

# Putting people at the heart of the economic recovery

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## Citizens Advice Scotland submission to the Advisory Group on Economic Recovery

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Scotland's Citizens Advice network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change.

We are on the side of people in Scotland who need help, and we change lives for the better.

## Key recommendations for the working group to consider

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- > Increasing and fast tracking investment in energy efficient housing to create jobs, cut energy bills and reduce carbon emissions
- > A new deal for people in low-paid work which has been revealed as essential during COVID-19
- > State support for business should be contingent on fair work principles and be used to encourage recruitment and training opportunities in deprived communities
- > Redesigning existing support schemes like the Warm Home Discount to more effectively target people in need
- > Writing off old local government debt like council tax arrears over 5 years old that cannot be realistically recovered
- > Establishing a minimum income guarantee

## Overview

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The economic response to the COVID-19 crisis must be clearly linked to Scotland's Economic Strategy. This Strategy aims to create a more successful country with opportunities for all and with increasing sustainable economic growth at its heart. The Strategy adopts a dual approach of increasing competitiveness and tackling inequality and therefore promoting inclusive growth.

It is imperative that inclusive growth underpins the economic response and recovery from the COVID-19 crisis to ensure that those who access advice from the Citizens Advice network in Scotland are fully supported, existing inequalities are not exacerbated and that competitiveness benefits consumers and stimulates economic growth for the benefit for all.

Central to an inclusive growth approach will be balancing economic stimulus and competitiveness with measures aimed at tackling inequality. Thought must be given to economic support for all in society and all sectors of the economy for this to truly be inclusive. Otherwise any economic response that is overly focussed purely on sustained economic stimulus will only help to cement or worsen inequality.

## The insight of the Citizens Advice network in Scotland

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The economic challenges Scotland will face during and following the COVID-19 pandemic will be the most significant in modern history, likely outstripping the problems faced by policymakers even following the 2008 Global Financial Crisis.

In the decade following the financial crash in 2008, the Citizens Advice network in Scotland unlocked almost £1.3billion in gains for people. Much of this money will have been reinvested in local economies.

We will be well-placed again to ensure people access the support they need during the economic fallout of COVID-19. It is our view that any policies helping to build an economic recovery must prioritise the incomes of individuals and households to ensure stronger foundations in the economy.

It's important to realise the reality of the experiences of many people before the pandemic was one of incomes not keeping pace with the cost of living. Two features of the economic recovery from 2008 were significant in this respect – social security reform and the growth of low-paid insecure work.

In the weeks prior to lockdown, a YouGov survey for CAS carried out between February 21st to March 13th found:

- > 2 in 5 working people had run out of money before pay day at least once in the last year
- > 1 in 5 people were finding it difficult to cope on their present income.

In the weeks and months following the outbreak and subsequent Government lockdown, our advice services have seen a change in the types of advice people are seeking from us.

Historically, social security and debt have been the number one and two issues for the Citizens Advice network. Since lockdown we have seen a surge in employment-related advice, effectively quadrupling as a proportion of the advice we issue between February and April.

We have also seen a growth in the types of social security advice we are issuing. Universal Credit advice is still among the most sought-after social security advice, however this has not changed substantially from March to April. Proportionately, we've seen a bigger rise in advice on crisis grants. In March about 1 in every 50 pieces of social security advice related to crisis grants, whereas in April that increased to more than 1 in 20.

## Understanding the cycle of poverty

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Based on our understanding of how personal finances and insecure incomes affected people before lockdown, we believe the cycle of poverty risks applying to even more people as a result of the pandemic and dragging more people into debt and destitution as a result.

Firstly, people will struggle to access appropriate levels of income from employment as a result of furlough not covering their full wage or losing their job entirely. Infrastructure flaws in the social security system, such as the 5 week wait for Universal Credit, will mean people cannot access cash quickly and they will soon face difficult choices on bills because their income doesn't cover all of their essential bills. This will push some people into debt for the first time and others into deeper debt.

This will not help consumer spending and will stop a proper economic recovery unless people's incomes are maximised, and the cost of living tackled.

It's vital that the recovery group recognise that every citizen is a potential consumer and every policy step taken to boost incomes ultimately will help boost consumer spending.

Protecting and maximising household incomes and ensuring a sustainable cost of living for people should be essential foundations on which economic recovery is built. This can be done by adhering to the following principles;

- > Job creation should ensure people are paid enough to live on
- > Steps should be taken to ensure that bills and charges remain affordable
- > The social security system should act as a safety net for people
- > Debt recovery should take into account the ability of a debtor to actually pay

To that end, key recommendations that CAS would make for the Scottish Government will focus on four key points of this cycle; employment, social security, the cost of living and personal finance and debt.

## Employment

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The experience of the Citizens Advice network is a good example of how working practices have had to be changed as a result of the pandemic. Since the outbreak, the network has transitioned to home working where possible. Every bureau is capable of providing advice remotely and greatly limiting any necessary work from office locations.

This required significant investment in IT capacity – from laptops and headsets to servers, investment that will have been replicated across many organisations and businesses.

Long-term there is an opportunity for this approach across the economy to lead to greater flexibility in working hours and more remote working where appropriate, in turn potentially cutting commuting costs for workers and property costs for employers.

However, this opportunity will not be open to every worker and organisation and it is important that inequalities between people who can work from home and those who can't are not exacerbated.

Many low-paid workers do jobs that will always be required – retail workers, cleaners, care workers, those in hospitality – and their value isn't always best measured in immediate productivity figures and certainly not reflected in their wages.

Their wellbeing value in terms of facilitating social interaction and connection, keeping workplaces and public places hygienic and safe and the knock-on economic benefits of lower reliance on health and other public services has not been appropriately recognised to date.

Scotland cannot plan a recovery on the basis of training everyone on a low wage into “high-quality jobs”. Those jobs are important and must still be done. Instead, the value of those roles and workers should be recognised in a new deal for those in traditionally low-paid sectors that considers higher wages and offers flexibility around caring responsibilities.

Consideration should also be given to the economic value of unpaid work, particularly care, especially if there is a lengthy return to normal which prevents people taking on paid work.

The Scottish Government should review Scotland's employability provision to ensure it is focused on meeting the needs of those worst affected by COVID-19, including those in industries where social distancing will be most difficult.

Continuing to promote fair work practices to ensure people have an income they can live on as a result of their work will also be vital. While employment law is reserved to the UK Parliament, the Scottish Government could continue to promote and create fair work by making state support for business contingent upon it.

## Social Security

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The Scottish Government should review the scope of social security powers and consider ensuring how everyone can have a guaranteed minimum income as the economy recovers. For example, our colleagues at Citizens Advice England and Wales have called for a Crisis Minimum Income of at least £180 a week. This thinking will have to recognise many aspects of social security are reserved to the UK Government. This guarantee does not necessarily need to take the form of a Universal Basic Income, as others have argued for. Our concern is about the outcome of ensuring people have enough to live on rather than the output measure of a new payment system.

The principles of preventative spending should be front and central in the Scottish Government's plans for economic recovery. Considering the needs of the most vulnerable in the short-term, will lead to saving in the long-term for the public sector, and increased participation in society and economically can be positive for the private sector as well.

The Scottish Government can shape how the recovery impacts on socio-economic inequality by prioritising the needs of the most disenfranchised and marginalised in their policy approach to recovery. This should begin with support targeted at those with low disposable incomes, who are much more likely to have caring responsibilities, be disabled, be from an ethnic minority background, or be female.

## Cost of living

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Two key aspects of the cost of living for citizens are housing costs and utility costs, such as energy and water.

### Housing

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In housing, the loss of regular employment has led to arrears mounting up for housing costs. Many renters are at risk of eviction due to rent arrears caused by the crisis, particularly once emergency measures expire. Some homeowners could be subject to possession orders.

Those currently in temporary accommodation risk returning to rough sleeping unless pathways into permanent accommodation are put in place now. Homelessness is not just devastating for the individual household affected, but also a big cost to the public sector as well.

It is unlikely that we will emerge from this crisis without many people in significant rent arrears. Radical thinking is required to find solutions, and people's homes cannot be prioritised over landlord or mortgage provider revenue.

## Energy

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Citizens Advice Scotland support a just transition to net zero. Policy makers must fully consider who pays for the transition to a low carbon economy, especially given 1 in 4 households in Scotland live in fuel poverty.

Throughout lockdown there was a need to focus on supporting low-income energy consumers with their energy bills, with a focus on the implications of self-isolation and higher usage. Whilst we welcomed these measures, suppliers will still expect consumers to repay any debts accrued. Higher bills and debt will result in both rationing and self-disconnection. The Scottish Government should consider how to increase the availability of emergency fuel credit to mitigate against this in the medium term.

In the longer term, cost-effective energy efficiency improvements can have positive macroeconomic impacts, boosting economic activity and often leading to increased employment. This would serve two additional key outcomes; creating well-paid work, and ultimately reducing household costs for people on low incomes, in turn creating more money that can be spent in the economy.

This will require significant investment. Currently 13 per cent of Scotland's carbon emissions come from people's homes. To reduce that the Scottish Government's target is to raise the energy performance of all homes in Scotland to at least a C rating (B rating for all social housing) by 2040.

We estimate that the combined total investment required by the Scottish Government, homeowners and private landlords is likely to be at least £11 billion over the next twenty years, or £555 million per year.

Long-term policy signals should include increased ambition and investment in heat networks and the expansion of key Scottish and UK Government delivery programmes. This could involve further investment in Warmer Homes Scotland to release more heat pump potential, grants to maximise uptake of the extended RHI, and a focus on maximising measures through funding available via the Fuel Poor Decarbonisation Fund and the Heat Pump Innovation Programme.

People who need cheaper energy for health or income reasons often pay the highest tariffs via prepayment meters or not shopping around and have the highest consumption. Evidence shows that higher energy efficiency standards reduce the risk of getting a respiratory illness, improve the health of those already with a respiratory illness, improve the ability of our immune systems to fight off illness and reduce the use of health services.

To build on this there should be improved targeting of energy efficiency measures, including new heating systems through the FP Decarbonisation Fund, to address the increased health risks and reduce costs to NHS for those with respiratory issues if they are in cold, damp homes. We know that available funds like the Warm Home Discount aren't reaching people as effectively as they could be and should be redesigned on that basis.

Home working could be made more attractive by off-setting higher energy costs whilst working from home by increasing tax relief. HMRC already operates this scheme and the Scottish Government could take steps to lobby the Treasury to ensure it is more generous.

## Water

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Water charging is another area where reforms should be introduced to better support peoples' ability to pay.

The current system can be improved by linking the reduction scheme for water and sewerage charges to any increase in customer bills, particularly above inflation prices. This would help ensure that low-income households are not any worse off.

In the longer term, however, we would support a new system that links a household's weekly income or wealth with their Council Tax band when determining who should receive assistance. This would better target support to those who need it most.

## Personal debt and financial health

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People who are burdened with making challenging debt repayments cannot fully participate in the economy which then holds back growth.

The repayment of unpayable debts is essentially a drag on recovery both for individuals and for the wider economy: there will be more benefit recipients in the short to medium term, government spending on the way out of the crisis will be under pressure, money comes from taxes which come from income and spending, the more that is spent on old debts the less there is to spend on goods and services.

While the protective measures in terms of employment and self-employment have reduced wide-scale harm at least in the short to medium term, the effect is less regarding debt forbearance measures at both Scottish and UK level.

These broadly amount to a temporary suspension of payment and enforcement but interest is continuing in all but a few circumstances. This effectively is the construction of a financial dam where the level of indebtedness continues to rise.

We expect a very significant increase in the numbers of people experiencing financial difficulty or going into problem debt because of a coronavirus-related income shock. There is always a time lag of many months before debt develops from the point at which financial problems start so there is a clear window of opportunity to take action now to reduce the impact as much as possible.

The following actions will help, all of which the Scottish Government has the power to deliver, and should be in place for the next 6 to 18 months:

- > Old local government debts such as council tax or rent should be written off, for example debts over 5 years old where further recovery action is pointless, and payments spread very thinly for more recent debts, to allow people to prioritise their current payments and recover their financial wellbeing. Alternatives to eviction or legal action must be pursued as a priority to ensure that these are only ever a last resort.
- > Statutory debt solutions should be reviewed to allow the worst affected to economically recover more quickly. This could take the form of shorter bankruptcies and allowing composition of debt to take place much earlier in the Debt Arrangement Scheme.
- > The Government should introduce the additional protections from the UK Treasury's proposed breathing space scheme into the Scottish debt moratorium to allow people time to take stock and decide the best course of action for resolving their debt issue, free from creditor harassment. This would also require introducing a freezing of interest payments, charges and fees while in the moratorium so that debts would not continue to build and potentially affect the best route out of recovery. At present, the moratorium was extended from 6 weeks to 6 months by the Scottish Government by the first piece of coronavirus emergency legislation but adding a freeze on interest, charges and fees is just as crucial.
- > Public awareness campaigns should take place to promote ways in which people can maximise their incomes, alert people to the value of getting early advice on money and debt issues as well as signpost to relevant advice agencies.
- > Finally, increased funding of debt advice to build capacity so that more people can access appropriate advice to deal with their financial problems will be vital. Funding for debt advice has been reduced in previous years due to local authority cutbacks and the experienced work force has been diminished. Investment is needed now to ensure appropriate resources are sufficiently trained and in place for when demand is greatest.

## Other issues the working group should consider

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### **The relationship between different governments, agencies and local authorities**

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The Citizens Advice network has observed for some time issues with different levels of responsibility between the UK and Scottish Governments, as well as local authorities. With different organisations holding different delivery responsibilities people often fall through the cracks and don't receive all the support they are entitled to. This is often where the local Citizens Advice bureau steps in to help the individual person.

Obviously a joined-up approach is necessary but not to the detriment of individual organisations being able to exercise autonomy in policy and operations. We would encourage policy development for citizens support to consider a whole-person approach beyond the remit of individual organisations and ensure appropriate referral pathways for people and businesses seeking support.

### **Protecting people's rights**

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Rights bestowed upon citizens and consumers to help rebuild the economy must be protected and where necessary, enforced.

Before COVID-19, CAS observed the issue with people being underpaid the statutory minimum wage, with an estimate of almost 37,000 people paid less than the minimum wage in Scotland in 2019.

During the COVID-19 outbreak we saw a surge in views of our online advice around refunds for services like flights, holidays and events, as people struggled to get the money back for services or items they paid for.

People need to have confidence in the economic system as both workers and consumers need to know they have access to redress when they don't get what they are entitled to. Further consideration should be given to the enforcement of rights and access to legal services as a result.

## Rooting the recovery in communities

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The Citizens Advice network in Scotland comprises of the Glasgow-based Extra Help Unit and 59 independent charities rooted in their communities across the country. It's clear to us that a 'one size fits all' approach to national policy will not work for every community, which have different local economic challenges and opportunities.

To that end, any response will require a recognition of the need for local and regionally identified economic issues to be the foundation of the emerging actions from Government.

There is a need for an integrated economic and social policy emphasising the need for place-based strategies to deliver inclusive growth across the UK. This involves at a local and regional level a deeper understanding of local assets and their impact on connecting people to quality jobs and services and resourcing place regeneration as well as business investment.

Our network is also powered by volunteers, and we would encourage the group to recognise the value of voluntary organisations in delivering inclusive growth and agree they should be properly resourced.

## Digital exclusion

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The lockdown has forced people to fast-track the move of their life online, as workers and consumers. Citizens Advice Scotland has already observed the issue with people being digitally excluded before lockdown. Broadly this becomes an issue of either access or skills, consideration should be given to ensuring people have the skills to navigate a more digital world, as well as being able to afford to do so, such as by promoting social tariffs for broadband.

The group also needs to understand that transitioning wholly to digital is not going to be possible, or the preference of many people. Our network will continue to provide face to face advice when it is safe to do so, as we have for 80 years. This is because many of our clients need the service delivered in that way, many of whom are vulnerable and socio-economic disadvantage. Across the economy, moving towards more remote working or digital services will leave people behind if appropriate face to face services are not retained.