on his income: *“I had accrued these debts which they are clawing back now, so I am on like 50 quid a week... and in the winter with my heating bills and everything.”*

Levels of conditionality

The high levels of conditionality attached to Universal Credit, particularly for people who are already in work, act to place significant psychological and financial pressure on and often exacerbate mental health issues.

These requirements often fail to recognise the realities of the modern labour market, particularly for workers in low-paid and insecure employment and for people in unpaid caring roles (who are largely women) and particularly at a time of steeply rising unemployment. The cost and stress of searching for additional or alternative employment - while simultaneously seeking to sustain existing employment which can be insecure and unpredictable – is significant.

Research that the Poverty Alliance worked on with the University of Glasgow for the Health Foundation found that, for people with mental health issues, the experience of conditionality is largely negative and is likely to exacerbate their mental health problems. Further to this, it found that the application of conditionality gives little or no consideration to mental health problems, and that it should not have been reinstated during the Covid-19 pandemic.^{xi}

Related to conditionality, the use of sanctions is proven to be both ineffective and to deepen the hardship experience by people. Jobcentre staff that we spoke to as part research into Universal Credit in Glasgow did not think that sanctions were effective in influencing claimants positively, especially as they were most likely to be applied to clients experiencing the most challenging circumstances. This adds to already substantial evidence showing that sanctions are both ineffective in their stated purpose of encouraging entry into employment and act only to exacerbate poverty and income crisis.^{xii}

Digital exclusion

The reliance on the online management of Universal Credit claims can be hugely problematic for many groups, including people who speak English as a second language, disabled people, and people with learning difficulties.

Our research with the University of Glasgow on people in Glasgow’s experience of Universal Credit found that the ‘digital by default’ system was particularly challenging for people without IT skills and people with no easy access to computers or the internet. Anna, a participant in the research, said:

“I mean, all this online stuff for me is so, so, so difficult. It’s like it’s working even harder than having a job. I mean, I was working ... for a couple of months and it was easy compared to what it is trying to go on that computer and getting stuck, and you can’t get through, and then you’re down the Jobcentre using their computer. Then there’s no one to help you.”

Issues around digital exclusion have been particularly pronounced since the beginning of the Covid-19 pandemic, with the closure of facilities – like libraries – that can ordinarily provide internet access for people who do not have access at home.

Adequacy

We have a fundamental concern around the basic adequacy of the support provided by Universal Credit, particularly when combined with factors like the two child limit and benefit cap which further restrict the support that people – particularly group already more likely to experience poverty, like lone parent families - receive. Even when individuals are able to navigate the system, manage their claim, and receive payments on time, there exists a fundamental issue – exacerbated by the freeze on working-age benefits – around the inadequacy of support provided, which significantly increases the likelihood that people will experience poverty.

While the £20 increase to Universal Credit since March 2020 has been hugely welcome in protecting people from even greater hardship, we should be clear that this increase came after several years in which most working-age entitlements were frozen. It is absolutely critical not only that this increase is made permanent, but that further steps are taken to increase the adequacy of support provided by Universal Credit to ensure that it does not lock people into poverty.

Q: What has been the effect of the introduction of full Universal Credit services in Scotland for claimants who previously received legacy benefits?

Broadly, and in common with new Universal Credit claimants, people who previously received legacy benefits have experienced a range of issues when moving on to Universal Credit, with the move to Universal Credit acting as a common trigger for food insecurity and wider income crisis.^{xiii}

One of the primary issues has been managing the fact that the first payment of Universal Credit is always paid monthly, meaning that initially all claimants had to budget on a monthly basis – a struggle for many who had been used to receiving legacy benefits more frequently. Some of the participants in our research with the University of Glasgow for the Joseph Rowntree Foundation found the monthly payment manageable, but others struggled to get through the month and keep their heads above water.

Natalie, a lone parent, managed well on weekly tax credits but struggled on monthly Universal Credit payments, telling us that: *“I had all my bills and all that set weekly and I had everything like under control. I was getting by with, and now, I just cannae dae it.”*

Kirsty, who had chosen to receive her Universal Credit twice a month to make it easier to manage bills and rent, still struggled to manage and specifically said that she wished that the payments could be paid every two weeks rather than twice a month: *“Every fortnight is better, because recently there’s been 19 days between payments, which I’m already skint on the ninth day, so having 10 days with nothing isn’t good.”^{xiv}*

Q: Do people in Scotland benefit from the flexibility of having Universal Credit paid at a different frequency or to their landlord directly via the Scottish Choices system?

The introduction of additional flexibilities via Scottish Choices was a positive step in making Universal Credit more responsive to people’s needs, and people in Scotland undoubtedly benefit from this more responsive approach.

Our research on Universal Credit in Glasgow found that payment flexibilities via Scottish Choices were valued by claimants, with many opting to have housing costs paid directly to

landlords because they thought it would be easier or because they feared rent arrears and potential eviction. However, payment flexibilities could not compensate for the inadequate levels of payment, which in some cases were leaving people without enough to pay for essentials.

While most people we spoke to as part of the research were aware of Scottish Choices and preferred having their housing element paid direct to their landlord, few had chosen to be paid twice a month, despite clear evidence that they were struggling financially between monthly payments. Twice monthly payments were not always paid on the same days each month and a variety of factors (such as bank holidays bringing some payment dates earlier) could affect the predictability of payments, which acted to prevent people from taking up this flexibility.

This points for the need for both wider promotion of Scottish Choices and additional flexibilities to be developed, in order to ensure that payment frequency, in particular, is as responsive as possible to the needs of people living on low incomes.

Q: How effective has cooperation been between the UK & Scottish Governments on the devolution of new welfare powers to Scotland? AND

Q: Why have there been delays in the administrations of benefits, which has been devolved to Scotland via the Scotland Act of 2016? What have been the impacts of delays in the devolution of benefits administration?

The transfer of such substantial powers to Scotland has, and continues to be, a complex process given the need for such extensive information sharing and cooperation between governments.

Thus far, however, our assessment is that cooperation has been effective, given that it has supported the delivery of a number of entitlements. The smooth delivery of Carer's Allowance Supplement, for example, points to the fact that such cooperation has been evident. In some areas like Universal Credit split payments, however, progress has been slower and there is a need to ensure that progress is quickened.

Moving forward and as the Scottish social security system is further developed and embedded, it is vital to maintain the "no detriment" clause agreed by the Smith Commission to guarantee that people in Scotland benefit from the introduction of new Scottish entitlements.

Q: What impact could diverging welfare policies in Scotland and the rest of the UK have on welfare claimants in Scotland?

The impact on people of diverging social security policies in Scotland and the rest of the UK is largely dependent upon the nature of those policies. In recent years in Scotland we have witnessed – with the passage of a Social Security Act that makes clear the role of social security in tackling poverty and the importance of dignity and respect – a significant change in the political discourse surrounding social security. We have also witnessed positive first steps in terms of policy outputs, such as the introduction of Scottish Choices in relation to Universal Credit, and the announcement of the new Scottish Child Payment. These steps will have a positive impact on the lives of people in Scotland.

There are, though, some risks that will require to be managed given the existence of different social security systems with whom people claiming social security will be engaged.

For example there is a risk that, given that navigating the social security system can be a complex process for many, individuals – or even the organisations that may be supporting them – could experience confusion around what benefits they are entitled to and from which agency.

There is therefore a need for both governments and for every relevant agency to ensure close partnership working in order to minimise any confusion and/or any risk that individuals are not able to access all of the social security benefits to which they are entitled. For example, both the DWP and Social Security Scotland staff should be equipped to advise people about both systems, with individuals able to access information about their entitlements from a single source rather than having to obtain this information from multiple different agencies. Additional investment in welfare rights services will also be critical in helping people to navigate different social security systems in order to access their rights.

Q: What are the likely long-term impacts of coronavirus on the devolution of welfare?

The Covid-19 pandemic has served to tighten the grip of poverty on the lives of people across Scotland, while pulling many into poverty for the first time. It has exacerbated many of the inequalities that exist in our society – gender, race, and disability – and has underlined the critical importance of a strong system of social protection.

In the short term, there is a need to urgently fix the problems with our social security system that – while they pre-date the pandemic – have been brought into even starker light as a result of it. These include the two-child limit, the benefit cap, the five week wait for Universal Credit, and the fundamental inadequacy of benefits.

In the longer-term, the impact of the pandemic on the devolution of social security powers should be to underscore their importance. Given the economic and social impact of the pandemic – and given the accompanying rise in unemployment, for example – we can expect to see demand for social security support at both the UK and Scottish levels increase. If we are to prevent people from being pulled into poverty and hardship, there is a need both to ensure that the devolution of powers proceeds as efficiently as possible and to ensure that the support provided is adequate.

For more information, please contact:

Neil Cowan, Policy and Parliamentary Officer, Poverty Alliance

neil.cowan@povertyalliance.org

ⁱ Scottish Government, *Poverty & Income Inequality in Scotland: 2016-19*, 26 March 2020

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