Institute for Public Policy Research

BRIEFING

TOWARDS A LIVING INCOME

SHORT-TERM ACTION TOWARDS A LONG-TERM AMBITION

Philip Whyte and
Henry Parkes

August 2022

ABOUT IPPR SCOTLAND

IPPR Scotland is IPPR's dedicated think tank for Scotland. We are cross-party, progressive, and neutral on the question of Scotland's independence. IPPR Scotland is dedicated to supporting and improving public policy in Scotland, working tirelessly to achieve a progressive Scotland.

IPPR, the Institute for Public Policy Research, is the UK's leading progressive think tank. We are an independent charitable organisation with our main offices in London. IPPR North, IPPR's dedicated think tank for the North of England, operates out of offices in Manchester and Newcastle, and IPPR Scotland is based in Edinburgh.

IPPR's purpose is to conduct and promote research into, and the education of the public in, the economic, social and political sciences, science and technology, the voluntary sector and social enterprise, public services, and industry and commerce.

IPPR Scotland
5 Rose Street
Edinburgh, EH2 2PR
E: info@ippr.org
www.ippr.org/scotland
Registered charity no: 800065 (England and Wales),
SC046557 (Scotland)

This paper was first published in August 2022.

The progressive policy think tank

CONTENTS

ABOUT THE AUTHORS

Philip Whyte is director of IPPR Scotland.

Henry Parkes is a senior economist at IPPR.

ACKNOWLEDGEMENTS

The purpose of this paper is to set out short-term policy recommendations, ahead of Scottish government's next programme for government, which would provide first steps towards delivery of a minimum income guarantee, universal basic services, and fair work. Following through on these recommendations will provide the groundwork to achieve the longer-term ambition of delivering a living income for all.

This briefing builds upon previous research as part of our ongoing Rethinking Social Security programme and draws upon analysis conducted and recommendations suggested across three IPPR Scotland reports published over the course of 2021 and 2022, each looking at three key areas which make up the Rethinking Social Security programme:

- Statham R, Parkes H and Gunson R (2021) *Securing a living income in Scotland: Towards a minimum income guarantee,* IPPR Scotland.
- Statham R, Parkes H and Gunson R (2021) *Delivering a fair work recovery in Scotland: Securing a living income for all,* IPPR Scotland.
- Statham R, Parkes H and Smith C (2022) *Universal basic services: Building financial security in Scotland,* IPPR Scotland.

ACKNOWLEDGEMENTS

The authors would like to thank abrdn Financial Fairness Trust for funding the Rethinking Social Security programme.

Download
This document is available to download as a free PDF and in other formats at:
http://www.ippr.org/research/publications/towards-a-living-income

Citation
If you are using this document in your own writing, our preferred citation is:
Whyte P and Parkes H (2022) *Towards a living income: Short-term action towards a long-term ambition*, IPPR Scotland. http://www.ippr.org/research/publications/towards-a-living-income

SUMMARY

Following the publication of three significant reports by IPPR Scotland over the last two years, the Scottish government have made ambitious commitments to work towards our vision for a 'living income' – ensuring an acceptable and dignified standard of living for everyone in Scotland. These have included:

- delivering a **minimum income guarantee (MIG)** – an income floor people could be assured of not falling below – with the establishment of a cross-party steering group to lead its development
- ensuring the contribution of a **universal basic services (UBS)** approach underpins decent living standards. That sees collective services vital to people's living standards provided free, subidised by the state, or delivered through 'social tariffs' by companies for those on the lowest incomes
- taking forward action on **fair work** which provides people with greater job security, flexibility, and pay and conditions – with the aim of becoming a 'fair work nation' by 2025.

These are all important commitments and together present an opportunity to radically reshape the welfare state and the roles that social security, work, and collective services play in delivering greater levels of financial security. However, we know that will not be a quick or easy process. Along with technical delivery challenges, there are issues of powers available under the current devolution settlement. But, while they may be long-term ambitions, that cannot be allowed to stand in the way of short-term action which lays the groundwork now.

Long-term ambitions are important – but will be of scant relief to households struggling today. Taking immediate steps would demonstrate willingness and show progress on the part of the Scottish government against these long-term ambitions, but most crucially it would also provide a response to the immediate crisis families face here and now.

The pandemic exposed the inadequacies of the UK's social protections – shaking the lives and livelihoods of millions of people, who, without the significant (but time-limited) support that was put in place, would have fallen back on a social safety net ill-equipped to respond to the scale of the crisis. From that crisis, with the country still in recovery, people were immediately impacted by a second one: the cost-of-living crisis. As inflation hits a 40-year high, and is projected to go higher still, families across the country are being hit by spiralling costs forcing many to choose between heating and eating. Across both crises, where governments responded, it was often a sticking plaster, providing temporary relief when long-term certainty is required. Both crises have also shared a further common theme: while everyone is impacted, the effects have been unequal, hitting those on the lowest incomes the hardest.

Ahead of the forthcoming Programme for Government, this briefing sets out areas where the Scottish government could take steps now to establish short-term action which would provide vital support to low-income people at a time of financial crisis, while also establishing some important principles and starting points for a longer-term living income approach. It builds upon IPPR Scotland's previous research, together with new analysis and informed by discussions with policymakers and service providers.

It is also informed by new polling commissioned by IPPR Scotland showing strong support for those long-term ambitions and more immediate action.

The polling, conducted by Diffley Partnership, shows that 79 per cent of people in Scotland would support the introduction of a guarantee to make sure nobody falls below a minimum acceptable standard of living, and 71 per cent would support the introduction of a new targeted benefit payment to top up incomes below such a minimum income floor. Among other findings key to delivering short-term action, the polling shows the following.

- More than half of Scots (55 per cent) want to see the benefits and social security system made more generous - even if this led to a slight personal increase in taxes for themselves.
- More than seven in 10 Scots (73 per cent) support an increase in benefits paid to people with disabilities - even if this led to a slight personal increase in taxes for themselves.
- Almost three in five Scots (59 per cent) would support an increase in benefits paid to single or lone parents - even if this led to a slight personal increase in taxes for themselves.
- More than three in five Scots (62 percent) would support increasing benefits paid to parents to support their children (including the Scottish child payment) - even if this led to a slight personal increase in taxes for themselves

MINIMUM INCOME GUARANTEE

Long-term, a MIG would provide a floor for living standards to support people through transitions, protect living standards and minimise long-term damage to financial security through economic downturns. It would be a springboard to fall back on, not the tightrope over poverty often typified by the existing system. While full delivery may require further powers over social security, it should act as an organising principle here and now. The Scottish government could take further action to offer greater income security, with support targetted at those falling beneath a minimum standard of income, by doing the following.

1. Extending the age of child eligibility for the Scottish child payment (SCP) to that of the reserved benefits it's topping – up to under 20's for young people on relevant education and training.
2. Mitigating the two-child limit through an additional premium to the SCP for large families.
3. Undertaking an urgent – and previously committed – review of the SCP. This should include options for enhancing flexibilities, such as more frequent payments, and the legislative basis of the payment.
4. Enhancing payments for the groups most at-risk of poverty – including lone parents and families with disabilities.
5. Adapting the model of the SCP (as a top-up to reserved benefits) and extending it to people in receipt of low-income benefits but without children.

FAIR WORK

While a MIG – and its guarantee of an income floor no one would fall beneath – will be the cornerstone of a future living income, it is not the entirety of it. It must go hand-in-hand with improving access to good, secure and well-paid jobs for those who can work and want them. The Scottish government should take further steps to improve fair work by doing the following.

6. Providing a guarantee that anyone in receipt of a benefit devolved to the Scottish parliament receives a 'fast-track' to wider support – including advice services and employment support – as a means to establishing a genuine 'no wrong door' approach quickly and at the necessary scale.

7. Ensuring that fair work obligations on organisations in receipt of public sector grants include a requirement to be a 'living hours' employer.
8. Convening Social Security Scotland, the Department for Work and Pensions (DWP), and representative organisations to develop options which ensure that people most at risk from poverty, including lone parents and disabled people, who may have fluctuating health conditions, income or other changing personal circumstances, are better supported with their transitions between work and benefits.

UNIVERSAL BASIC SERVICES

While direct cash payments, underpinned by a guaranteed financial floor, is the most direct way to ensure financial security for people, that must be enhanced by strengthening the collective services we all rely on. Throughout the Covid-19 crisis, services such as the NHS demonstrated the strength of a 'social wage' by helping to pool risk and meet shared needs. These services become even more important as we go through the current cost of living crisis, and in the long-term they will help lift people up to meet their minimum income standards. To help realise that potential in the short-term, the Scottish government should do the following.

9. Align eligibility requirements across all existing low-income benefits and support in-kind – to provide certainty to those receiving support and secure a realistic route towards automation of payments and support – including reforming water rates.
10. Extend free bus travel to everyone in receipt of a low-income benefit – as a first step towards a fully integrated transport offer.
11. End the financial hardship lone parents in particular face in upfront childcare payments, by providing a grant to cover these costs.

Taken together, these recommendations would put in place early actions which establish the long-term principles and design of a future living income. While the scale of the task ahead may be immense, that cannot be an excuse for inaction now. Progress must be made to start turning ambition into reality, setting the groundwork for radical reforms ahead while continuing to improve living standards for those who have been, and continue to be, most impacted by the dual Covid-19 and cost-of-living crises.

Looking ahead, IPPR Scotland will be expanding on this briefing in the coming months, with further reports looking at options to raise the necessary revenue to fund those longer-term ambitions; the current state of the 'fair work nation' and areas where further action is needed; and setting out a clear template for a future system of universal basic services.

1. MINIMUM INCOME GUARANTEE

A fundamental principle of any future minimum income guarantee (MIG) must be that it is universal. While the amounts paid will vary depending on circumstances, including household composition and income, everyone should have certainty and clarity over what they will receive based on a minimum floor beneath which they must not fall.

This is important both for design simplicity and equity, but also as a vital component of the system for people who rely on it – throughout previous IPPR Scotland reports we have heard from individuals who value simplicity and reliability in the benefits system, particularly for those who are most vulnerable.

While the current system – with its mix of payments across DWP, Social Security Scotland, and local authorities – limits what can be done in the immediate term, there are a number of steps the Scottish government could take to improve the simplicity and reliability across the payments it has control over.

Recommendation 1: The age of eligibility for the Scottish child payment should be extended to households with dependents aged 16-19 who are in full-time non-advanced education/approved training – aligning with the reserved benefits it provides a top-up to.

As part of providing a guarantee, together with simplicity and certainty, an important aspect of any future MIG would be ensuring no loss against existing benefit entitlements, including that provided by the UK government. While the Scottish government often raises that the Scottish child payment (SCP) is a 'unique' payment not available elsewhere in the UK, it is ultimately a top-up of existing reserved benefits – namely universal credit (UC) and the legacy benefits it replaces (Social Security Scotland 2022). Within the group of people who receive these benefits, there is a small group not benefitting from the Scottish child payment – those with dependents aged 16-19.

Once fully rolled out (by the end of 2022), SCP will be paid to households with eligible children aged under 16. However, the universal credit child element (and legacy child-related benefits, eg child tax credits) is payable for eligible children aged 16-19 provided they are enrolled in full time non-advanced education, or approved training. These households will not, however, receive the SCP.

It is not entirely obvious why this group of reserved benefit recipients is to be excluded from SCP eligibility. As a top-up to reserved benefits, eligibility for the SCP is evidenced by *receipt* of those benefits, via data from DWP and/or HMRC. These very same data feeds could be used to establish where there are older eligible children in the household, and so a SCP for them should be implementable as well.

Analysis by IPPR Scotland estimates that extending the SCP to those aged 16-19, providing they are in full-time education, would benefit around 120,000 people at a cost of £50 million. While the relative child poverty impacts are modest, at a time of a cost-of-living crisis 10,000 people would be lifted out of deep poverty (defined at 50 per cent of the median). Importantly, it would address an anomaly in the system and equivalise SCP eligibility with the reserved benefits it is based on.

TABLE 1.1: POVERTY EFFECTS OF EXTENDING AGE ELIGIBILITY FOR SCOTTISH CHILD PAYMENT

	Cost	Child poverty reduction (AHC)	Deep child poverty reduction (AHC)	Total poverty reduction (adults and children) (AHC)	Total deep poverty reduction (adults and children) (AHC)
Change age eligibility in 2023/24 to include 16–18-year-olds in full-time education	£50m	< 5,000	< 5,000	< 5,000	10,000

Source: IPPR Scotland analysis using IPPR tax-benefit model and DWP (2021)

Note: For financial year 2023/24 with 80 per cent SCP take up. Baseline assumes full roll-out as scheduled. Figures are rounded to the nearest 10,000.

Recommendation 2: The Scottish government should mitigate the two-child limit through additional payments to the Scottish child payment for households with three or more children.

Within a future Scottish MIG, a key driver to achieving a living income is ensuring that households are brought up to a 'minimum income standard' – an income level based on what the public say is needed 'to achieve an acceptable standard of living in Britain today', but which critically varies across differently composed households (Bradshaw et al 2008). In practice, this ultimately recognises that households with children face a number of higher costs – and any MIG should respond accordingly. Through welfare reforms, however, the UK government has turned its back on this principle, most notably through the introduction of the two-child limit which sees child elements of universal credit and tax credits paid out for children limited to two children for those born after April 2017 – disadvantaging larger families and taking a living income out of reach for many.

The Scottish government has made clear its opposition to policies like the two-child limit and ensured that devolved benefits like the SCP are payable for any number of eligible children (Scottish Government 2019). There should be no child limits on any future MIG – but the Scottish government could also act here and now to mitigate that policy, start to achieve that principle of ensuring the costs of all children in a household are recognised through the benefits system, and lift more children out of poverty.

This 'two-child limit' means that a family with three children could lose £56 per week in child elements compared to if the policy was not in place. As of April 2021, around a third of large families were affected – as time goes on, and more children are born after the cut-off date, more families will be affected. The SCP does partially compensate for its effects, as it will provide an additional £25 per week by the end of 2021 (providing the child is aged under 16) – however, there remains a £31 per week gap. Using its existing powers, the Scottish government could amend eligibility to introduce enhanced SCP for households with three and more children and fill that gap.

Given the design of the two-child limit – with its date of birth cut-off – it does not impact all families in Scotland that may be receiving the SCP. As such, the most targeted option (short of it being reversed at source by DWP, with costs reimbursed by Scottish government) would be to introduce a similar date of birth requirement for any enhanced payment – meaning it was only paid for eligible children born after 6 April 2017 – with the benefit that this would better target those families impacted. Should this be deemed to be too complex legislatively or operationally, an alternative would be to provide a 'large family' supplement for all eligible families receiving the SCP (where there are three or more children) – while this would mean it would go to families not impacted by the two-child limit, it would recognise that overall large families are more likely to have children living in poverty.

We have modelled one potential option to mitigate the two-child limit and progress towards the ambition of a living income – a £56 per week additional SCP payment for families with three children or more, which would make up the shortfall created by the two-child limit without reducing the (standalone) value of SCP.

TABLE 1.2: POVERTY EFFECTS OF A COMPENSATING LARGE FAMILY PREMIUM

	Cost	Child poverty reduction (AHC)	Deep child poverty reduction (AHC)	Total poverty reduction (adults and children) (AHC)	Total deep poverty reduction (adults and children) (AHC)
Introduce a £56 per week premium	£80m	10,000	10,000	20,000	10,000

Source: IPPR Scotland analysis using IPPR Tax-Benefit Model and DWP (2021)

Note: For financial year 2023/24 with 80 per cent SCP take up. Baseline assumes full roll-out as scheduled. Figures are rounded to the nearest 10,000.

While this would be an important step, it is still imperfect in that it only provides a single payment for large families rather than on a per child basis – recognising the added complications needing to verify each individual child in a household. Therefore, further support would be needed to compensate for families with four or more children who miss out on multiple child elements through the two-child limit. That should be the ultimate aim of the Scottish government – whether through SCP (with the caveat that not all impacted families may be receiving a SCP), or by working with DWP to remove the limit at source. Below we show the costs and poverty impacts of its complete removal in Scotland.

TABLE 1.3: POVERTY EFFECTS OF DIRECTLY REMOVING THE TWO-CHILD LIMIT IN SCOTLAND

	Cost	Child poverty reduction (AHC)	Deep child poverty reduction (AHC)	Total poverty reduction (adults and children) (AHC)	Total deep poverty reduction (adults and children) (AHC)
Remove the two-child limit in Scotland	£110m	10,000	10,000	10,000	10,000

Source: IPPR Scotland analysis using IPPR tax-benefit model and the Family Resources Survey

Note: For financial year 2023/24 with 80 per cent SCP take up. Baseline assumes full roll-out as scheduled. Figures are rounded to the nearest 10,000.

Recommendation 3: The Scottish government should undertake a review of the Scottish child payment – including options for enhancing flexibilities, such as more frequent payments, and the legislative basis of the payment.

Clearly, the Scottish child payment represents a significant and ambitious use of the Scottish parliament's powers to boost household incomes and tackle child poverty. Once fully rolled out (and further increased to £25 per week, per eligible child), it is expected to benefit over 300,000 children and lift 50,000 out of poverty in 2023/24 (Scottish Government 2022a; Scottish Government 2020b). This represents a significant investment in the social safety net and a strong basis for the future development of a living income. However, as we look ahead to the development of a longer-term MIG, the Scottish government should ensure it is fully utilising its available powers to start delivering on the principles of a MIG here and now through the benefits it already provides, including the SCP. That is particularly the case for the flexibility built into the system, through more frequent payments, and its legislative basis which currently means it has a negative interaction with reserved benefit tapers (ie SCP is fully withdrawn when the qualifying benefit is).

More flexible payments, including allowing people to determine how frequently they receive them, is an important part of having a person-centered approach to social security and should be a key feature of any future MIG. It allows people to determine payments schedules based on their needs and circumstances and ensures that the welfare system can respond accordingly. It is also already an integral – and welcome – part of the existing Scottish social security system through universal credit Scottish choices which proactively asks UC recipients to request more frequent payments and/or to have the housing element paid directly to their landlord[1] (Scottish Government 2022c). In the latest data (February 2022), over a quarter of UC households in Scotland took up one or both options (IPPR analysis of DWP 2022). The Scottish government's evaluation has found that Scottish choices has provided people with more security over their financial situation and enabled them to better manage their money (Scottish Government 2021a). It is a principle which should be rolled out to a wider suite of Scottish benefits.

When the Scottish child payment was first announced, the Scottish government committed to reviewing it – including options for more frequent payments – as part of its second *Tackling Child Poverty Delivery Plan*. That plan was published earlier this year but made no reference to such a review. The Scottish government should

1 Outside of Scotland, alternative payment arrangements such as more frequent payments are possible but subject to certain criteria being met such as identified complex needs by the work coach.

now commit to undertaking it as soon as possible and ensuring that all options for improving the flexibility of the system are considered and implemented quickly.

This review should also include options to use existing powers to shift the SCP from a top-up to reserved benefits to a wholly new benefit. This would in turn enable government to design and implement a stand-alone means test to focus on prevention and increase take up among those with the greatest need, and a taper rate that avoids a cliff edge for families in receipt of the payment, so it is not immediately and fully withdrawn when an eligible household is no longer in receipt of an underlying benefit. For example, under current policy from 2023, a family with two children could find themselves £217 per month worse off from just a fractional increase in earnings if it took them out of eligibility for universal credit and so SCP.

Recommendation 4: As part of this review, the Scottish government should explore options to enhance payments for the groups most at-risk of poverty – including lone parents and disabled parents.

A minimum income floor, by necessity, must vary to meet the needs of differently composed households – in turn any future MIG must recognise additional costs and where households have reduced capacity for work, respond with higher payments to ensure they can meet their living income. For three groups in particular – families with young children (under the age of one), lone parents and disabled people – their costs and work capacity face particular pressures, and in turn those groups can experience acute financial insecurity and a greater risk of poverty.

The most recent Scottish government poverty statistics (covering the period 2017-20, with more recent updates unavailable due to data issues) show that the relative child poverty rate is 29 per cent in households where there is a disabled adult or child; 34 per cent for households with a child under one; and 38 per cent for lone parent households. These compare to 24 per cent for all children (Scottish Government 2021b).

While in the long-term a minimum income guarantee should address those twin issues, the Scottish government could take further action in the short-term through the SCP, with additional payments for lone parents, families with young children, and disabled parents. That would go some way to addressing the immediate gaps these households face in meeting a living income, and it would further bolster the Scottish government's efforts to tackle child poverty, with both household types 'priority groups' through the *Tackling Child Poverty Delivery Plan*.

For example, there could be an additional £25 per week additional payment for these households – all of which should be able to be evidenced through the existing data Social Security Scotland receives from DWP and/or HMRC. The table below estimates the poverty impacts and policy costs arising from different premiums.

TABLE 1.4: POVERTY EFFECTS OF DIFFERENT SCOTTISH CHILD PAYMENT PREMIUMS AT £25 PER WEEK

	Cost	Child poverty reduction (AHC)	Deep child poverty reduction (AHC)	Total poverty reduction (adults and children) (AHC)	Total deep poverty reduction (adults and children) (AHC)
£25 per week lone parent premium	£140m	10,000	10,000	20,000	10,000
£25 per week disability premium	£110m	10,000	< 5,000	20,000	10,000
£25 per week young child premium	£50m	< 5,000	< 5,000	10,000	10,000

Source: IPPR Scotland analysis using IPPR tax-benefit model and the Family Resources Survey

Note: For financial year 2023/24 with 80 per cent SCP take up. Baseline assumes full roll-out as scheduled. Figures are rounded to the nearest 10,000. Additional premiums are paid per household and not per child.

Recommendation 5: Scottish government should also look at adapting the model of the Scottish child payment (as a top-up to reserved benefits) and extending it to people in receipt of low-income benefits but without children.

Finally, while much of the focus here has been on households with children – recognizing the particular emphasis placed on tackling child poverty – IPPR Scotland analysis has found that one of the groups facing some of the greatest financial pressures, and in turn the biggest gaps in ever achieving a living income, are households without children.

A key feature of a MIG is that it provides an income floor beneath which no one would fall, importantly with reference to their relevant minimum income standard which varies across differently composed households. However, much of the support provided in recent years has been specifically tailored towards meeting these additional costs of children – whether through cash benefits, like the Scottish child payment, or benefits in kind like funded early learning and childcare – where there has not been the same targeted support to meet additional costs for households without children.

The result is that out of work households without children face even more significant gaps in meeting their MIS than most families with children. IPPR Scotland analysis shows that across single and couple households without children, and at varying ages, none reach even 40 per cent of their MIS as estimated by the University of Loughborough, compared to say 56 per cent for a couple family with two primary aged school children who are out of work.

FIGURE 1.1: HOUSEHOLDS OUT OF WORK AND WITH NO CHILDREN ARE FALLING FAR SHORT OF THE MINIMUM INCOME STANDARD

Minimum income standard attained for families without children out of work

Source: IPPR analysis using IPPR benefit entitlement model

While the Scottish government's focus on households with children has been right given the pressing need to tackle child poverty, as we look towards a long-term ambition of ensuring a living income for everyone living in Scotland attention will also need to turn towards bringing up living standards for households without children. As an immediate step, the Scottish government should use its review of SCP to also consider extending the model of topping up reserved benefits towards these households – as a minimum, starting with out-of-work households.

2.
FAIR WORK

Alongside income from social security, and ensuring a financial safety net for all, fair work – for those who can and want to – is crucial to delivering a living income. Without decent pay, secure work, or reliable hours, and without opportunities to progress in work, financial security will be difficult if not impossible to achieve for many. However, we know that for many people it still doesn't yet provide a reliable and secure route to achieving that – whether through pervasive low pay, precarity of hours or work, or inflexibility which doesn't correspond to personal circumstances, whether childcare, ill-health, or the transitions between work and benefits. As our analysis shows, the end result is a minimum income standard far out of reach for many households. While the Scottish government has set a long-term ambition to become a fair work nation, there are further steps that could be taken now to address those issues, particularly for those furthest from the world of work.

Recommendation 6: Scottish government should work with local authorities and service providers to offer a guarantee that anyone in receipt of a devolved benefit receives a 'fast-track' to wider support – including advice services and employment support – to ensure a genuine 'no wrong door' approach.

A key tenet of any future living income must be that the social security element provides a decent standard of living for those who are unable to work, or do not meet their minimum income standard through work alone, with a 'no strings' entitlement – without conditions, sanctions, limits or caps. That stands in contrast to the approach of the UK welfare system and recognises that many people have circumstances or face obstacles which means they simply cannot work, or who are stuck in a cycle of insecure and low paid work.

That vital principle of no conditionality or sanctions should not mean, however, that a MIG would be a passive cash transfer where the government can absolve itself of any further responsibility. It should enable people to be signposted to and connect with a wider suite of support and services through a proactive – albeit no strings attached – offer. That is a principle that the Scottish government has started to adopt in its work on tackling child poverty, placing an emphasis on a 'no wrong door' approach – however, progress has been slow with an emphasis on pilots before scale, despite evidence from other countries showing it is a successful approach (Scottish Government 2022d). That is particularly important where individuals can face an often complicated set of options and choices. From discussions with service providers and representative organisations, we have heard how people trying to access support can face confusion – given split responsibility across DWP, Social Security Scotland, local authorities, and (at times) the third sector – and ultimately fall between gaps in provision.

More immediately, the Scottish government should work to ensure that all devolved benefit recipients should be provided with a fast-track offer of relevant advice and support services – including employability support, debt and financial advice, housing support and more – and work with local authorities and DWP to ensure the same of local and reserved benefit recipients. This should come at the point of application and be tailored to the person's circumstances – for example, where specific support is available for lone parents.

Recommendation 7: Scottish government should convene Social Security Scotland, DWP and representative organisations to ensure that people most at risk from poverty, including lone parents and disabled people, who may have fluctuating circumstances – whether income, health, or personal – are better supported with their transitions between work and benefits.

Within this enhanced offer, specific attention should be paid to those groups who face the greatest insecurity. While in the long-term a MIG can help address this – by providing a guaranteed payment over a longer period of time (compared to the often-cyclical monthly reassessments of universal credit, and in turn devolved benefits like the Scottish child payment) and a minimum income floor which guards against fluctuations – the Scottish government has limited levers to address it through the current social security system. The focus instead should be on how wider support can be tailored to help address this insecurity.

That is particularly true for lone parents and disabled people who previous IPPR Scotland research has found are most at risk from financial insecurity due to the often-precarious nature of work – seeing them cycle in and out of work, and in turn on and off benefits. Disabled people are acutely affected, often experiencing fluctuating health conditions which can impact on their ability to work, and lone parents (and most often women) disproportionately represented within insecure work exacerbated by a childcare system that doesn't reflect their circumstances or working patterns.

Scottish government should work with partner organisations to provide a bespoke offer of support which better reflects the circumstances of these groups. There should be a targeted offer of advice and support to help them secure and stay in good work where it suits them, and improved data sharing between relevant authorities and service providers which means they can be identified early where they may be at-risk of falling off existing support.

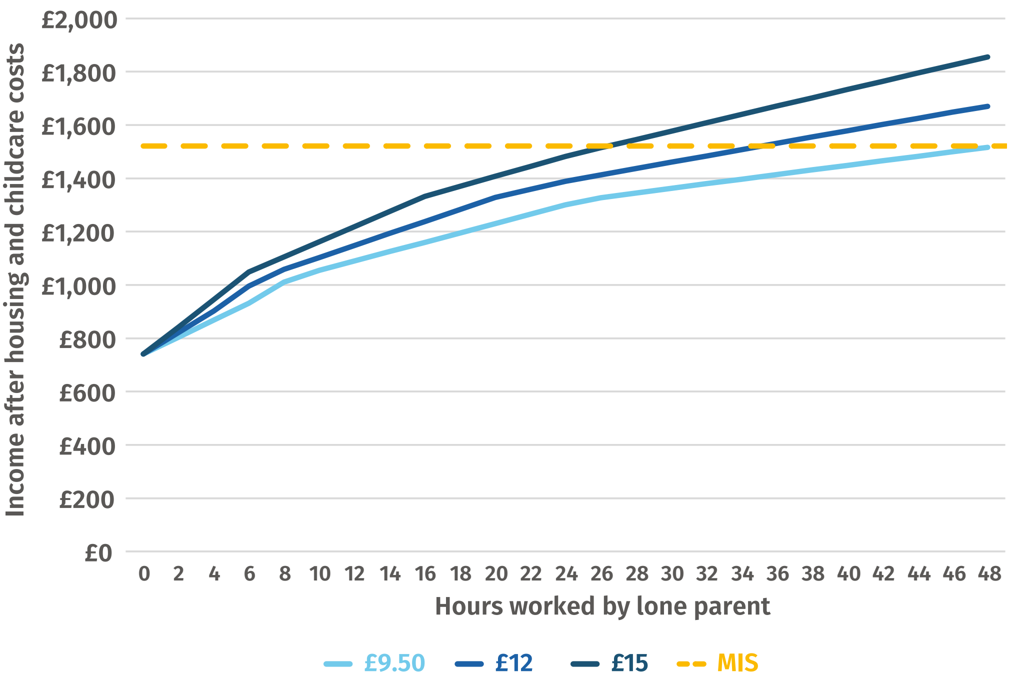
Recommendation 8: Scottish government should ensure that forthcoming fair work obligations on organisations in receipt of public sector grants include a requirement to be a 'living hours' employer.

While there is an obligation on the government – working together with partners – to support people to be able to access work, that by itself isn't enough. An ever more common feature of the UK economy has been high employment rates masking structural weakness stemming from poor quality work and job insecurity. Too many people in work do not have sufficient hours or income they can rely on; we have seen increasing underemployment and short-hours or zero-hours contracts; and there has been a rise of low-paid self-employment and agency or 'gig' work (CEJ 2018). All of this combines to fuel increasing precarity across the labour market.

To take two illustrative examples: Analysis by IPPR Scotland shows that, at lower rates of pay, lone parents could find it near impossible to reach their respective minimum income standard if they cannot obtain any free childcare coverage beyond that offered by school. At higher rates of pay (such as £12 an hour), it becomes more attainable, but still requires working 36 hours a week because of the childcare costs incurred. This modelling assumes households claim and receive any benefit income they are eligible for including use of the childcare element of UC – and yet these shortfalls persist in many instances.

FIGURE 2.1: LONE PARENTS ON LOW EARNINGS WOULD NEED TO WORK AROUND 48 HOURS TO REACH A MINIMUM INCOME STANDARD WITHOUT FREE CHILDCARE

MIS attained for families with children out of work



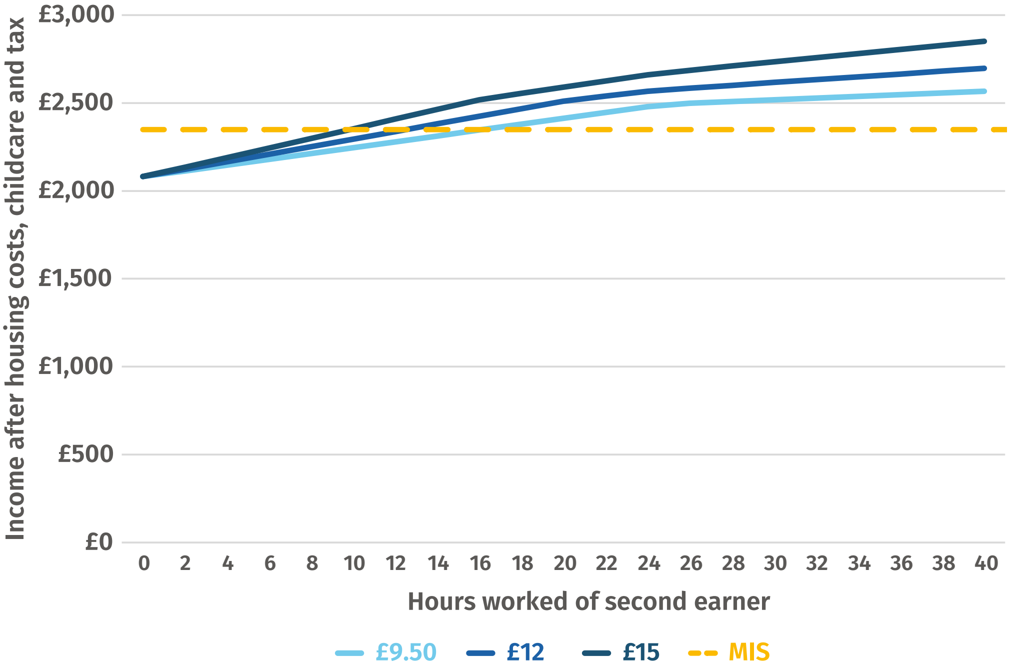
Source: IPPR analysis using IPPR benefit entitlement model

Note: We estimate the MIS at £1,549 per month for this family in 2022/23 after housing, childcare, and council tax, and assuming one child is of primary school age. We assume 30 hours of school coverage for three-quarters of the year and 0 hours for one-quarter of the year, and that childcare costs are smoothed over the year. We assume some wrap-around hours are needed and that costs over school cover costs £5 an hour, with no access to informal care. We assume that the parent claims universal credit (and makes use of the childcare element) as well as claiming child benefit and Scottish child payment.

For a couple, our modelling demonstrates that where one parent works full-time (36 hours) at £10/hour, the other parent will likely have to work around 16 hours at minimum wage for the household to reach a minimum income standard.

FIGURE 2.2: SECOND EARNERS ON A LOW WAGE WOULD NEED TO WORK 16 HOURS OR MORE A WEEK ALONGSIDE THEIR PARTNER EARNING A FULL-TIME WAGE TO REACH A MINIMUM INCOME STANDARD

Modelled earnings after tax, housing costs and childcare for a couple with two children, one parent working full-time, by hours of second earner



Source: IPPR analysis using IPPR benefit entitlement model

Note: We estimate the MIS at £2,348 per month for this family in 2022/23 after housing costs, childcare and council tax. We model two children of school age, we assume 30 hours of school coverage for three-quarters of the year and 0 hours for a quarter of the year but that childcare costs are smoothed over the year. We assume some wrap-around hours are needed and that costs for childcare over school cover costs £5 an hour and assume the parent working full-time (36 hours at £10 an hour) does not provide any childcare cover. We assume that the family claims universal credit (and makes use of the childcare element), child benefit and Scottish child payment (for both children).

This analysis shows that both the number of hours and level of pay available to people are key to securing a living income. However, while recent increases in the national minimum wage have supported faster pay growth among lower earners in Scotland, low pay continues to be a persistent barrier to financial security . Previous IPPR Scotland research also found that that while 7 per cent of all employees in Scotland are underemployed, almost one in five low paid workers are looking for more hours.

As a first step, the Scottish government should build on its living hours pledge scheme and integrate a commitment to providing 'living hours' – that is, a minimum reliable work pattern that support a living income – into its 'fair work first' approach. This should include expanding the requirement to make payment of the real living wage a condition of public sector grants to be a full living hours requirement.

3. UNIVERSAL BASIC SERVICES

While social security represents the most direct way to boost people's incomes and move towards a living income, it is not the only way. As identified in the Scottish government's *Tackling Child Poverty Delivery Plan*, increasing incomes must go hand-in-hand with reducing costs. That becomes even more important at a time of a cost-of-living crisis – enabled by adopting a universal basic services approach.

Providing collective services – for example health, housing, transport, digital access, and care – are vital to enabling people to meet their basic needs, reduce household costs, and ensuring a decent standard of living: a 'social wage' is central to achieving a living income. However, while the Scottish government has committed to putting a UBS approach central to its development of a minimum income guarantee, much like a MIG, that risks delaying progress here and now (Scottish Government 2021c). The Scottish government should take important, immediate steps to extend the UBS approach to existing service offers.

Recommendation 9: Free bus travel should be extended to everyone in receipt of a low-income benefit (universal credit or the legacy benefits it replaces) – as a first step towards a fully integrated transport offer.

Transport costs are a substantial financial outgoing for people across Scotland – with over 60 per cent of respondents to a recent IPPR Scotland survey saying that they worried about being able to afford transport – undermining the Scottish government's priorities on tackling poverty and also reducing emissions. At a time when we should be encouraging more people to use public transport and taking more cars off the road, a lack of affordable and accessible transport can also have wide ranging consequences for financial insecurity and wellbeing, including by limiting access to employment or other key services.

There is already a significant universal element underpinning bus travel, but with action concentrated on distinct demographic groups: first by extending free bus and coach travel to those aged 60 and over, then to disabled people, and most recently to under-22's (Scottish Government 2022e). At a time of a cost-of-living crisis, and to further extend the UBS model it has committed to, the Scottish government should now take this further, focussing on low-income households.

Building on its commitment to provide free bus travel to young people (aged under 22), the Scottish government should extend free bus travel to those in receipt of universal credit and equivalent means-tested benefits. This would further extend a universal guarantee to those who could most benefit from it – bolstering financial security for low-income households, increasing the 'social wage' element of a living income, and lowering barriers to accessing work, education, and training opportunities. It would also support wider government priorities by incentivising public transport and lowering emissions. We estimate this would cost an additional £50 million per year.

Recommendation 10: A new grant should be introduced to cover the upfront costs of childcare faced by universal credit recipients.

Funded childcare is a vital part of the social wage for parents and guardians, and especially so for those most at-risk of poverty, particularly lone parents. Importantly, it offers a viable opportunity for parents to secure good work and financial security.

Previous IPPR Scotland research found that generous free childcare provision is critical in ensuring that parents in low-paid employment are always better off increasing their working hours – a key element in securing a living income. Important progress was made in the last parliament to expand universal childcare – with the full roll-out of 1,140 hours funded childcare for three- and four-year-old year children and eligible two-year-olds – and there is further progress to come in this parliament, with the expansion of that offer to one- and two-year-olds in low-income households, and the roll-out of a school-aged system of wraparound support.

However, despite that good progress, parents we spoke to for previous research described a piecemeal system of childcare support that was often riddled with pitfalls. More recent discussions with representative organisations have been clear that affordability, together with flexibility and availability, are key issues for parents.

Importantly in securing early steps towards a living income, parents and carers in receipt of universal credit are able to apply to recoup up to 85 per cent of their childcare expenses, but this fails to help with the significant upfront costs associated with paying for the first month of childcare provision (UK Government 2022). For working parents with pre-school-age children, this policy design can force them into a spiral of debt.

The Scottish government should explore all available routes that might enable them to mitigate the up-front costs associated with claiming childcare costs under universal credit. This could follow the approach taken by the Northern Ireland executive, who offer a nonrepayable grant of up to £1,500 to parents and carers in receipt of universal credit (Department for Communities 2021). Such a grant could either be delivered as an additional element of the Scottish welfare fund, or by Social Security Scotland through existing best start grant and/or Scottish child payment mechanisms.

Recommendation 11: The Scottish government should align eligibility across all relevant (devolved) low-income welfare support – to provide certainty to them receiving support and secure a realistic route towards automation of payments and support.

At present there are variety of payments (cash and in-kind) provided to low-income households in Scotland, particularly those with children – including free school meals, school clothing grant, Scottish child payment, council tax reduction, best start grant, and best start foods. In the main, applications for these all exist independently of each other, and some have varying eligibility requirements – in turn, that sees each have varying levels of take-up by eligible households. For instance, the Scottish government estimate that take-up of the SCP is at around 77 per cent of total eligibility as of October 2021 (Scottish Government 2021d). Meanwhile, for the best start grant (BSG), take-up varies among the main elements under the BSG umbrella, with pregnancy and baby payment reaching an estimated 79 per cent of those eligible in 2019/20 (ibid). Whereas 84 per cent of children born from November 2016 to November 2017 are estimated to have received the early learning payment (ibid).

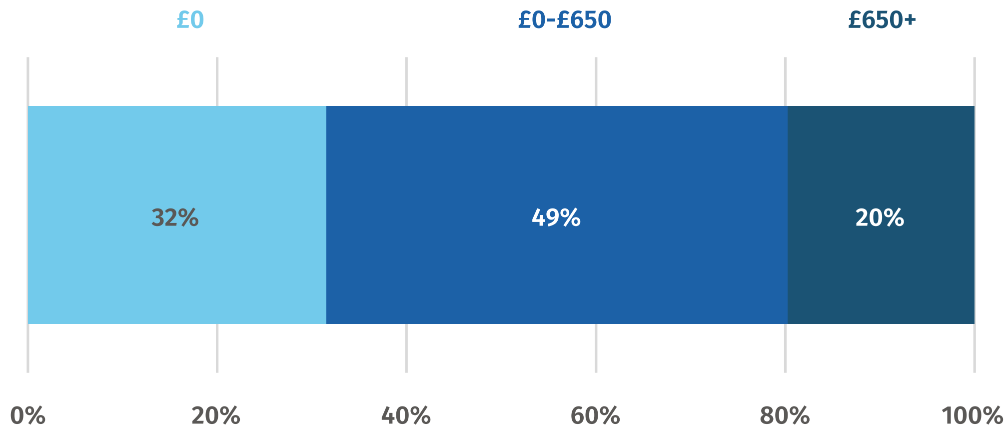
To receive certain benefits such as free school meals and school clothing grants, families typically need to be in receipt of means-tested benefits. Although there is a variation by local authorities, the core entitlement routes are very similar and typically include out of work means-tested benefits as well as benefits paid for those in work, typically with an earned income cut-off of around £650 per month for those on universal credit.

Aligning eligibility to simply require a household to be in receipt of a qualifying benefit – universal credit or legacy – alongside any existing requirements such as having a dependent child would expand the number of eligible households and create greater certainty and simplicity for households.

Illustrative modelling by IPPR Scotland estimates that three-quarters of children living in universal credit households are in work, and around a fifth overall live in households with earnings exceeding £650 per month. Therefore, aligning eligibility requirements up to the level of simply needing to be in receipt of universal credit (without any additional income threshold) would expand eligibility for approximately **70,000** children in Scotland.

FIGURE 3.1: A MAJORITY OF CHILDREN IN FAMILIES RECEIVING UC ARE IN HOUSEHOLDS EARNING BETWEEN £0 AND £650

Proportion of children in families on UC by monthly earned family income in Scotland, 2023/24



Source: Source: IPPR Scotland analysis using IPPR tax-benefit model and DWP (2022)

Importantly, it would also provide a credible path towards automation of payments. The Scottish government has committed to explore greater automation within the welfare system – whereby an application for one type of support would see the automatic payment of another – beginning with automated best start grant payments for SCP recipients (Scottish Government 2022f). However, when eligibility requirements differ across what, in principle, should be similar payments, it creates technical problems which serve to make automation that much more complex (if not impossible) – for example, it is difficult to see how a SCP which is based solely on universal credit could automate a school clothing grant payment in a local authority that has an income test as one of its requirements. Aligned eligibility would instead start to deliver the key principle of a MIG of a universal guarantee together with simplicity and certainty.

This alignment should also include brining water charges reductions into line with council tax reduction. Currently, households eligible for council tax reduction (CTR) in Scotland may also be eligible for a water rates reduction through the water charges reduction scheme, but reductions on water rates are capped at 35 per cent of water and wastewater charges (Scottish Water 2022). This can cause confusion for those in receipt of CTR, who still have to pay water charges even when they have full council tax reduction. Again, aligning eligibility would not only reduce the financial hardship and insecurity for households, but also boost the simplicity within the system and ensure there was a guarantee of the support available in place for eligible households.

REFERENCES

Bradshaw J et al (2008) *A minimum income standard for Britain: What people think*, JRF. https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/2226-income-poverty-standards.pdf

Commission on Economic Justice [CEJ] (2018) *Prosperity and Justice: A Plan For the New Economy – The final report fo the IPPR Commission on Economic Justice*, IPPR. https://www.ippr.org/research/publications/prosperity-and-justice

Department for Communities (2021) 'Communities Minister removes significant barrier to employment for parents', webpage. https://www.communities-ni.gov.uk/news/communities-minister-removes-significant-barrier-employment-parents#:~:text=Parents%20who%20are%20eligible%20for%20the%20childcare%20element,paid%20in%20advance%20to%20a%20registered%20childcare%20provider.

Department for Work and Pensions [DWP] (2021) 'Family Resources Survey 2019/20', dataset, accessible via UK Data Service

Department for Work and Pensions [DWP] (2022) 'Households on Universal Credit', dataset, accessible via DWP Stat Xplore. https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml

Scottish Government (2019) 'Two child benefit limit should be scrapped', blog. https://webarchive.nrscotland.gov.uk/web/20220423070111/https://blogs.gov.scot/fairer-scotland/2019/08/01/two-child-benefit-limit-should-be-scrapped/

Scottish Government (2021a) *Universal Credit Scottish choices: evaluation*. https://www.gov.scot/publications/evaluation-universal-credit-scottish-choices/

Scottish Government (2021b) 'Poverty and Income Inequality in Scotland 2017-20', dataset. https://www.gov.scot/publications/poverty-and-income-inequality-in-scotland-2017-20/

Scottish Government (2021c) 'Minimum Income Guarantee' webpage. https://consult.gov.scot/social-security/minimum-income-guarantee/

Scottish Government (2021d) *Social Security (Scotland) Act 2018 – benefit take-up strategy – October 2021: measuring take-up of low-income benefits*. https://www.gov.scot/publications/social-security-scotland-act-2018-benefit-take-up-strategy-october-2021-approach-measuring-take-up-low-income-benefits/documents/

Scottish Government (2022a) 'Prioritising national mission to tackle child poverty', news article. https://www.gov.scot/news/prioritising-national-mission-to-tackle-child-poverty/

Scottish Government (2022b) *Scottish Child Payment – estimating the effect on child poverty*. https://www.gov.scot/publications/scottish-child-payment-estimating-the-effect-on-child-poverty/

Scottish Government (2022c) 'Social security: Universal Credit (Scottish choices)', webpage. https://www.gov.scot/policies/social-security/universal-credit/

Scottish Government (2022d) *Best Start, Bright Futures: tackling child poverty delivery plan* 2022 to 2026. https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/pages/7/

Scottish Government (2022e) 'Public transport, bus passes and discounts', webpage. https://www.mygov.scot/browse/transport-travel/local-travel

Scottish Government (2022f) 'Automatic awards to make accessing family benefits simpler', news article. https://www.gov.scot/news/automatic-awards-to-make-accessing-family-benefits-simpler/

Social Security Scotland (2022) 'Scottish Child Payment doubles', news article. https://www.socialsecurity.gov.scot/news-events/news/scottish-child-payment-doubles#:~:text=The%20flagship%20family%20payment%20%E2%80%93%20Scottish,tackle%20child%20poverty%20head%20on

Scottish Water (2022) 'Your Charges 2021-2022', webpage. https://www.scottishwater.co.uk/your-home/your-charges/your-charges-2021-2022#:~:text=About%20Your%20Charges%202021%2D22&text=Homes%20that%20receive%20CTR%20may,any%20reduction%20to%20your%20charges

UK Government (2022) 'Universal Credit childcare costs', webpage. https://www.gov.uk/guidance/universal-credit-childcare-costs

Institute for Public Policy Research

GET IN TOUCH

For more information about IPPR Scotland,
please go to www.ippr.org/scotland

You can also call us on +44 (0)131 281 0886,
e-mail info@ippr.org or tweet us @ipprscotland

Institute for Public Policy Research

Registered Charity no. 800065 (England & Wales),
SC046557 (Scotland), Company no, 2292601 (England & Wales)

The progressive policy think tank