Call for evidence by the Scottish Affairs Committee into welfare policy in Scotland

Report to the Scottish Affairs Committee

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Policy in Practice welcomes the opportunity to provide evidence to the Scottish Affairs Committee. Policy in Practice aims to make the welfare system simpler and easier for people to navigate through our policy research, benefit calculation software and advanced analytics for the public sector. We provide data analytical and support tools to many local authorities, charities and other agencies to assist them to support low-income households and to identify trends in financial wellbeing.

Our policy tools model policy across the UK, including legislation unique to Scotland. We would be happy to provide further analysis at the request of the committee.

What impact has UK welfare reform had on poverty and inequality in Scotland?

Poverty and inequality has risen in Scotland, at a rate of 1% in the three years leading to 2018.[1] This rise has coincided with a £3.7 billion cut from annual welfare spending in Scotland by 2020-2021 due to the UK Government policy.[2]

The UK benefits freeze led to a real-time loss of support for low-income households between 2016 and 2020. If working-age benefits had been aligned with inflation during this time, the personal allowance of a single person aged over 25 would have been worth £352 rather than the pre-Covid £317/month. This represents a roughly 10% reduction in real income for claimants between 2016 and 2020.

In Autumn 2018, the UK Government had introduced a £1.7 billion increase in funding within Universal Credit to reverse some of the impacts of austerity in the preceding years. The measures introduced included an increase in work allowances under Universal Credit, the increase in the National Minimum Wage and the higher Personal Tax Allowance. The table below illustrates how these measures changed the level of support awarded to Universal

[1] https://www.bbc.co.uk/news/uk-scotland-scotland-politics-47730492

[2] https://www.gov.scot/news/mitigating-uk-government-welfare-cuts/

Credit claimants. Although 240,000 households benefited from the measures introduced, 39.9% of claimants remained worse off under Universal Credit. Read more of our analysis on who is better off and worse off under Universal Credit following the 2018 Budget measures here.

Comparison to current system take-home income, November 2018	UC (Pre-budget)	UC (Autumn 2018 Budget)	Difference
Number households (M) **worse off**	3.03M	2.79M	-0.24M
Average loss (£/week)	*-£57.62*	*-£59.45*	*-£1.83*
Number households (M) **better off**	1.88M	2.12M	0.24M
Average gain (£/week)	*£25.69*	*£44.30*	*£18.61*
Number households (M) with **similar income**	2.07M	2.08M	0.01M
Average change overall	-£17.99	-£12.02	£5.97

In response to Covid-19, the UK Government has introduced further measures to support Universal Credit claimants. The personal allowance within Universal Credit has increased to £410/month, which represents a significant real increase of income. However, this has not been replicated within out-of-work legacy benefits and has therefore created inequity between the two benefit systems. Households who cannot migrate to Universal Credit, including households in receipt of the Severe Disability Premium, have been excluded from the increase. Furthermore, the higher level of support introduced in April 2020 may not be retained after April 2021.

The Scottish Government has spent over £100 million per year in policy designed to mitigate the impact of UK austerity measures, through the Scottish Welfare Fund and Discretionary Housing Payment funds.[3] The impact of UK housing reforms have been fully mitigated through the Scottish Discretionary Housing Payment scheme, through which any household in Scotland impacted by the LHA freeze, the bedroom tax or the benefit cap can receive support to match the reduction in their Housing Benefit or the rental element of their Universal Credit.

However, the 2-child limit within Universal Credit and Tax Credits continues to impact benefit claimants within Scotland. The Scottish Government has taken action to limit the impact of this policy where possible, for example by excluding the 2-child limit within Council Tax Reduction Scheme assessments. This contrasts with the majority of CTR schemes within English local authorities. Furthermore, by the end of 2022, the Scottish Child Payment will provide a £10 boost to all families in receipt of a means-tested benefit. This payment will not be capped by the number of children in a household and has been predicted by the Scottish Government to lift 30,000 children out of poverty by 2023/24.[4] Policy in Practice carried out analysis on a client's administrative data from October 2020 and found that 4% of households with children who are below the relative poverty line would be lifted out by the introduction of the Scottish Child Payment.

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[3] https://www.gov.scot/news/mitigating-uk-government-welfare-cuts/
[4] https://www.gov.scot/news/new-gbp-10-benefit-targets-child-poverty/

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?

Policy in Practice does not yet have access to Scotland-wide data, though we have begun working with a number of Scottish clients which will allow us to carry out analysis in the near future. However, our work with the Welsh Government and a number of rural English local authorities has raised points pertaining to rural communities which are also relevant to the substantial rural populations within Scotland.

In rural areas, access to support services may be limited, which risks widening the digital divide among UC claimants. Darren Thomas, Senior Welfare Advisor at Grwp Cynefin, has also expressed concern for the consistency of support for his tenants in rural areas and the deeper impact of Covid-19 on those with fewer resources: "*People were not able to travel from a very rural area to get to the bigger, cheaper supermarkets and they had to shop locally due to the travel restriction. One family in a small town was spending more than £100 extra per week on her food shop because of this, which has a very detrimental impact on the household income."*

We also know that there is a rural-urban divide on uptake of benefits: typically, uptake is lower in rural areas. Analysis carried out in 2007 using the ONS Family Resources Survey data and administrative data on Pension Credit found overall take-up was lower in rural areas by 7% points, with 42% of those eligible in rural areas failing to claim compared with 35% in urban areas.[5] Given that much of Scotland's population is in rural areas, that is something to consider when thinking about the challenges in supporting low-income households.

There are two issues in rural areas. There is an issue of infrastructure and whether people have access to job centres or advisers — that is more of an issue for rural populations than for those in urban areas. There is also the issue of communication and clarity. Social Security Scotland has a great opportunity to work with data and to put in place the correct infrastructure to plug those gaps. We encourage the department to work with local authorities to use the data that they hold and, if it can, to encourage the DWP to share data. There are various opportunities at different levels of government. Wherever possible, we encourage data sharing, clear communication with claimants and putting in place infrastructure that allows people to easily access services.

Policy in Practice carried out a survey among Universal Credit claimants in Wales, 16% of whom had identified fear of collection practices as a barrier to claiming Council Tax Reduction. This indicates the importance of trust between claimants and the various levels of government administering support, in order to ensure low-income households claim all for which they are eligible.

[5] https://pure.sruc.ac.uk/ws/portalfiles/portal/20036996/rural_lives_literature_review_jan_2020.pdf

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

Universal Credit services have introduced a greater level of claimant responsibility, through its 'Digital by Default' nature. Claimants must carry out their application independently, and maintain their online journal each month. The reduced contact with local authorities has limited the support available to claimants. Vulnerable households (for example, those that have learning difficulties, poor English, or who are not digitally able) no longer have the holistic support previously offered by most local authorities.

There is also the risk that the move to online support will impact benefit take-up. Claimants that are not computer-literate, or who do not have access to the internet, face significantly reduced access to information about benefit entitlement. Reduction in contact with local authorities may also reduce knowledge around local welfare support such as CTR and DHPs. This is likely to be exacerbated by the urban rural divide, due to varying quality and access to services.

Benefit calculators that are easily accessible, through many platforms, can assist understanding of benefit eligibility and advice. Many local authorities, Housing Associations and charities in the UK use the Benefit and Budgeting Calculator to advise on benefit eligibility and often have this available in public spaces as well as online. We know that this is used by over 10,000 citizens per week to check benefit entitlement. Devolved administrations can make a difference and support their low-income population by using benefit calculators. The Northern Ireland Housing Executive has rolled out our Benefit and Budgeting Calculator to all Housing Associations to ensure that support reaches those in need.

According to Policy in Practice's analysis in 2019, 28% of Universal Credit claimants migrating from legacy benefits will receive a lower award under the new system.[6] The impact of Universal Credit on the income of claimants varies by benefit group. For instance, work allowances have been removed for all households who do not have children, nor a long-term sickness which impacts their ability to work. As a result, many claimants moving over from Tax Credits will be worse off if they do not meet this criteria.

Those who do qualify for a work allowance also see mixed results. Work allowances have been restored to pre-2016 levels for tenants, but those without rental costs within their Universal Credit award will retain a lower work allowance within UC. As a result, home owners have seen a reduction in support of between £155 and £242 per month.

The introduction of in-work conditionality within Universal Credit also means that previous Tax Credit claimants have signed the claimant commitment for the first time. This is likely to

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6 https://policyinpractice.co.uk/wp-content/uploads/JRF-Universal-Credit-and-Financial-Resilience-Full-report-1.pdf

deter some households from claiming the support for which they are eligible, if the working hour requirements do not fit their livelihoods.

To read more about who is likely to gain or lose support under Universal Credit, see our report on the 2018 Budget report here.

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?

Universal Credit Scottish Choices include More Frequent Payments and Direct Payment to Landlord; which allow claimants to opt for 2-weekly payments of UC, or for the housing portion of their award to be paid directly to their landlord. 45% of claimants to whom these options were offered by the end of March 2020 accepted one or both options (147,000 people). Scottish Choices provide claimants greater autonomy to choose the support which best meets their livelihoods.

The most common option taken by Universal Credit claimants within Scotland is the 2-week payment cycle, as 37% of claimants chose this option (121,750 people). More Frequent Payments may be more suitable for those paid more frequently than monthly or who struggle to budget a monthly payment.

However, by the end of March 2020 24% of those who had moved to 2-weekly payments had chosen to reverse this decision and return to a monthly payment cycle. This is likely due to the system through which the payment cycle is changed. Claimants can request a more frequent payment cycle only in their second assessment period. This means that they must first experience the 5-week wait, then after a second four week assessment they will receive a payment covering two weeks of support. Payments are therefore effectively two weeks late. Policy in Practice analysis found that 16% of claimants struggle financially during and after the 5-week wait,[7] and the 2-week delay caused by MFPs threatens to deepen financial hardship among those households.

If the 5-week were reduced and MFPs were aligned with the initial assessment period, this option would bring greater benefit to claimants. We recommend that the Scottish Government work with DWP to consider solutions to the 5-week wait. To read more about our recommendations on how to reduce the 5-week wait, please read our report on behalf of the Joseph Rowntree Foundation here.

How effective has cooperation been between the UK and Scottish Governments on the devolution of new welfare powers to Scotland?

No response.

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7 https://policyinpractice.co.uk/wp-content/uploads/JRF-Universal-Credit-and-Financial-Resilience-Full-report-1.pdf

Why have there been delays in the administration 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?

No response.

What changes might be necessary to help manage the transfer of claimants and data from the Department for Work & Pensions to Social Security Scotland?

Improved data-sharing between government departments (both central and local) is important in managing the transition of welfare responsibilities. There are legislative bases for sharing data in this way. Section 131 of the Welfare Reform Act (2020) outlines that data held for welfare services can be used and shared for other welfare purposes, such as boosting take-up. The Social Security (Scotland) Act 2018 takes that a step further. It outlines ministers' duty to boost benefit take-up among those eligible; Section 7 explicitly states that data should be used, or its use should at least be considered, in discharging that duty.

There are existing examples of data sharing within the Government to support claimants. For example, Child Benefit information is already shared with the DWP for Universal Credit administration purposes. However, there are still widespread gaps and Universal Credit data is not currently shared with the Scottish Government.

If Universal Credit data was shared with the Scottish Government, this could facilitate improved analysis and modelling of future policy to target support to those most in need. Shared data is also likely to improve claimants' experience of the benefits system, since they would not have to disclose the same information to other agencies. Universal Credit administration requires up-to-date income information allowing an even greater understating of household circumstances.

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

Diverging welfare policies in Scotland could target support to meet the needs specific to Scottish low-income households. Through our work with local authorities, it is clear that demographics have a significant influence on the efficacy of any policy. The increasing responsibility of Social Security Scotland may allow for unique needs of Scottish benefit claimants to be targeted.

The devolved powers of the Scottish Government have also granted flexibility in their response to changing priorities. This has been evidenced through the fast response to pressures highlighted by Covid-19, such as the need for an extension of the Free School

Meals programme. This was approved on an emergency basis within Scotland ahead of the rest of the UK, and has now been implemented on a permanent basis for children aged under 11 years.

However, there is also a risk of confusion among benefit claimants with regards to which policies are relevant to them. Technology can help the Scottish Government manage this risk, and support people to navigate the welfare system and understand what benefits they are eligible for. Online benefit calculators, such as the Benefit and Budgeting Calculator, allow people to find out which benefits they are eligible for. This knowledge can empower people to make their own decisions on benefit application and income maximisation. Because the calculator personalises information, it not only signposts users to eligible mainstream benefits but also highlights less well known additional support, such as the Best Start Foods card and the Warm Homes Discount.

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

Covid-19 has highlighted existing needs among low-income households, while also increasing the number of claimants. There is likely to be increased pressures on the devolved welfare budget due to increased need.

The pandemic has also influenced the demographics of benefit claimants throughout the UK, including within Scotland. Young people have been overrepresented within the new cohort of benefit claimants, along with households with children who have claimed for the first time.

Conclusion

Scottish welfare policy has protected low-income households from some of the impacts of UK welfare reform. However, there are remaining influences of austerity on claimants within Scotland, such as the 2-child limit. Further work is needed to improve the lives of Scottish low-income families, which will require coordination between Social Security Scotland and DWP during the transition of welfare responsibilities. In particular, the sharing of Universal Credit data will be of great importance in easing the transition and ensuring that policies introduced by the devolved administration meet the needs of claimants within Scotland.

About Policy in Practice

Policy in Practice is a socially-minded software company that works with councils, government, housing and community organisations to target and improve welfare support for people. Combining cutting-edge tech, insightful data and expert analysis, we help organisations to understand what's working, what can be improved, and how.

Our award-winning Benefit and Budgeting Calculator helps around 10,000 people every day find out what support they may be eligible for. Our data analytics services help organisations find relationships in datasets and visualise the drivers of poverty. We use our policy expertise to drive change via research, publications, media coverage and blog posts.

We have provided evidence to Government Select Committees around our research into the causes and impact of poverty and have undertaken research in collaboration with central Government, local government, and external agencies (such as JRF).

We would be pleased to answer any further questions from members of the committee, or to discuss our work throughout England and Wales, and how this can be applied in Scotland. You can contact Policy in Practice using the contact details below.

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