

MEW 04

Gwneud i'r economi weithio i'r rheini sydd ag incwm isel

Making the economy work for people on low incomes

Ymateb gan: Cyngor ar bopeth

Response from: Citizens advice



## Response to the Equalities, Local Government and Communities Committee Poverty Inquiries Making the economy work for people on low incomes (June 2017)

### Introduction

- 1.1 Citizens Advice Cymru welcomes the opportunity to provide written evidence to the Equalities, Local Government and Communities Committee to help inform its latest poverty inquiry looking at 'Making the economy work for people on low incomes'.

We would also welcome the opportunity to discuss any of the areas raised in this paper with the Committee.

- 1.2 Citizens Advice is an independent charity, founded in 1939, covering England and Wales. In Wales we have a network of 19 local Citizen Advice, all individual charities, staffed by nearly 800 dedicated volunteers and staff.

We remove the barriers to advice by going to places where people need us most, delivering advice from over 375 community locations in Wales, as well as offering services over the phone and online.

- 1.3 During 2016 to 2017 local Citizens Advice in Wales helped **over 114,000 people** with **more than 436,000 problems**, the biggest issues being benefits and tax credits (42% of all problems) and debt (30% of all problems). Other common advice areas included financial services and capability; employment and Housing.

Nearly half of all clients we helped in 2016 to 2017 (49%) are disabled or have a long term health condition (compared to the population average of 23%). Internal analysis has also found that **around two-thirds of our clients in Wales are living below the poverty line.**

1.4 Citizens Advice contributes to the vitality of local economies by:

- training **2,800 new volunteer advisers** each year across England and Wales, plus many hundreds more volunteers to take on a variety of other roles. Every year, **30% of the volunteers that leave us do so for employment, further education or other training opportunities**
- tackling the barriers to paid work such as homelessness, unmanaged debt and relationship problems through our advice work. This is based on individual need rather than a one-size-fits-all approach, providing people with the different and appropriate types of support they need at various times in their life
- providing unrivalled insight into local economies gained through the evidence we gather from our advice work, which helps us to build an understanding of the barriers to work, as well as the difficulties many people face when unemployed or struggling to survive on a low income.

## Welsh Government's economic strategy and employability plan

2.1 In this section of our response we focus specifically on the following aspects of the terms of reference: interaction with the UK Government's Work and Health Programme and addressing economic inequalities between different groups of people.

2.2 Being in regular, fairly paid employment is a critical factor to increasing prosperity and reducing poverty. However, in spite of the UK economy showing some signs of improvement, unemployment levels in Wales remain the second highest in the UK<sup>1</sup>. Some areas have failed to recover from deindustrialisation and the nature of employment that has largely replaced heavy industry, or is prevalent in most rural areas, is such that many of those in work are still struggling financially.

2.3 Recent research by the Joseph Rowntree Foundation (JRF)<sup>2</sup> shows that the majority of those on low incomes in Wales now live in working households. A number of factors are contributing to this rise in in-work poverty:

- an increase in part-working families (i.e. part-time workers/self-employed) who now make up a bigger share of the labour market than 10 years ago
- irregular/seasonal work
- zero hours contracts

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<sup>1</sup> ONS Regional Labour Market Statistics (April 2017)

<sup>2</sup> 'Prosperity without poverty', JRF (November 2016)

- lower than average pay - average gross weekly earnings for adults working full-time in Wales are the second lowest amongst the 12 UK nations and English regions - £492.4 compared to the UK average of £538.7<sup>3</sup>.

2.4 There are also some groups of people for whom finding a fairly paid job and/or remaining or progressing in work is more difficult. This includes those with protected characteristics.

Women are more likely than men to be low paid (and more likely to be earning below the living wage<sup>4</sup>). This is both a reflection of the sectors they generally work in (public administration, education and health) and the fact that almost three-quarters of all part-time workers in Wales (73%) are women<sup>5</sup>.

Working age disabled people or those living with long term health conditions are also much less likely to be in work than non-disabled people or those without health conditions.

2.5 Our recent briefing on '[Work and health in Wales](#)' highlights some of the many challenges the latter group face when looking for and trying to stay in work:

- Wales has a **health and disability employment gap of 36%** - the UK equivalent is 32%
- **69,000** working age disabled people or those with health conditions don't have a job but want to work
- the size of the health and disability employment gap can be dependent on where people live and is also larger for those with no or few qualifications and for those with particular conditions, such as mental health problems or multiple impairments
- disabled people in Wales are almost **3 times more likely to leave their job** than non-disabled people in any given year.

2.6 Many disabled people who leave their job are no longer able to work and therefore become economically inactive out of necessity, but a significant proportion (30%) move into unemployment and are still actively seeking work<sup>6</sup>. This suggests that policy changes and improvements to employer behaviour are both needed to better support disabled employees who want to find a job or stay in work.

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<sup>3</sup> Welsh Government Statistics, 'Annual survey of hours and earnings' (October 2016)

<sup>4</sup> 'Annual survey of hours and earnings', ONS (November 2016)

<sup>5</sup> 'Regional labour market: headline indicators for Wales', ONS (May 2017)

<sup>6</sup> Citizens Advice analysis of the Labour Force Survey, England and Wales from 2013-2015

In our [response](#) to the recent UK Government work, health and disability green paper 'Improving Lives', Citizens Advice has highlighted:

- the importance of having a **reliable and responsive benefit system** to ensure working age disabled people and those with health conditions have access to a secure income, and are able to focus on their health and employment (also see section 4)
- the need to **expand and promote existing UK Government schemes** like Access to Work and Fit for Work. This in-work support is welcome but is currently not well linked up to other provision and both awareness and take up are low. Citizens Advice research with employers<sup>7</sup> shows that only a third of respondents (33%) know a 'great deal or a fair amount' about Access to Work. More people should be referred into these schemes through their employers, healthcare providers and disability benefit claims
- the need for a **more nuanced approach** which takes account of the demographic and circumstantial barriers that disabled people face (such as living in an area with low employment rates or having fewer qualifications), as well as the diversity of impairments and health conditions.

2.7 We believe specific actions in Wales should include the Welsh Government working with the DWP to improve referral pathways between employers and healthcare providers in Wales to in-work support schemes available at a GB level, such as Access to Work and Fit for Work.

2.8 Working age disabled people and those with health conditions who are able to work have already been identified as a priority group within the Welsh Government employability plan, which is very welcome. To a large extent the 'nuanced approach' referred to above is already being taken forward under the Welsh Government's Communities for Work (CfW) programme - those with work limiting health conditions have also been identified as one of the target groups. Citizens Advice fully supports the aims of CfW. In particular the ambition to help those furthest away from the labour market to progress into **sustainable** employment, and recognition that to be most effective the support provided needs to be **personalised**, based on **individual needs** and **delivered at the local level** - all key features of our own advice provision.

We believe this is a good basis on which to build plans to increase employability in Wales. We do however recognise that this programme is currently undergoing an evaluation and any subsequent findings will also need to be considered as the programme progresses.

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<sup>7</sup> ComRes, Polling of employers, HR managers and line managers, Sample 1108, October 2016

The foundations of CfW also rely heavily on existing partnerships and structures built around the delivery of Communities First<sup>8</sup>. As referred to in our response to the Committee's previous poverty inquiry (Communities First: lessons learnt), as Communities First is phased out care must be taken to avoid any unintended consequences that may impact on the delivery of CfW, particularly in terms of the relationships Lead Delivery Bodies have with key partner organisations, including specialist advice providers.

- 2.9 Citizens Advice also believes there needs to be **a significant cultural shift and improved understanding among employers** and managers about how to support disabled employees. This includes thinking about innovative ways they can redesign jobs, design their sickness policies, redeploy employees and deal with different types of health conditions, particularly mental health and fluctuating or hidden conditions.

As part of their employability plan Welsh Government should work with employers in Wales, both large and small, to develop **more information and guidance** on how to better manage employees with health conditions and design jobs/policies for a **more inclusive workplace**. This should include raising awareness of the Disability Confident scheme. Only around 200 employers in Wales are currently signed up to the scheme<sup>9</sup>. Smaller employers in particular are also less likely to be aware of support that is available through GB-wide schemes such as Access to Work - a key source of financial support when making adjustments for disabled employees.

- 2.10 The Citizens Advice [Solutions for Equality and Growth report](#) highlights the value to both employers and employees of incorporating good equality practices into any business, with a specific focus on small to medium sized enterprises (SMEs). The report sets out a series of practical solutions to help SMEs use this approach to achieve growth and unlock the potential in employees. **We would recommend that these solutions are considered by Welsh Government to help inform their business support programmes.**
- 2.11 Citizens Advice evidence also highlights the important role advice plays in helping to address barriers to employment. For unemployed people seeking our help, the main concerns are around benefits, housing, employment issues and problem debt. Until these problems are solved or lessened in some way, looking for work can often seem an impossible task.

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<sup>8</sup> Evaluation of the Communities for Work Programme: Phase 1, Welsh Government (April 2017)

<sup>9</sup> DWP Disability Confident - list of employers that have signed up (last updated in March 2017)

Advice intervention also helps to boost the local economy by creating additional income for our clients through securing benefits for which they are entitled, resolving their debts or sorting out a consumer problem. In 2016 to 2017 across Wales this amounted to financial gains of **over £76 million**, and **around £30 million** worth of debts written off or repayments rescheduled. **Case study examples of how local Citizens Advice are supporting improved employability can be found in the Appendix.**

- 2.12 More generally additional barriers to work can include a lack of appropriate skills and qualifications, poor access to public transport and affordable childcare, or managing other caring responsibilities.

Any economic strategy will need to be cross-cutting, and joined up with action, policies and programmes being taken forward by other Welsh Government departments including poverty reduction programmes (eg. Families First, Flying Start), work being taken forward by Public Service Boards to develop local well-being plans, and other work linked to meeting the goals of the Well-being of Future Generations (Wales) Act and Social Services and Well-being (Wales) Act.

## Increasing the security of work in Wales

- 3.1 Citizens Advice analysis suggests **270,000 people** in Wales are in some form of insecure work, equivalent to **19% of all working people**<sup>10</sup>. The persistence of insecure work leaves many households at continued risk of economic shocks, and unable to plan for the future.
- 3.2 Work and a regular income are vital to our sense of security. A recent Citizens Advice [GB-wide survey](#) revealed that the **security of their income is as important to people as its overall level**. Income security was seen as more important than the job's location, or its opportunities for advancement. The majority of people also said a steady income increases productivity and their loyalty towards employers, and helps them cope with stress.
- 3.3 Our research also found that some groups are more likely to experience job insecurity - both in terms of their income and in employment more widely:
- People in smaller organisations are 29% less likely to have a job that provides a steady income

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<sup>10</sup> Analysis of ONS Labour Force Survey Feb-April 2017). 1.4 million people in Wales are in work. We define a worker as insecure if any of the following apply: zero hours contract; temporary contract; agency work; work more than 8 hours paid overtime per week; work variable shift patterns.

- Part-time workers are 22% less likely to be able to predict shift patterns and working hours.

3.4 Further analysis by Citizens Advice examines [how job security can exist in the modern world of work](#). As referred to in section 2, in recent years we have seen rapid change in how we understand the concepts of work and pay. The UK workforce is increasingly diverse and mobile – more people now work for themselves, via agencies and with hours that vary. The main benefit of this change is increased flexibility – for both employer and worker. Growing labour market complexity however also creates risks – particularly for the security of income people value so highly. Limited employment options can mean people have to settle for work which does not offer them the security they need. People in insecure jobs are more likely to earn less money and work longer hours.

At Citizens Advice, we also see **workers and their employers struggling to understand their rights and responsibilities**, many of which were developed in a very different labour market context.

3.5 In Wales, local Citizens Advice helped nearly **11,000 people** with more than **17,000 employment-related problems** during 2016 to 2017. The most common issues being pay and entitlements, dismissal, and terms and conditions of employment. Our data shows that poor treatment by employers and/or discrimination at work can also be more common for some groups of people. Disabled people or those with a health condition are more likely to require support on pay and entitlements or dismissal problems than non-disabled people or those without a health condition. Issues relating to sick leave, sick pay and unfair dismissal are all more common amongst this group. Women are also more likely than men to seek help on terms and conditions of employment, pay and entitlements, dispute resolution, and parental and carers rights.

3.6 Employment issues dominate the advice provided through our Wales-wide Discrimination Advice project<sup>11</sup>, accounting for around **three-quarters of all cases** seen (983 clients). **A case study example can be found in the Appendix**. Services provided through this project include full casework services (from initial grievance to possible representation at tribunal) and a tribunal fee fund. The latter fund will pay upfront fees to ensure clients have access to justice (subject to a merits test). Fees may then be recovered when cases are settled or resolved and can be recycled.

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<sup>11</sup> The Discrimination Advice project forms part of our wider Frontline Advice (FLA) Project funded by Welsh Government. It operates out of 2 local Citizens Advice 'specialist advice hubs' - Newport (covering mid & south Wales) and Flintshire (covering North Wales).

For many people, seeking formal redress through the tribunal system has become prohibitively expensive in recent years. Changes to employment tribunal fees introduced in 2013 have led to a **significant reduction** in claims. Claimants can now face charges of up to £1,200 to bring a type B claim to tribunal (such as unfair dismissal and discrimination). Since these fees were introduced the number of employment tribunal claims overall has fallen by 69%, while the number of discrimination claims has fallen by over 80%. This is not only an issue for **enforcing rights**, but also **restricts the development of the case law** through which employment law can adapt to changing contexts. Citizens Advice has also seen a **200% increase** in visits to our employment tribunal web pages since 2013.

3.7 Our research and insight suggests changes in a number of key areas could help ensure an increasingly flexible labour market offers benefits to both employers and workers. We are calling for the [new UK Government](#) to:

- Combine enforcement into one powerful Fair Work Authority that can tackle employers that break the rules
- Require large companies to publish information on how many staff they have on different types of contracts, to encourage employers to provide more secure jobs
- Place a £50 cap on Employment Tribunal fees so that people who are treated unfairly by their employer aren't denied access to justice
- Define self-employment in law to prevent exploitative employers restricting people's rights, including access to the minimum wage, holiday and sick pay, and give a better deal to the self employed by giving them equal parental leave to employees and extending pension auto-enrolment.

3.8 The roles of both the UK and Welsh Governments need to reflect changing labour market conditions. While many of the above issues aren't devolved, Welsh Government should review the levers it does have to shape the labour market in Wales. This could include:

- efforts to attract more highly skilled, fairly paid jobs to Wales, alongside improved support for smaller, locally based businesses
- continuing to adopt procurement policies which place requirements on Welsh public sector suppliers to act more ethically and be more socially responsible
- promoting the new Code of Practice for Ethical Employment in Supply Chains in the Welsh public sector (which is very welcome), and regularly monitoring adherence to the code once it's more established
- actively encourage other businesses and organisations based in Wales to sign up to the above code



- helping all businesses to adapt their practices to attract and support workers in a variety of employment types (eg. making better use of technology in areas such as rota and shift management to offer workers greater control)
- ensuring all employers are better informed and trained on their duties under law and how to support employees appropriately and empathically
- ensuring child care policy serves those on non-standard employment contracts, and
- ensuring appropriate, affordable transport infrastructure is in place to help people access the workplace.

## The role of welfare benefits

- 4.1 Dealing with uncertain or insufficient income caused by benefit problems and delays can make it much harder for people to concentrate on work or look for a job, especially when they are also managing a health condition.

Over the last five years benefits-related problems have become the **biggest problem area** on which clients seek help from the Citizens Advice service. In 2016 to 2017 local Citizens Advice in Wales helped almost **55,000 people** with nearly **182,500 benefits problems** (42% of all issues). The most common issues relate to the two main disability benefits, personal independence payment (PIP) and employment and support allowance (ESA).

During 2016 to 2017 we helped over **28,000 people** in Wales with either their PIP or ESA claim - up **24%** on the previous year. This included helping more than **10,200 people** to challenge/appeal a PIP or ESA decision - up **34%** from 2015 to 2016.

- 4.2 One of the biggest ever reforms to the benefits system, Universal Credit (UC), is also due to be rolled out on a much larger scale over the coming months. UC is gradually replacing six in and out of work means-tested benefits. It's estimated that **over 7 million families** (28% of all working families) will receive UC by the end of rollout in 2022. The way this benefit is claimed and paid will mean major adjustments for many of these people.
- 4.3 As one of the largest advice providers in the UK Citizens Advice is uniquely placed to monitor implementation of UC. Since UC 'full service' began to be rolled out in May 2016 we have developed a specific monitoring programme.

During 2016 to 2017 local Citizens Advice across England and Wales helped nearly **29,300 people** (almost 1,500 in Wales), with over **45,800 UC-related problems** (nearly 2,300 in Wales). We are also seeing **quarter by quarter increases in people seeking help** - the number of UC clients is up 164% since 2015 to 2016, while the number of UC issues has risen 175%.

The increase in issues can partly be explained by UC 'full' service rollout, where some clients who previously needed help with legacy benefits now need help with UC. However, comparisons with UC queries in 'live' service areas (i.e. where Universal Credit is only available for fairly simple claims from single job seekers), indicates a disproportionate increase in overall benefit client numbers in UC 'full' service areas. Initial analysis indicates that we are likely to have **at least** a 5% increase in clients across the Citizens Advice service as UC 'full' service rolls out. This comes at a time when many of our local advice services are already overstretched.

- 4.4 Our evidence from across England (and now Wales)<sup>12</sup> suggests there are currently **a number of implementation issues with UC, as well as more complex policy design challenges.**

While we support the strong principles underpinning this benefit (i.e to simplify the benefits system; make the transition to work easier and make work pay), these issues need to be addressed before the planned acceleration of the UC 'full' service roll-out later this year. **A full analysis of our evidence will be provided in our forthcoming UC report which is due to be published in early July** (a copy of this report will be forwarded to the Committee once available).

- 4.5 **Making sure people can get benefits reliably and quickly is crucial in supporting people to find work or remain in employment.** While much of the policy responsibility around the benefits system is reserved to the UK Government, the impact benefit changes are having on claimants in Wales will continue to affect delivery of a number of key Welsh Government policies and strategies. This includes poverty reduction programmes and work to increase employability, as well as actions being taken forward as part of the Financial Inclusion Strategy for Wales and its Delivery Plan - including potentially increased demand on the Discretionary Assistance Fund, together with eligibility for other passported benefits and schemes (such as free school meals); the Information and Advice Action Plan, and policy around council tax reduction. Action to support people through any changes and help them manage the transition from existing to new benefits will need to continue, as well as actions to mitigate any potential negative impacts.

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<sup>12</sup> Flintshire became the first local authority area in Wales to go 'full' service in April 2017

Citizens Advice are calling on the new UK Government to:

- Improve medical assessments for PIP and ESA so people get the financial support they need first time
- End repeat assessments for disability benefits for people with a lifelong severe condition to avoid unnecessary stress and ensure a secure income
- Reduce the 6 week wait for Universal Credit (UC) so people aren't left without the money to make ends meet
- Restore and strengthen people's incentives to work in UC by ensuring people keep more of what they earn when their hours or pay rise
- Expand the scope of Universal Support to make sure people claiming UC get the advice they need to manage their money and deal with any problems in the application process.

For further information regarding this response please contact:

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## Appendix:

### Improving employability case studies: Citizens Advice Pembrokeshire

Between 2014 and 2016 Citizens Advice Pembrokeshire delivered a programme of digital training and learning activities to increase people's employability via the DWP Flexible Support Fund (this funding has since ended). The programme was aimed at supporting the long-term unemployed and those furthest from the labour market. It was delivered from local job centres and libraries across Pembrokeshire.

The programme involved:

- Managing and supporting Work Clubs in 5 Libraries across the county. Activities ranged from how to use digital technology, perform effective online job searching; using email, and writing CVs and cover letters, depending on claimant requirements. Claimants were either referred to the service by DWP staff or were able to attend a 'drop in' service
- They also supported claimant job searches/ help surgeries at the three local job centres, and also helped job centre staff to become more confident in using digital technology to support claimants
- Group training sessions were also held with claimants on either 'Using Universal Job Match' or 'Meeting your day 1 conditionality'. This helped to reinforce the claimant commitment and provided immediate tips on successful job searching.

During a 12 month period they saw 881 individual claimants and fulfilled 2,713 claimant appointments. They provided 446 job clubs and 126 training sessions, helping claimants to create 554 Universal Job Match accounts and 252 new email accounts. The programme was supported by volunteers, totalling 701 volunteer hours over the year. If the digital team felt that clients needed help with other issues such as benefits, debts or housing they were signposted to the main Citizens Advice office or outreach for further assistance.

Claimants who attended job clubs, training sessions or individual appointments received encouragement and motivation to look for work. As well as learning new skills and increasing their confidence they learnt to understand the world of work, the different challenges to obtaining work, and navigating tricky application methods/requirements. This was all achieved in a supportive environment, with experienced and trained Citizens Advice staff, enabling claimants to identify their own barriers and navigate around or break through those barriers at a pace to suit them.

Positive feedback was received from both job centre staff and claimants alike - 9 out of 10 claimants said they felt much more able to deal with job searching after the sessions and the same proportion felt much more supported to look for work.

## **Citizens Advice Denbighshire**

### **Advice Works**

The 'Advice Works' project is run by Citizens Advice Denbighshire and funded via the Active Inclusion Fund (AIF). The AIF is managed by Wales Council for Voluntary Action (WCVA) supported by funding from European Structural and Investment Funds. It aims to reduce economic inactivity in Wales and improve the employability of disadvantaged people furthest from the labour market.

The Citizens Advice Denbighshire project is a strand 2 project in which they have undertaken to provide supported employment to 14 participants who are over 25 years of age; from jobless households in the county; and who are either long term unemployed, or economically inactive. They have placed some participants externally and some are working at their own sites. Participants work within supportive environments to develop their skills and confidence. They also receive training to improve their employability and also towards the project's cross-cutting themes of reducing poverty and social inclusion, promoting equality of opportunity and encouraging sustainable development. The overriding objective is that 60% of participants will secure longer term employment through their involvement in the 'Advice Works' project. To date the project is progressing successfully.

### **OPUS**

Citizens Advice Denbighshire are also actively involved in the OPUS Project run by Denbighshire County Council, the local authority having drawn down European funding to deliver employability skills training. Citizens Advice has developed a good working relationship with the local authority on both this and previous employability projects. They provide match funding to carry out income maximisation checks for participants as well as 'better off' calculations for those considering employment once they have completed their training with the OPUS project.

## **Discrimination advice case study: Citizens Advice Newport**

Our client was diagnosed with prostate cancer and initially it was deemed non aggressive so he worked up until he was scheduled for an operation. Only then did he take any sick leave and was signed off from May 2016 until November 2016 when his GP signed him fit to return. When he spoke to the company Managing Director (MD) and presented him with the sick note he was told 'returning wouldn't be that simple', he would not be covered by their insurance and his operation was not 'like having a tooth pulled'.

Following on from this he was referred to occupational health by the MD who also found him fit however, the client was still prevented from returning to work. He was paid Statutory Sick Pay as a goodwill gesture, despite being fit for work, until he received notice of his redundancy in December. The client had already submitted a letter in response to his redundancy selection when he turned to Citizens Advice for support. Citizens Advice assisted him in registering for early conciliation, preparing his claim for Employment Tribunal (submitted ET1, reviewed ET3, conducted preliminary hearing over the phone, reviewed witness statement etc) and successfully negotiated a settlement of £10,000 plus a factual reference via a COT3 agreement. The client was extremely happy with the outcome.