

## Shelter Scotland Response to the Social Security Committee's Call for Views on In-Work Poverty

August 2018

Shelter Scotland welcomes the opportunity to respond to the Scottish Parliament's call for views on in-work poverty. Last year, more people than ever before came to us for help and affordability was the most common issue we were approached about, and we anticipate this trend to continue if issues highlighted during the roll-out of earlier stages of Universal Credit are not dealt with. This is a sure sign of the safety net failing if it cannot keep people out of poverty.

According to the most recent Scottish Government statistics<sup>1</sup>, there were around 350,000 households with at least one adult in work who were classified as being in poverty after housing costs, and this figure is the highest in four years. In our experience, someone experiencing in-work poverty is more likely to accumulate rent arrears and risk eviction and subsequent homelessness through no fault of their own. The person may then be faced with the high cost of temporary accommodation, which can push them more into debt. However, this fate is avoidable if the social security system is set up to properly support those on low and uncertain wages. UC is intended to support people back into work and make work pay but our client experiences indicate that there is much to improve before it can be regarded as doing so.

### **Insecure work and zero hour contracts**

Alongside the roll-out of Universal Credit is the growth of zero hour contracts in the past five years<sup>2</sup>, and the two appear to be fundamentally incompatible with each other. Currently, 780,000 people in the UK and around 63,000 Scots are employed on this basis according to recent labour market statistics<sup>3</sup>. Zero hour contracts mean that employees often do not know what hours they will be offered for the coming weeks and therefore it is extremely difficult for them to budget appropriately and be supported by Universal Credit when their wages fall below a level which they can live off. Most of the people we've worked with who were on zero hours contracts were also on the minimum wage, which adds another level of difficulty. Universal Credit is simply not responsive enough to deal with these quickly changing circumstances; UC relies on stable circumstances, whereas zero hour contracts provide anything but.

### **Case Study**

<sup>1</sup> Scottish Government (2018); [Poverty and Income Inequality in Scotland: 2014-17](#)

<sup>2</sup> Office for National Statistics (2018); People in employment on zero hours contracts

<sup>3</sup> ONS (2018); Statistical bulletin: [UK labour market: August 2018](#)

Ian\* is a single male and lives in a rural area in a socially rented flat. He works seasonally on agency short term contracts; the agency posts vacancies daily on social media and he has to apply for them with no guarantee of success. The vacancies may be some distance from his home and he depends on public transport, which is expensive and does not always coincide with shift patterns. He has no reliable income as it changes weekly and is therefore unable to budget. He has claimed UC, which should be helpful but adds stress to his life. He has literacy problems and struggles to keep on top of paperwork involved in work and finds that getting documentation to the DWP to prove hours worked is difficult. He does not know or understand how his UC payment is calculated and it rarely seems to add up with his wages to an amount reflecting a basic wage. He is always behind in his rent and once he's in arrears, it is virtually impossible for him to budget for, and pay off his arrears. He is likely to lose his home.

*\*the client's name has been changed*

The most frequent advice that our clients get from DWP advisers is to simply increase their hours of work to increase their take home pay, but this is often not possible for many, especially for those with childcare responsibilities. While the below case study relates mainly to working tax credits (WTC), we feel this is relevant as WTC is being subsumed into Universal Credit and the difficulties of WTC may transfer over if they are not identified.

### **Case Study**

Marie Claire was a client of Foundations First, a Shelter Scotland family support service. Marie Claire moved from Italy with her two children and found work in the local area, which entitled her to working tax credits. She found the process of applying for tax credits and childcare vouchers very complicated, and this was further complicated when her husband joined the family in Scotland a year later. He started looking for work but in this period the family were no longer eligible for tax credits because as a couple they had to work 24 hours rather than 16. Marie Claire's 20 hours per week working in a shop was no longer enough and the tax credits were stopped. Marie Claire's minimum wage job was all that supported the family while her husband looked for work and as a result, the family had to access foodbanks. Marie Claire also had to withdraw her two children from their nursery as the childcare vouchers stopped alongside the working tax credits and they could no longer afford childcare. Marie Claire tried to increase her hours at her job to make the minimum threshold but as she was now pregnant, her employers were not willing to employ her for an extra two hours as she would soon be going on maternity leave.

*\*the client has given consent for their real name to be used*

Of course, poverty is exacerbated by the rising cost of living, which is also rapidly exceeding wage growth. One of the biggest expenditures faced by households is the cost of accommodation, which in most sectors has been rapidly increasing, especially in the private rented sector. Between 2013/14 and 2016/17, rents in the private rented sector have increased by 7.7% and in the social sector by 9.5%, but average earnings have only grown by 6.6% in the same time period. When coupled with inflation of 8.9% in the same period, it means that the value of average wages has increased by less than the cost of goods, suggesting that more people are now having to spend a greater proportion of their take home pay on essential items. As above, given that the cost of housing in the private and social rented sectors is increasing faster than wages, this is likely to lead to affordability problems and the risk of rent arrears or becoming homeless.

### **Temporary Accommodation**

Shelter Scotland supports thousands of people every year who have become homeless and who have had to access temporary accommodation. While most households have the cost of temporary accommodation covered by housing benefit for the duration of their stay, working households are generally liable for the cost of temporary accommodation, which in some local authority areas can be as high as £250 per week. For working people already on low incomes, this is an unmanageable cost and puts them into arrears and financial difficulty. Households will also be expected to make arrangements to pay off any arrears, which adds to the financial strain. We anecdotally know of people giving up work or considering doing so while they stay in temporary accommodation due to the cost and concern about mounting arrears and the implication these will have on future finances. While doing this entirely logical for the household in order to avoid huge arrears, it is totally contrary to the supposed aim of the DWP and Universal Credit to help people into work.

### **Case Study**

Joe\* is working fulltime on minimum wage and is living in temporary accommodation. The charge for his temporary accommodation is nearly half of his monthly take home pay and he is having to use foodbanks and free food places as a result. He has seriously considered whether to give up work so that housing benefit covers his temporary accommodation and he may be financially better off overall but has decided to continue to work in the hope that he will soon move out of temporary accommodation.

*\*the client's name has been changed*

### **Scottish Government action**

In terms of what the Scottish Government can do to mitigate in-work poverty, it is first important to better understand the scale and impact of in-work poverty in Scotland as despite published

income and poverty statistics, it is difficult to quantify exactly how many people experience it through cyclical or seasonal work. The solution is of course wider than simply providing more funding for people experiencing in-work poverty but is strongly linked to wider structural problems, such as fundamental problems with the social security safety net and the lack of truly affordable homes.

In light of the above, we suggest the following actions which could be explored by the Scottish Government;

- Continue to engage with and apply pressure on the DWP to amend Universal Credit to be more responsive and meet the needs of people who use it. Shelter Scotland has backed the call for a halt to UC while problems are fixed and believe that this will have a particularly significant impact on people in experiencing in-work poverty.
- Consider the impact of the rising costs of goods on in-work poverty and explore ways of using new social security and taxation powers to address these.
- Continue to invest in a house building programme which is sustainably affordable for low-income households.

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