

Challenge Poverty Week 2023

Policy Briefing 3

A Scotland where we all have enough to live a decent and dignified life



What is Challenge Poverty Week?

Challenge Poverty Week was launched by the Poverty Alliance in 2013. We wanted to highlight the injustice of poverty in Scotland, and to show that collective action based on justice and compassion can create solutions. The week is an opportunity to raise your voice against poverty and unite with others in calling for a just and equal Scotland. Each year, hundreds of organisations in Scotland do just that, including elected representative, charities and NGOs, local authorities, faith groups, businesses, school and colleges, trade unions, professional bodies and more.

What are we calling for?

The Scottish Government can ensure that everyone has access to an adequate income by taking the steps needed to deliver a Minimum Income Guarantee.

How do we get there?

We believe that the Scottish Government should take initial steps to deliver a Minimum Income Guarantee including action to:

- **Accelerate the review of the adequacy of disability assistance to address the issues of additional costs facing disabled people and terminally ill people.**
- **Increase the funded childcare entitlement and encourage greater uptake of funded hours.**
- **Review the council tax reduction and water rates discount for households with a view to taking significantly greater numbers of low income families out of paying these charges.**
- **Where possible, automate entitlement to social security support to improve uptake and remove the impact of poverty-related stigma.**
- **Ensure that the Minimum Income Guarantee is not undermined by public sector debt recovery.**

1. Introduction

After over 10 years of cuts and restrictions, our social security system is failing people it is intended to support. We also continue to see structural problems in our labour market relating to low wages, declining job quality and increasing precarity. These issues have been further illuminated by the Covid-19 pandemic and the ongoing cost of living crisis. Scotland has seen a rising tide of poverty as people struggle to access adequate incomes that enable them to live a dignified life. These crises are also having severe impacts on the levels of inequality in our communities. One of the policy solutions that has emerged in response to these issues has been the Minimum Income Guarantee, an idea centred on setting a minimum income level below which people would not be allowed to fall.¹

In the 2021/22 Programme for Government, the Scottish Government made a commitment to *“begin work on a Minimum Income Guarantee, which would make sure that everyone in Scotland has enough money to live with dignity.”* Since then, the Minimum Income Guarantee Steering Group was established to take forward this commitment, consisting of a cross-party Strategy Group and an Expert Group with representation from academia, trade unions, poverty and equality organisations.

The Scottish Government’s clear commitment to develop a Minimum Income Guarantee is very welcome. However, too many people across Scotland, including 250,000 children, are having their life chances, health, and wellbeing negatively impacted by poverty in Scotland. People cannot afford to wait. We are calling on the Scottish Government to take the necessary initial steps to deliver a Minimum Income Guarantee.

2. What is a Minimum Income Guarantee?

A Minimum Income Guarantee is a simple yet potentially transformative idea. It would guarantee that everyone in Scotland could secure a minimum acceptable standard of living and ensure that everyone has enough money for housing, food, and essentials, enabling people to live a decent, dignified, healthy and financially secure life.

As outlined by the Scottish Government’s Expert Group,² the key principles that sit behind a successful Minimum Income Guarantee are:

- a guaranteed level of income beneath which no individual living in Scotland would fall;

¹ IPPR Scotland (2021) *Securing a living income in Scotland: Towards a Minimum Income Guarantee* available at <https://www.ippr.org/files/2021-03/securing-a-living-income-in-scotland-march21.pdf>

² Minimum Income Guarantee Expert Group (2023) *Interim Report* available at <https://www.gov.scot/publications/minimum-income-guarantee-expert-group-interim-report/>

- a minimum income set to ensure an acceptable standard of living that promotes dignity and a decent quality of life;
- designed to recognise our distinct needs which vary by person and family;
- clearly focused on tackling poverty, inequality and financial insecurity;
- a suite of interventions across collective services, our labour market and social security; and
- accessible to all of us with a clear focus on reducing inequalities.

A Minimum Income Guarantee is often, incorrectly, conflated with a Universal Basic Income (UBI). However, these concepts differ in several critical ways. A UBI is paid to everyone, regardless of their income, and is a flat payment, regardless of your circumstances. A Minimum Income Guarantee is different, it follows the principle of targeting so that it is only paid in full to people on low incomes, and it is tailored to our distinct needs as families and individuals. In this way, a Minimum Income Guarantee is a more focused anti-poverty measure.

The Minimum Income Guarantee is more than just a social security proposal and is made up of several complementary parts. It would be delivered through reform to our public services, changes to the world of work, and improvements to social security, including a targeted payment for anyone that falls beneath the Minimum Income Guarantee level. This means that there is a critical role for public bodies, local authorities and employers in the delivery of a Minimum Income Guarantee.

3. How do we get there?

The Expert Group concluded that a Minimum Income Guarantee does not need to wait. While the full potential of a Minimum Income Guarantee will require the devolution of further powers to the Scottish Parliament, there is progress that can be made now under existing powers. Immediate steps to deliver a Minimum Income Guarantee should include:

Accelerate the review of the adequacy of disability assistance to address the issues of additional costs facing disabled people and terminally ill people.

Disabled people continue to face unfair extra costs in their daily lives, including the higher cost of specialist equipment and higher usage of everyday essentials such as energy. Recent research by Scope concluded that, on average, disabled households (with at least one disabled adult or child) need an additional £975 a month to have the same standard of living as non-

disabled households.³ Coupled with inadequate social security support and structural barriers in the labour market, disabled households face significant challenges in making ends meet. Accelerating the review of the adequacy for disability assistance and acting on the reports findings will help to address the issues of additional costs, bringing disabled people and those with terminal illnesses closer to achieving the Minimum Income Guarantee level.

Increase the funded childcare entitlement and encourage greater uptake of funded hours.

Childcare costs present a barrier to households, particularly lone parent households, the majority of whom are headed by women, achieving a decent standard of living. Survey data published by Scottish Government found that three-fifths of parents reported having some difficulties affording childcare, including 16% reporting significant difficulties.⁴ In addition, parents, particularly mothers, are often trapped in in-work poverty by the prohibitive cost of childcare. Action to reduce or remove these costs is therefore a critical step towards a Minimum Income Guarantee for all and is particularly important to achieving women's financial security.

We have welcomed the increase in the funded childcare entitlement to 1140 hours as a positive development in the provision of affordable childcare which meets the needs of low income families. However, this must be viewed as the starting point, rather than the end point of reform. Families urgently need the introduction of 50 hours of funded childcare,⁵ with a focus on flexibility in delivery, alongside action to encourage greater uptake of the funded hours.

Review the council tax reduction and water rates discount for households with a view to taking significantly greater numbers of low income families out of paying these charges.

Reducing costs could be a crucial element in ensuring everyone reaches a minimum income. At present, the Council Tax Reduction Scheme reduces or eliminates council tax liability for over 450,000 lower income households across Scotland, depending on their circumstances and ability to pay. Evidence shows that low income households are more likely to be in council tax arrears, and increasing numbers of households are facing challenges in paying essential bills during the cost of living crisis.

³ Scope (2023) *Disability Price Tag 2023: The extra cost of disability* available at <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023/>

⁴ Close the Gap and One Parent Family Scotland (2023) *A Childcare System for All: A vision that puts gender equality at the centre of Scotland's childcare strategy* available at <https://www.closesthegap.org.uk/content/resources/CtG-and-OPFS---A-childcare-system-for-all-FINAL.pdf>

⁵ Ibid.

Expanding the support provided through the Council Tax Reduction Scheme could be a significant financial relief to many households who currently sit below the level of a Minimum Income Guarantee. An aspect of this work should involve reviewing the means-tests used for Council Tax Reduction across Scotland, with a view to aligning means-tests and moving closer to automation.

Where possible, automate entitlement to social security support to improve uptake and remove the impact of poverty-related stigma.

As acknowledged in *Best Start, Bright Futures*, automating entitlement to social security support is a critical aspect of work to maximise incomes and improve benefit uptake.⁶ Ensuring all households receive the social security support they are entitled to is critical to tackling poverty in Scotland. At present, the need for multiple applications for support can act as a real barrier to take up.⁷

A report by the Cross Party Group on Poverty in the Scottish Parliament into poverty-related stigma underscored the importance of automatic entitlements to increasing uptake of social security support, and mitigating the impact of poverty-related stigma.⁸ Automation is critical to ensuring low income families access the support to which they are entitled. The Scottish and UK Governments should work together, alongside our local authorities, to simplify and automate processes for applying for financial assistance as a priority.

Ensure that the Minimum Income Guarantee is not undermined by public sector debt recovery.

Increased problem debt is likely to be a long-term implication of the cost of living crisis, with households managing extremely limited finances or negative incomes. Polling by Christians Against Poverty revealed 932,000 people in Scotland have relied on credit cards, overdrafts or loans to cope with rising costs and pay for everyday essentials.⁹ Similarly, joint research from the Poverty Alliance and the Scottish Women's Budget Group highlights that women are falling into deeper poverty as a result of the cost of living crisis, with women being unable to pay existing debt and being at risk of

⁶ Scottish Government (2022) *Best Start, Bright Futures: Tackling Child Poverty Delivery Plan 2022-26* available at <https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/pages/3/>

⁷ Child Poverty Action Group (2022) *Progress on the automation and take-up of Scottish Social Security Benefits* available at <https://cpag.org.uk/sites/default/files/files/policypost/Briefing%20for%20Scottish%20Government%20Debate.pdf>

⁸ Cross Party Group on Poverty (2023) *An inquiry into poverty-related stigma in Scotland* available at <https://www.povertyalliance.org/cross-party-group-on-poverty-report-of-inquiry-into-poverty-related-stigma-in-scotland/>.

⁹ Christians Against Poverty (2023) *Taking on UK Poverty: Client Report* available at <https://bynder.capuk.org/m/5fd574cad98b4760/original/Client-report-2023.pdf>

accumulating more debt.¹⁰

Public sector debt collection is also undermining efforts to tackle child poverty. Recent research by Aberlour has highlighted that more than half of Scottish families with children in receipt of Universal Credit have their monthly income reduced by around 10%, equating to £80 on average, because of deductions by DWP to recover debts.¹¹ The Minimum Income Guarantee should not be undermined by public sector debt collection which damages people's access to an adequate income and a decent and dignified life.

4. Tackling inequalities in Scotland

A Minimum Income Guarantee must function as a universal guarantee of financial security regardless of your income, your background, or where you live. It must be firmly centered on tackling poverty and structural inequality. We know that particular groups are more likely to be experiencing poverty in Scotland including women; single parents, over 90% of whom are women; disabled people; and Black and minority ethnic people. Changes to our social security system at the UK-level have also had a disproportionate impact on particular groups, including disabled people and Black and minority ethnic households. Analysis has found that up to 86% of net 'savings' carved from social security payments and public services between 2010 and 2020 will have come from women's incomes.¹²

The design of the Minimum Income Guarantee must embed analysis on equalities, mainstreaming considerations relating to race, gender and disability to ensure that the policy challenges, rather than reinforces, inequality in Scotland. In this way, the Minimum Income Guarantee must be distinct from the Universal Credit system which has embedded inequality by design. Embedding an equalities approach should involve responding to the additional costs disabled people incur in their daily lives; taking account of analysis relating to the single household payment for Universal Credit and introducing split payments by default to minimise the impact of economic abuse; and considering the structural barriers which continue to reinforce the concentration of certain groups into low paid jobs and sectors.

¹⁰ Poverty Alliance and Scottish Women's Budget Group (2022) "It's heard work being poor" Women's experiences during the cost of living crisis in Scotland available at https://www.povertyalliance.org/wp-content/uploads/2022/11/SWBG_PA_Cost_of_Living_Report_Final.pdf

¹¹ Aberlour (2022) *Universal Credit Deductions for Households with Children* available at <https://web-backend.aberlour.org.uk/wp-content/uploads/2022/11/v2-Aberlour-Public-Debt-FOI-Report-Briefing.pdf>

¹² House of Comms Library (2017) *Estimating the impact of tax and benefit changes* available at <https://researchbriefings.files.parliament.uk/documents/SN06758/SN06758.pdf>

Developing our policy asks

This year, the policy asks for Challenge Poverty Week were developed in collaboration with a short life working group with representation from public bodies, the private sector and a variety of third sector organisations. We would like to thank these organisations for their participation in this process.

What we heard from our Short Life Working Group:

- Disabled people experience higher cost of living, while also having lower incomes on average, which makes it difficult to achieve the Minimum Income Guarantee level. Non-means tested disability benefits, such as Adult Disability Payment, Child Disability Payment and Carers Allowance, would not be considered as income for the purposes of calculating the Minimum Income Guarantee level for a household.
- Similarly, the Minimum Income Guarantee should consider the additional costs, and the barriers to achieving an adequate income, experienced by people living with long term conditions and terminal illness. Non-means tested benefits associated with long term conditions and terminal illness should not be considered as income for the purposes of calculating the Minimum Income Guarantee level for a household.
- Protecting people's incomes is an aspect of achieving financial security. The Minimum Income Guarantee should not be undermined by benefit or wider public sector debt recovery. We cannot give with one hand and take with the other.
- Benefit uptake and income maximisation are critical aspects of a Minimum Income Guarantee. The Scottish Government and UK Government must work together on benefit uptake programmes and move towards the automation of benefits wherever possible.
- The prevalence, causes, and impact of violence against women should be considered in the design of a Minimum Income Guarantee. This should include trauma-informed debt collection and recognising the impact of economic abuse.
- The Scottish Government should consider the rural dimension of higher costs and barriers to achieving the Minimum Income Guarantee level. The Minimum Income Guarantee provides access to an adequate income, regardless of where you live.

How will this help Scotland to meet our child poverty targets?

- Poverty is fundamentally about not having access to an adequate income that allows you to secure the basics for a dignified life. In increasing people's incomes, and reducing the costs of essentials, the Minimum Income Guarantee will enable households to escape poverty.
- The policy changes required to achieve a Minimum Income Guarantee progress all the key areas of activity outlined in *Best Start, Bright Futures* including: increasing access to fair work that pays the real Living Wage, improving and reducing the costs of essential services such as childcare and transport, and reforming and increasing uptake of social security support.
- The tailoring and targeting inherent in the Minimum Income Guarantee approach will assist in achieving financial security for the priority family groups, responding to the distinct needs of people and households.
- *Best Start, Bright Futures* includes a commitment to exploring automated payments for devolved social security benefits to maximise take-up and simplify the burden on parents of navigating multiple systems and schemes. These initial steps towards a Minimum Income Guarantee will support income maximisation and improve benefit uptake.

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