

The Glasgow Centre for Population Health and NHS Greater Glasgow and Clyde -
Employment and Health Strategic Group

Response to the Scottish Government's Social Security Committee's Social Security And In-
Work Poverty Inquiry

August 2018

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

The roll-out of Universal Credit is likely to bring to the fore how change in the welfare system impacts on and relates to those experiencing in-work poverty. However, currently there is a lack of knowledge and evidence on these issues. Detailed baseline and ongoing monitoring data are required.

The Scottish Government has published estimates of the percentage of children and working age adults affected by in-work poverty over a 15-year period based on the HBAI (Households Below Average Income) dataset. This is helpful, but to better understand trends in in-work poverty in different parts of Scotland, estimates at a local authority level are needed alongside estimates of Universal Credit claimants affected by in-work poverty. Additionally, other characteristics would be extremely useful to monitor e.g. Estimates of in-work poverty and Universal Credit by gender, age, ethnicity, household make-up and disability.

In terms of the potential impacts of Universal Credit on in-work poverty, we know that people previously claiming working tax credits and child tax credits via HMRC will now be DWP Universal Credit claimants and in most cases could be required to fulfil a DWP claimant commitment. This new conditionality could mean they will need to look for more hours to work or alternatively find a better paid job. The knock-on effects of this could be lower uptake of these benefits or sanctioning. Citizens need to be aware of the significance of the claimant commitment, as failure to comply with the commitment could result in a benefit sanction.¹

The DWP Stat X-plore site provides some limited information on the number of working households sanctioned in Scotland. In May 2018 in Scotland, 158 working households claiming Universal Credit were sanctioned, as follows:

- 103 in the *working - with requirements group* (In work but could earn more, or not working but has a partner with low earnings)
- 55 in the *working - no requirements group* (Individual or household earnings over the level at which conditionality applies. Required to inform DWP of changes of circumstances, particularly if at risk of decreasing earnings or losing job.)

¹ Glasgow City Council City Administration Committee Report by Councillor Allan Gow, City Treasurer. Invest to improve – financial and digital inclusion preparation for Universal Credit Full Rollout. 28th June 2018
<http://www.glasgow.gov.uk/councillorsandcommittees/viewDoc.asp?c=P62AFQDN2UZL81T1T1>

In light of the volatility of earnings and incomes in low-income households, the latter is concerning. It will be important to monitor both the absolute numbers and trends in in-work sanctions over time, as well as working with the DWP and people affected by these sanctions to understand what these numbers mean.

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

In this section we have drawn mainly from a survey undertaken by Inverclyde Council in March and April 2018. At the time of the survey there were 4,700 Universal Credit claimants in Inverclyde. 156 people completed the survey, some with the help of a support provider. More than 70% of respondents first claimed Universal Credit more than 6 months before taking the survey. The survey was online and this means that those with the least digital access and with the least digital skills are unlikely to be well-represented in the survey responses.

Key findings of the survey:

- A high proportion of those who claim Universal Credit find the process challenging.
- Most people can claim Universal Credit and maintain their claim themselves although most need assistance with some aspect of the process.
- There is sufficient IT available in Inverclyde although it is acknowledged that the survey was carried out online.
- Jobcentre Plus and local services are rated highly by those who use them.
- The delay between a Universal Credit claim being made and the arrival of the first payment creates financial difficulties for claimants.
- Many struggle to cope with monthly payments and even more so when payments fluctuate.
- Awareness of the option to have Universal Credit paid twice each month and the availability of budgeting support is low.

Universal Credit Digital Access

80% said they were managing their claim on their own with 78% of respondents accessing their Universal Credit online account at home or wherever there is a Wi-Fi connection. 10% said they are helped by family and friends and the same number rely on services such as a housing associations, library staff or workers at their local community centre. 16% use facilities in the Jobcentre and 17% use library facilities. 85% of the respondents to the Inverclyde Universal Credit survey have received some level of help with Universal Credit.

It is worth being aware that 22% of households in Inverclyde do not have access to the internet² and this proportion is almost certainly higher amongst those people claiming Universal Credit.

² [Understanding Glasgow](#) website

A national survey³ commissioned by DWP found that 25% of Universal Credit claimants couldn't make an online claim without help and those with health conditions were significantly more likely to report difficulties than those without a condition.

When asked to describe their experience of making a Universal Credit claim, one third of respondents found it "complicated", "difficult" or "stressful". 31% of respondents had made a change to their claimant commitment however almost 28% of respondents did not know they are able to do this.

Payment Frequency, Budgeting and Financial Management

In the Inverclyde survey, 43% of respondents said they were not coping well or having difficulty on Universal Credit, with many saying they were struggling financially and a number having to rely on family, friends, foodbanks or the Scottish Welfare Fund. The national DWP survey found that a similar proportion, 40% of all claimants, are in this position.

17% of respondents said they were struggling to cope and of these more than half commented about difficulties working with payments that vary from month to month.

Overall Experience of UNIVERSAL CREDIT

11% of respondents said they are managing well. However, the general sentiments recorded were largely negative with 21% of respondents using words like "stressful", "challenging", "degrading" and "frustrating" to describe the claim process and managing on Universal Credit.

Universal Credit Policy

22% of respondents found the wait for their first Universal Credit payment difficult. The National Audit Office reported that in March 2018 21% of new claimants did not receive their full entitlement on time with 13% receiving no payment on time.

Universal Credit Processes

14% of respondents referred to mistakes made with the assessment of their claim or receiving inaccurate information from the Universal Credit Service Centre. There were 29 comments describing general dissatisfaction with Universal Credit such as difficulties with communications and the complexity of the claim process.

Universal Credit will put some people under pressure to increase their working hours which could have a detrimental effect, particularly on people with caring commitments. There is also a question over whether employers will be able to offer them more hours.

Evidence from a DWP survey of Universal Credit full service claimants⁴ suggests that there was a slight increase in the average hours worked per week by working claimants between March and September 2017. However, *"the increase in hours worked predominantly occurred amongst those already working longer hours, particularly among those working 36-*

³ Universal Credit Full Service Survey, Department for Work and Pensions/ Government Social Research June 2018

⁴ DWP Universal Credit Full Service Survey, 2018: p. 78

40 hours and more than 40 hours.” It is unclear whether this approach will be effective at reducing in-work poverty.

Other important evidence from Inverclyde suggests that there has been a rise in the number of claimants experiencing rent arrears, a significant increase in crisis grant awards and a local overspend in the Scottish Welfare Fund (7% over allocation) in the authority. Claimants are clearly facing increased hardship which can be evidenced by increased demand for advice services and increased foodbank referrals.

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

Evidence from Inverclyde suggests that the self-employed are finding the Universal Credit process time-consuming and difficult to access. Welfare benefits are a key source of income preventing those experiencing in-work poverty from rent and mortgage arrears. The conditionality element of Universal Credit can put people off claiming what they are due, as does the requirement for digital access and skills. Where the effect of this is that people do not claim, they are left with insufficient income and this is linked to increasing dependence on foodbanks and informal financial and housing support from friends and family.

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

In addition to having better in-work poverty estimates at a local authority level, there is a need to move ***beyond annualised data to give more research and policy attention to the detrimental impacts of income volatility throughout the year*** on “working poor” households. In a 2016 [GCPH seminar](#) on the “Financial Lives of Low-Income Households”, Professor Jonathan Mordoch, from New York University, identified five income spikes and dips per year on average. The typical causes of the spikes and dips included:

- Working hours rising and falling
- ‘Lumpy payments’ such as tax refunds, etc.
- Health problems and emergencies
- Predictable childcare and transport needs
- Shifting household membership.

These fluctuations can occur day-to-day and week-to-week across the year and can be lost or “smoothed out” when we consider annualised data alone. This can create gaps in our understanding of what constitutes the daily realities of life on a low income. For example, Professor Murdoch’s research found that people on low income prioritise ‘financial stability’ over ‘moving up the income ladder’.

The roll out of Universal Credit will lead to the merging of out-of-work and in-work benefits. Therefore, giving more research and policy attention to income volatility throughout the year could help us understand the most common spikes and dips facing ‘working poor’ households across Scotland. Alongside research on income volatility, approaches to minimising this in relation to the introduction of Universal Credit should be prioritised. We already know that some employers, such as local authorities, pay on a 4-week cycle leading

to employee income fluctuations that in turn could impact on eligibility and access to this benefit¹.

Overall, design modifications are needed in Universal Credit policy and process. In particular, modifications are needed to remove some of the complexity and uncertainty in the current system in relation to work allowances, 2-child restrictions, the taper rate and the system of monthly assessments.

Access to co-located financial advice services could help to mitigate the effects of increased complexity in the claims process. Evidence from the Deep End GPs and the Building Connections project recognises that these services will be vital during roll-out.