



Social Security and In-Work Poverty: Evidence from A Menu for Change

A Menu for Change is a three-year project funded by the Big Lottery Fund and managed by Oxfam Scotland, Poverty Alliance, Child Poverty Action Group in Scotland and Nourish Scotland. It aims to reduce the need for emergency food aid by ensuring people across Scotland get the cash, rights and food they need before they are in crisis.

This briefing is based on interim analysis of our research with people facing acute food insecurity and evidence from our work with a wide range of services in Dundee, Fife and East Ayrshire to improve local responses to food insecurity. Quotes included throughout this briefing are examples drawn from our research in these three local authorities.

Tackling food insecurity in Scotland

Increasing numbers of people in Scotland are experiencing food insecurity (struggling to afford enough food), including both people in and out of workⁱ. Food bank use grew by 17% in Scotland last year, a higher rate than was seen elsewhere in the UKⁱⁱ. Food insecurity is an issue which the Scottish Government has committed to tackling, acknowledging it as a problem of low income driven by insecure work and failures of the social security system, and recognising the need to invest in measures which can prevent individuals from facing an income crisisⁱⁱⁱ.

Insecure work and low pay are key drivers of food insecurity^{iv}. Scotland has seen long-term growth in levels of in-work poverty, with 2017 figures indicating two thirds of children in poverty live in households with at least one adult in paid work^v. The roll out of Universal Credit is set to further reduce the incomes of households in work. The Institute for Fiscal Studies predicts that 2.1 million working households will get less in benefits (an average loss of £1,600 a year) while 1.8 million will get more (£1,500 average gain)^{vi}.

The reasons why people experience in-work poverty are not only about income but relate to job quality (security, pay and conditions); job quantity (number of workers in the household); and household expenditure. To effectively address in-work poverty, policy change is required across all three areas.

Although many aspects of social security and employment are the responsibility of the UK Government, there are clear actions which can be taken by the Scottish Government and local authorities to tackle in-work poverty and improve how the social security system supports people in work:

- **Strengthen the delivery of the Scottish Welfare Fund and improve its ability to catch every eligible person who is falling through the safety net.**
- **Invest in advice services and improve their accessibility to people who are in work.**
- **Ensure all staff employed via public sector procurement have secure contracts and are paid the real Living Wage.**
- **Promote the payment of the real Living Wage in the private and third sector through the system of Living Wage Accreditation.**
- **Ensure everyone is aware of *Scottish flexibilities* and can make informed decisions on making use of them to help with budgeting and reduce rent.**
- **Reduce living costs for low-income households, including through the forthcoming Fuel Poverty, Transport and Good Food Nation Bills.**

1. Food bank use is increasing among working households

Research has found one-in-six food bank users is from a household in work^{vii}. This figure is likely to increase with the roll out of Universal Credit. In areas where Universal Credit has been full service for 12 months, there has been a 52% average rise in food bank use^{viii}. This is corroborated by our research in Dundee, Fife and East Ayrshire, where we have found many people presenting in crisis to food banks live in working households claiming Universal Credit.

2. Universal Credit is exacerbating experiences of poverty and acute income crisis for people in work

While Universal Credit was intended to improve how in-work benefits operate alongside work, people in insecure work, who are claiming the new benefit, are often facing payment delays and administrative errors^{ix}. This can be because where people have fluctuating incomes, for example because of short-term or zero-hours contracts, their earnings can take them over the threshold after which a Universal Credit claim would automatically close. If their hours then decrease or work ends, they would have to reapply, potentially leaving them with a gap in income while a new claim is processed.

Such experiences leave households without income for necessities, often forcing them into debt causing significant hardship and distress and making it more difficult to re-enter the labour market after a short-term contract. As our interviewees have described, lack of clarity about when and how much Universal Credit payments will be made also makes it very difficult to plan and causes considerable anxiety.

“I’ve been on Universal Credit for two years and I’ve had three breaks in work and I’ve had nothing. Oh, I was sent a cheque for one pence and that was to do me a month.”

(Tam, A Menu for Change participant, Dundee)

Our research suggests that the requirements to search for employment for people already in work are unrealistic, particularly in the context of zero-hours contracts. The pressure and cost of having to look for additional work mean those who are entitled may choose not to claim Universal Credit.

“I came off Universal Credit because I was still expected to go look for work up to a certain amount of hours...I didn’t see the point because that meant I had to spend the money to get data for the internet which wasn’t worth it”.

(Robbie, A Menu for Change participant, Fife)

Ensuring people feel they can seek support from Jobcentres and staff are able to direct people to wider support services may improve engagement, increase labour market attachment and help ensure people are accessing all they are entitled to. Our research has highlighted the value of building trust between work coaches and claimants, and the importance of Jobcentre staff working in a person-centred way. One of our interviewees described how daunting he found the online requirements of Universal Credit and the support he received at the Jobcentre:

“There’s a gentleman in the Jobcentre who’s worked with me in the past, and he knows that I’m computer illiterate... He says any time I go into the Jobcentre I don’t ask for anybody else, I just says “Can I speak to Allan?”

(Steve, A Menu for Change participant, Fife)

3. Strengthening the Scottish Welfare Fund could provide a safety net for working people in crisis

The Scottish Welfare Fund (SWF) is intended to provide a safety net to everyone on a low income in times of crisis. SWF crisis grants have become increasingly important in the context of rising levels of insecure, low-paid work and the impact of UK Government welfare reforms on people’s

incomes. The absence of local welfare assistance schemes outside Scotland is linked to increased pressure on emergency food aid providers to help people in crisis^x. Scottish Government data shows that food is the item which by far the most Crisis Grants are awarded for, highlighting the extent to which people accessing the SWF are struggling to meet their basic needs^{xi}.

There are key transition points for people in work, such as at the start or end of a job contract, where a Scottish Welfare Fund grant can help prevent them from falling into crisis. However, our research identifies there is a need to increase awareness of this support among working households to prevent them having to access emergency food aid when facing an income crisis.

Changes to the benefits system, and Universal Credit in particular, are leaving people for increasingly extended periods of time with no income at all. In this context, the SWF will need to be able to provide larger grants for longer, and will therefore require an increase to the Fund's overall budget to ensure people are not being left destitute^{xii}.

4. Invest in advice services and improve their accessibility to people who are in work

There is a clear need to improve awareness and availability of advice services to people who are in work in order to prevent acute income crises and food insecurity.

From our research, we have met individuals from working households who are accessing emergency food aid with little awareness of other forms of crisis support which are available. We have also met people in work, or whose temporary contracts have recently ended, with little knowledge of how the social security system operates or what they are entitled to.

More than £2 billion of social security payments go unclaimed each year in Scotland, including £428 million worth of working tax credits or child tax credits^{xiii}. This suggests a large proportion of unclaimed benefits are owed to people in work.

Our work with services in Dundee, Fife and East Ayrshire suggests a need to design advice services which specifically meet the needs of people in work, for example by extending the opening hours of advice services outside Monday to Friday, 9am to 5pm.

5. Use public sector procurement to tackle insecure and low paid work

Work is becoming increasingly insecure. 40% of the growth in employment between 2011 and 2016 came from workers in insecure jobs – zero-hours contracts or insecure temporary work^{xiv}.

Our research in Dundee, Fife and East Ayrshire identifies the practices of large local employers, which hire people on week-long contracts, as a repeated factor in peoples' experiences of income crisis.

Although the Scottish Government may not have the powers to ban zero-hours contracts, it can ensure all staff employed via public sector procurement have secure contracts and are paid the real Living Wage. At present, evidence shows that 76% of local authorities across the UK do not require their suppliers to pay the real Living Wage^{xv}.

By promoting the payment of the real Living Wage, through the system of Living Wage Accreditation, the Scottish Government can also play a role in raising the income of people working in the private and third sectors.

The Scottish Business Pledge is a timely opportunity to review how procurement rules can support decent work more widely among Scottish businesses.

6. Reduce living costs for low-income households

Meeting the rising costs of essentials, including fuel, food, transport and housing, is increasingly difficult as wages have stagnated and benefits have been frozen. As a result of the benefit freeze, it is predicted that over half a million more people will be in poverty in 2021/22, the vast majority in working households^{xvi}.

In addition, high child-care costs place an additional burden on the budgets of working families, particularly for lone parents who are predicted to be over £1,000 a year worse off on average under Universal Credit.

The current Fuel Poverty Bill, Transport Bill and Good Food Nation Bill provide crucial opportunities for the Scottish Government to reduce the cost of essentials, such as fuel, food and transport, for people with low incomes.

People in private rented housing make up the fastest growing proportion of those in in-work poverty^{xvii}. Through our research, we have met many individuals who have built up significant rent arrears since being moved on to Universal Credit and as a result struggle to meet their basic needs.

“The reason I have to use the food bank now is because I’m in rent arrears, which means I’m paying my rent and my rent arrears off my Universal Credit”

(Hilary, A Menu for Change participant, East Ayrshire)

The *Scottish flexibilities* for Universal Credit payment provide opportunities for households to receive twice monthly payments, and have their rent paid directly to their landlords. Such options can help with managing household cost and reduce the risk of rent arrears. The Scottish Government must ensure everyone is aware of *Scottish flexibilities* and can make informed decisions on making use of them to help with budgeting and reduce rent arrears.

Further information

Please visit www.menuforchange.org.uk, follow @MenuforChange or call 0141 285 8877.

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ⁱ The Trussell Trust, 2017. Available from: <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

ⁱⁱ The Trussell Trust, 2017. Available from: <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>.

ⁱⁱⁱ Cabinet Secretary’s response to the report of the Short Life Working Group on Food Poverty. Available here: <https://beta.gov.scot/binaries/content/documents/govscot/publications/correspondence/2016/11/food-poverty-response-to-working-group/documents/d522c6bf-f552-4a5f-a8ca-ac7416535713/d522c6bf-f552-4a5f-a8ca-ac7416535713/govscot:document/?inline=true>.

^{iv} Loopstra & Tarasuk (2013) Severity of Household Food Insecurity is Sensitive to Change in Household Income and Employment Status among Low-Income Families. *Journal of Nutrition Science*.

^v Scottish Government, 2017. *Poverty in Scotland*. Available from: <https://beta.gov.scot/news/poverty-in-scotland/>

^{vi} Institute for Fiscal Studies (2017) <https://www.ifs.org.uk/publications/9164>

^{vii} R. Loopstra and D. Lalor, 2017. *Financial insecurity, food insecurity, and disability*. Available from: https://www.trusselltrust.org/wp-content/uploads/sites/2/2017/07/OU_Report_final_01_08_online2.pdf.

^{viii} Trussell Trust, 2018. Available from: <https://www.trusselltrust.org/what-we-do/research-advocacy/universal-credit-and-foodbank-use/>.

^{ix} Citizens Advice, *Universal Credit and Modern Employment: Non-traditional work*. <https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Universal%20Credit%20and%20non-traditional%20employment.pdf>

^x <https://www.trusselltrust.org/2017/07/04/local-welfare-provision-local-jigsaw/>

^{xi} <http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/swf/SWF31Dec2017>

^{xii} A Menu for Change, 2018. Available from: <https://menuforchange.org.uk/what-we-do/policy-advocacy/>.

^{xiii} SPICE quoted at <https://welfareweekly.com/scots-missing-out-on-2bn-in-social-security-benefits-every-year/>

^{xiv} Trade Union Congress, 2016. *Living on the Edge: The rise of job insecurity in modern Britain*.

^{xv} UNISON, *Ethical Procurement in UK Local Authorities*, 2018. <https://www.unison.org.uk/content/uploads/2018/06/25066.pdf>

^{xvi} Joseph Rowntree Foundation, 2018. Available from: <https://www.jrf.org.uk/blog/rising-cost-living-will-hit-low-income-households-hard-2018>

^{xvii} R. Hicks and A. Lanau, 2017.