



Policy Scotland Working Paper:
The COVID-19 Crisis and Universal Credit in Glasgow

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Key points:

- **Sharp ruptures to the labour market are already apparent, yet future policy transitions – including businesses resuming activity safely and furloughing schemes ending – may have pronounced effects on employment and unemployment in Glasgow. We consider how these ruptures are illustrated in data for Universal Credit, the primary working age benefit in the UK.**
- **In just one month (early March – early April) nearly 18,000 new people came on to the Universal Credit caseload in Glasgow. They had to wait until at least May in order to receive their first payment.**
- **The majority of new UC recipients are young workers and families (aged 25-39), who make up the bulk of the UC caseload in Glasgow (nearly 25,000 people).**
- **We are beginning to see an emergence of young people who have had to claim UC (under age 25) – these young people are likely facing much more severe hardship than peers who have their families to fall back on in an economic crisis. Given the nature of this crisis future reports may likely see a larger spike in UC for this group.**
- **Most of the new UC recipients are those disconnected from the labour market and are now required to work as a condition of their UC payment. However, vacancies are down in the Glasgow local authority by 65%. It is unclear how this context can complement a welfare state predicated on a buoyant labour market for recipients to easily reengage with work or else be sanctioned.**
- **Although the initial spike of UC claims passed relatively quickly, there is a distinct concern of a comparable spike in October when the furlough scheme ends. It is therefore valuable for policymakers to consider programmes that will stimulate employment quickly now, before this spike occurs.**

1. Introduction

The Covid-19 pandemic is having a severe impact on labour markets across the globe. In the US, for example, the first 11 weeks of the crisis saw 42.6 million register for unemployment claims¹ (although jobs growth has recently been recorded). The unemployment concerns also present geographies that may differ to the geography of the virus, and the New York Times shows this for states in the US; even for states and countries that have successfully dampened the virus, unemployment is now a stark concern² (New Zealand has an important tourist industry, for example, which is struggling with closed borders)³.

¹ <https://www.politico.com/news/2020/06/04/unemployment-claims-numbers-coronavirus-300477>

² <https://www.nytimes.com/interactive/2020/06/06/business/economy/high-unemployment-few-coronavirus-cases.html>

³ https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12337497

In the UK, the economy contracted by 10.4% in the three months of February to April (compared with the prior three months, based on a rolling estimate), while data for April pointed to a contraction of 20.4% on the previous month. These are drops without precedent. Athough of the ONS remarked: “April’s fall in GDP is the biggest the UK has ever seen, more than three times larger than last month and almost ten times larger than the steepest pre-covid-19 fall. In April the economy was around 25% smaller than in February”.⁴

As lockdown is eased, consumer spending has begun to return, albeit in some parts of the economy more than others. Optimism can be drawn from some of the timely data emerging on consumer spending, leading the Bank of England’s Chief Economist to note that the recovery is emerging “sooner and faster” than expected.⁵ However, whilst this may be true for aspects of consumer spending, the labour market presents a wider set of complexities.

The unemployment concerns linked to Covid-19 have been related in magnitude to the Great Depression⁶, and the spectre of unemployment is likely to be an urgent policy concern for the foreseeable future. The UK Prime Minister recently remarked: “There will be many, many job losses and that is just inevitable, because of the effect of the coronavirus on the economy and the shutdown that has taken place”⁷. It has been estimated that, at present, “as much as half the UK workforce ... [is] currently either unemployed or underemployed”⁸ given furloughing arrangements and workers performing fewer hours, for example. Coupled with the fact that the economy that emerges from this crisis may be different, in important features and magnitudes (as well as spatial expressions)⁹, from the economy we could observe before the crisis – take, for example, the greater prevalence of online retail sales as a proportion of total retail spending – there may be stark implications for the world of work.¹⁰

A further key issue is that the immediate economic impacts of the crisis are proving to be very uneven. Households at the lowest end of the income spectrum have been hit hardest by the falls in employment from March to April, with a fall in median household earnings by 15%¹¹. Meanwhile, for young people the potential of scarring effects – e.g. in terms of dampened wages – is a key concern given this population’s exposure to shut down sectors and critical transitions from education to work. Furthermore, official statistics and research projects are beginning to report the beginnings of a serious debt crisis for low- to medium-income families as a result of employment loss or furlough¹².

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<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/april2020#gdp-fell-by-204-in-april-2020>

⁵ <https://www.bankofengland.co.uk/-/media/boe/files/speech/2020/the-second-quarter-speech-by-andy-haldane.pdf?la=en&hash=3B82F9C046B7BCDA160AE8BE558B1EB58CFF21EB>

⁶ <https://www.theguardian.com/world/2020/apr/03/coronavirus-uk-business-activity-plunges-to-lowest-ebb-since-records-began>

⁷ <https://www.cityam.com/boris-johnson-tells-uk-to-brace-for-mass-unemployment/>

⁸ <https://www.bankofengland.co.uk/-/media/boe/files/speech/2020/the-second-quarter-speech-by-andy-haldane.pdf?la=en&hash=3B82F9C046B7BCDA160AE8BE558B1EB58CFF21EB>

⁹ <https://www.coronavirusandtheeconomy.com/question/why-has-coronavirus-affected-cities-more-rural-areas>

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¹¹ <https://www.ifs.org.uk/publications/14908>

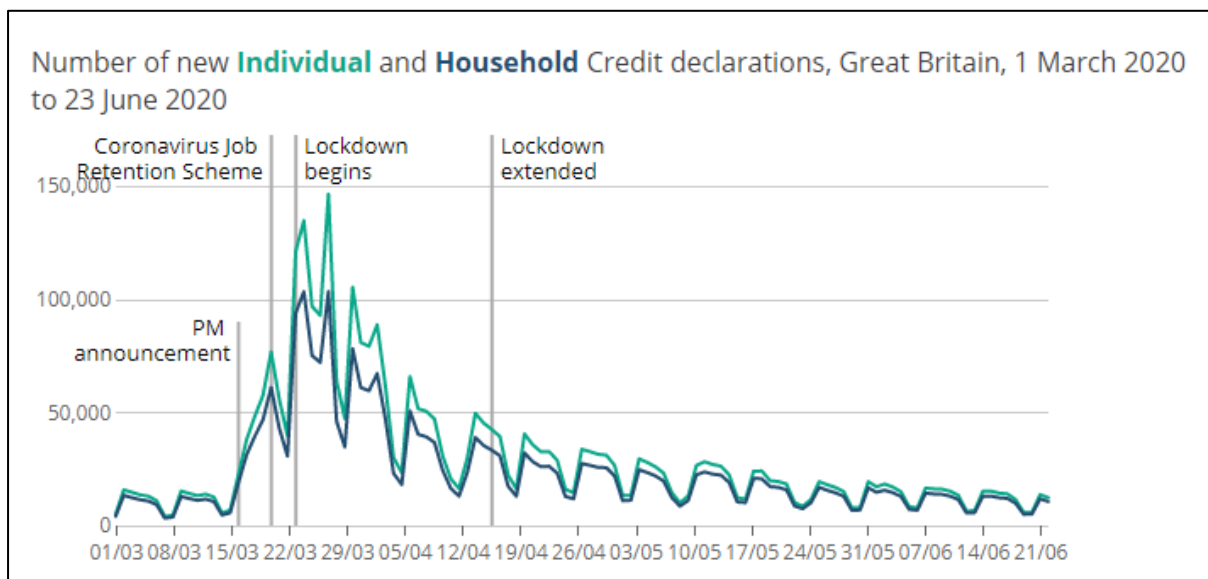
¹² <https://www.resolutionfoundation.org/publications/rainy-days/>

In this paper we begin to chart the interactions between shifts in the labour market and Universal Credit. Within the context of sharp ruptures to the labour market brought about by the closing of large swathes of the economy, this paper hinges, in the main, on reporting the emerging trends that can be observed for Universal Credit in Glasgow. The paper provides a glimpse of the labour market-Universal Credit challenge at a point in time – a point where great uncertainty still prevails – so much further research will necessarily follow this contribution. This paper, nevertheless, raises issues to look out for as further data emerges¹³.

1.1. Universal Credit acting as the backstop for the labour market

As a result of this economic crisis more households than ever have had to turn to Universal Credit (UC), the primary form of government assistance for people of working age in the UK. Despite attempts to retain workforces in existing employment through furlough schemes, across the UK a striking spike in Universal Credit claims occurred in late March followed by a heightened level through April. The Resolution Foundation notes, for example, that the surge in claims brought about by the crisis have been “unprecedented”¹⁴, where the DWP’s management information system over eight weeks reported 2.6 million Universal Credit claims. In April alone, 865,000 people across the UK signed up for Universal Credit¹⁵. While the worst of this spike is past, the ‘new normal’ of both individual and household claims to UC are still above the 2019 average.

Figure 1: Universal Credit Claimant Spike through 23 June, UK-wide (Office of National Statistics¹⁶)



Universal Credit data allows us to understand how the low-income population of a country or area is changing in this economic crisis; who is having to apply for this support by geographic area or demographic group, their attachment or detachment from the labour market, and the length of time

¹³ Policy Scotland intends to produce subsequent updates to each of the tables produced in this report in future short briefings on Universal Credit in Glasgow.

¹⁴ Resolution Foundation – Universal Credit’s First Recession --

<https://www.resolutionfoundation.org/publications/this-time-is-different-universal-credits-first-recession/>

¹⁵ <https://www.theguardian.com/business/2020/may/19/uk-jobless-april-coronavirus-crisis-unemployment-benefits>

¹⁶

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukconomyandsocietyfasterindicators/2july2020#universal-credit>

they are accessing this type of support. Although not all people who live on low incomes interact with the welfare system for a variety of reasons, and not all people who interact with the welfare system do so with this particular benefit, during this crisis Universal Credit has proven to be the most prominent intervention and therefore is the focus of the data here.

Using Universal Credit data from the DWP's Stat Xplore system as our primary source of evidence, this working paper seeks to illustrate the shape of the crisis for Scotland – most notably for Glasgow and the Glasgow city-region. This working paper first briefly reviews Universal Credit's key features and highlights the key changes to the programme as a result of the Social Security (Coronavirus) (Further Measures) Regulations 2020¹⁷. We then detail some headline data for Scotland and spend the bulk of the paper detailing Universal Credit in Glasgow using the most recent statistical data release (16 June 2020). We connect this data to other labour market interventions during this crisis and concerns across the city-region for economic recovery and draw together early conclusions and policy implications for both the social security system and larger economic interventions.

1.2. Data used in this paper

There are three datasets taken from DWP's Stat Xplore used for the figures and tables in Sections 3 and 4, each with a slightly different reporting period¹⁸:

- **Universal Credit Claims:** the number of claims made to Universal Credit *in one week*, from Friday to Thursday.
- **Universal Credit Starts:** the *monthly count* of people who have started on Universal Credit, measured from the Friday following the second Thursday in the previous month to the second Thursday in the current month. Starts are a series of statistics used to summarise the number of new claimants to Universal Credit. A person is deemed to have 'started' if they have accepted their 'claimant commitment.' Therefore, the count of 'starts' simply counts the number of people that have accepted their claimant commitment for the first time for Universal Credit in an assessment period.
- **People on Universal Credit:** the count of people receiving Universal Credit at *a single point in time*, the second Thursday of every month. The people on Universal Credit series counts the number of people who have started a claim for Universal Credit and are on a Universal Credit contract for which no end date has been recorded. Also, it is important that both individuals on a joint claim are counted separately but any dependants are not.

For this paper the reporting period ends on 9 April 2020. This is when the point in time measure is taken and the monthly period of 13 March to 9 April is the period noted in the Universal Credit starts figures. It is important to bear in mind that new entrants to the UC caseload in the 'people on Universal Credit' and the 'UC starts' data detailed here will likely not have received their first payment until May due to the five week wait period (see next section).

¹⁷ <http://www.legislation.gov.uk/uksi/2020/371/made>

¹⁸ See Universal Credit statistics: background information and methodology document for more information: <https://www.gov.uk/government/publications/universal-credit-statistics-background-information-and-methodology/universal-credit-statistics-background-information-and-methodology>

2. About Universal Credit and this crisis

Universal Credit (UC) is the main working-age benefit that is replacing six 'legacy' benefits in the UK: Child Tax Credit, Housing Benefit, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support and Working Tax Credit. In general, most people in Scotland since 2018 who have become unemployed, experienced a loss of income or a change in circumstances must apply for Universal Credit. Before the COVID-19 crisis, in February 2020 there were 256,083 people in Scotland receiving Universal Credit at a single point in time¹⁹. This figure does not include those on any of the six legacy benefits who have not experienced a change in circumstances, who will be migrated to UC in the coming years²⁰.

Introduced in 2010, the policy aims of Universal Credit were to simplify a complex system of benefits into a more streamlined system (via a single payment) and to ensure that 'work always pays' (DWP 2010²¹). To achieve the second aim the designers of UC enabled those on low incomes moving in and out of work frequently to receive UC consistently (if not reaching the income threshold) without having to reapply for a new claim; a positive aspect of the system. However, most academics and commentators do not view UC as adequate, neither in monetary support provided nor in its administration (e.g. the five week wait for first payment) or requirements of recipients (e.g. the sanctions regime). Universal Credit can be accessed by those both in work and searching for work, and in the current crisis there are income and employment challenges facing workers in both groups.

Universal Credit plays an important role as an in-work benefit and tops up incomes for those whose wages have fallen below the eligibility threshold. During this crisis those on furlough can access Universal Credit, as their furlough pay (80% of their normal wages) counts as wages; if below the threshold they are eligible for UC. There are also workers who may have had their hours cut rather than be put on furlough, and these workers may also be eligible for UC assistance. Thus, Universal Credit data on both 'starts' and 'people on Universal Credit' captures the group of low-income workers in Scotland for whom a drop in earnings (even by 20%) makes them eligible for UC.

Universal Credit also supports those who are recently unemployed or, in this crisis, unable to work due to isolating and ineligible for Statutory Sick Pay. This group of claimants includes those who have been made redundant or who have lost income from self-employment as a result of the economic shutdown. The removal of the Minimum Income Floor²² allowed more self-employed workers to

¹⁹ From the 'People on Universal Credit' dataset (DWP Stat Xplore).

²⁰ The managed migration process in Glasgow was set to begin in 2020 but has been delayed due to COVID-19. The Office for Budget responsibility estimates the process to complete in roughly 2025. Office for Budget Responsibility (2020) Economic and fiscal outlook: March 2020 [online]. Available at: https://cdn.obr.uk/EFO_March-2020_Accessible.pdf

²¹ DWP (Department for Work and Pensions) (2010) Universal Credit: welfare that works [online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-fulldocument.pdf

²² From the UK Government's 'Universal Credit and the self-employed' guidance (2020): 'Universal Credit includes a 'Minimum Income Floor' (MIF) if you are gainfully self-employed, and your business has been running for more than 12 months. The MIF is an assumed level of earnings. This is based on what we would expect an employed person to receive in similar circumstances. It's calculated using the National Minimum Wage for your age group, multiplied by the number of hours you are expected to look for and be available for work. It also includes a notional deduction for tax and National Insurance. If self-employed earnings are below the MIF we have calculated for you, we will use the MIF to work out your Universal Credit award instead of your actual earnings.' <https://www.gov.uk/government/publications/universal-credit-and-self-employment-quick-guide/universal-credit-and-self-employment-quick-guide#the-minimum-income-floor>

apply to Universal Credit while waiting for their first payment from the Self-Employment Income Support Scheme (SEISS) programme on 30 June if they are eligible.

An important consideration when viewing this data is that Universal Credit is not a particularly strong income replacement programme compared to the furlough scheme. Recent work from the Resolution Foundation²³ calculates that Universal Credit only replaces about 50% of median earnings where the JRS replaces 80%. Figures on total take up the furlough scheme is evidence that a vast majority of employers in crisis relied on this support: on the deadline for applications to the furlough scheme there were 9.1 million people who were/are furloughed for 3 weeks or more and 1.1 million employers furloughing²⁴.

2.1. Changes to UC during the COVID-19 crisis

On March 20th, the Chancellor announced a series of changes to Universal Credit and the Local Housing Allowance (which impacts amounts of Housing Benefit) as part of the Social Security (Coronavirus) (Further Measures) Regulations 2020. Key changes include²⁵:

- A flat-rate increase to Universal Credit of £20/week per household. This resulted in an effective increase in maximum entitlement for a single adult under 25 of 36% on its 2019 value, and an increase in the rate for a couple with two children of 11%²⁶;
- An increase of £1000 in the UC standard allowance, which enabled those with slightly higher incomes to be eligible for UC, particularly those who are isolating and not eligible for Statutory Sick Pay;
- Removal of the Minimum Income Floor for self-employed claimants, which previously assumed that those people whose business has been operating for more than a year earn an amount at least equivalent to 35 hours of work per week on the national living wage. Effectively, “This means that self-employed people whose businesses have collapsed can claim UC and potentially be entitled to a full award, equalising the treatment of employees losing jobs and self-employed people whose work has dried up”;
- Increase in the Local Housing Allowance (LHA) rates paid to cover 30% of the median rents in the area, effectively reversing the cuts to LHA to 20% made in 2012. It will increase housing support in parts of the country where rents have risen most in the last decade (but not all areas);
- Conditionality regime work requirements were paused until 30 June.

2.2. Ongoing Concerns: benefit cap, two-child limit, the five-week wait

Apart from perennial issues concerning adequacy of UC payment amounts, two major issues have come to the fore that hinder the ability of some families to access the increased support from the government’s coronavirus response: the benefit cap and the two-child limit. As of February 2020,

²³ Resolution Foundation, 2020: *This Time Is Different: Universal Credit’s first recession*

<https://www.resolutionfoundation.org/publications/this-time-is-different-universal-credits-first-recession/>

²⁴ <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics#coronavirus-job-retention-scheme>

²⁵ See: <https://www.resolutionfoundation.org/comment/key-take-aways-chancellors-package-of-measures-to-support-workers-coronavirus-crisis/>; <https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020#people-on-universal-credit-1>;

²⁶ Resolution Foundation (2020). Key take-aways from the Chancellor’s package of measures to support workers in the coronavirus crisis

1,758 households in Scotland were subject to the benefit cap, which caps the amount of means-tested assistance a household can receive in one year²⁷. The majority of the households in Scotland subject to the cap are single adults with dependent children (1,155) (DWP 2020). The two-child limit restriction means that support provided to families whether through tax credits, Housing Benefit or Universal Credit will be limited to the first two children. According to a Work and Pensions Committee report of November 2019, this translates to an average annual loss of £2,780 per child²⁸. Both policies are widely regarded in academia and among third sector organisations and advocates as punitive, unnecessarily punishing the families for whom social assistance may be most vital²⁹.

Another concern that was recently the subject of a Work and Pensions Committee Inquiry is the policy requiring UC claimants to wait five weeks until their first payment. For many without adequate income in savings or from work, the wait results in further hardship including rent arrears and food insecurity. While the DWP's Advance Payment option is available to be taken out as a loan for claimants waiting for first payment, recent evidence shows that many who need it may not take this because it is a loan rather than a grant³⁰. While this paper cannot fully detail this issue here, we encourage you to access the reports resulting from that enquiry³¹.

2.3. UC and legacy benefits

Data on Universal Credit does not capture all of those who are on low incomes, as the 'managed migration' process has not yet occurred for Glasgow for those on the six benefits than Universal Credit replaces (it was set to do so this year before the COVID crisis). However, anyone previously on legacy benefits who has had their income move above and then below the eligibility requirements (i.e. a 'change of circumstances') would reapply for UC. Universal Credit thus serves the large proportion of people with incomes that are inconsistent between months or years. Given what we know about poverty dynamics³², UC figures capture many of those in Scotland and Glasgow who are interacting with the benefit system. Importantly, the UC increase of £20/week announced by the Chancellor does not apply to those on legacy benefits.

²⁷ 'The benefit cap, introduced in 2013, is a policy that sets a limit on the total annual payment a household can receive from means-tested benefits. Since 2016, the benefit cap has been set at £20,000 per year for couples and single parents and £13,400 for single adults across the UK, with a higher cap in London. The cap is implemented through a reduction in either Housing Benefit or UC, depending on whether the household remain on legacy benefits or have already moved onto UC. Households that qualify for Working Tax Credits, or are on UC and earn more than £542 per month, are exempt from the cap' (Scottish Government 2019). <https://www.gov.scot/publications/2019-annual-report-welfare-reform/pages/7/#:~:text=The%20benefit%20cap%2C%20introduced%20in,a%20higher%20cap%20in%20London.>

²⁸ DWP's Stat Xplore data does not currently capture families for whom the two-child limit applies. See Work and Pensions Committee Report: <https://publications.parliament.uk/pa/cm201919/cmselect/cmworpen/51/51.pdf>

²⁹ Commentary on the two child policy from Bradshaw (2017) here: <http://www.social-policy.org.uk/50-for-50/two-child-policy/> and on the benefit cap, from the Institute for Fiscal Studies (2020): <https://www.ifs.org.uk/publications/14794>

³⁰ New work on the five week wait and advance payments in Glasgow from Joseph Rowntree Foundation: <https://www.jrf.org.uk/report/how-well-universal-credit-supporting-people-glasgow>

³¹ <https://committees.parliament.uk/work/135/universal-credit-the-wait-for-a-first-payment/publications/>

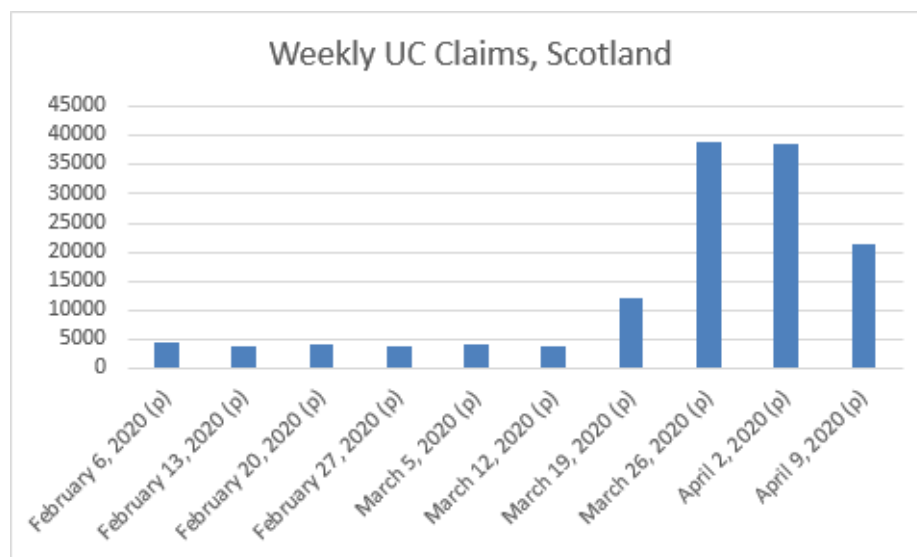
³² Bane, Mary Jo and Ellwood, David T., (1986), Slipping into and out of Poverty: The Dynamics of Spells, Journal of Human Resources, 21, issue 1, p. 1-23, <https://EconPapers.repec.org/RePEc:uwp:jhriss:v:21:y:1986:i:1:p:1-23.>

3. Universal Credit in Scotland

3.1. Universal Credit Claims in Scotland

Like the UK overall, Scotland experienced a steep increase in UC claims in the earliest stages of the lockdown period (week commencing 23 March). In the last week of March and the first week of April, nearly 40,000 claims per week were filed. While there was a decrease in the second week of April (to 9 April), the claims made were still nearly four times that of early March.

Figure 2: Weekly Universal Credit Claims in Scotland (February - April 2020)



Source: DWP Stat Xplore

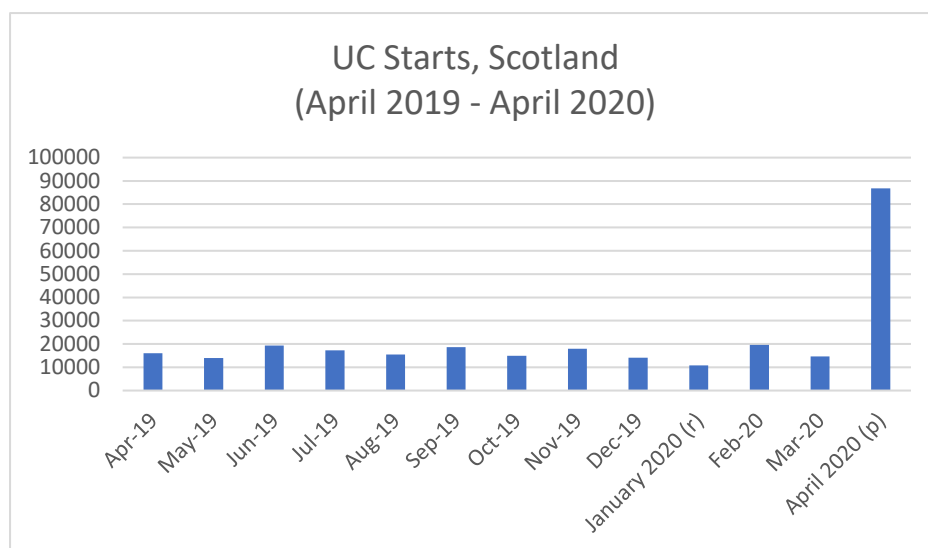
This figure illustrates the severity and speed at which the economic shutdown occurred: overnight vast sectors of the economy ceased entirely and as a result, thousands became newly eligible for Universal Credit. While the Stat Xplore data does not provide detail on the reasons for their claim, survey research of new claimants has found that many were furloughed or made redundant from previously low-wage work in hospitality or tourism sectors, for example, or who are self-employed in sectors that were unable to operate due to lockdown³³.

3.2 Universal Credit Starts in Scotland

Not all UC claims end up becoming starts for a variety of reasons (e.g. documents provided by the claimant online after making the initial claim render them ineligible). UC start figures therefore detail those who were successful in their UC claim in each month assessment period and can be considered the monthly caseload increase for UC. The April 2020 starts count for Scotland includes all of those whose claim was successful from the period of 13 March to 9 April and captures the first spikes in claimants after the lockdown period; nearly 87,000 people.

³³ Resolution Foundation (2020). This Time Is Different: Universal Credit's first recession <https://www.resolutionfoundation.org/publications/this-time-is-different-universal-credits-first-recession/>

Figure 3: Monthly Universal Credit starts, Scotland (April 2019 – April 2020)



Source: DWP Stat Xplore

More striking figures on UC starts are found by looking at smaller geographies; here the four postcodes with the highest number of claims in April (Glasgow, Edinburgh, Aberdeen and Kilmarnock). Although the starts in Glasgow in April were 348% higher than in March, this is the lowest percent change of the four postcode areas – likely reflecting the higher existing claimant count than the other areas. Aberdeen experienced an over 1000% increase and Edinburgh experienced an over 700% increase in UC starts in April (Table 1). While analysts cannot be entirely sure which sector shutdowns resulted in the increases in these postcodes, falls in the oil industry (Aberdeen) and in the hospitality and tourism industry (Edinburgh) are likely to have been drivers of these spikes in UC starts³⁴.

Table 1: UC starts, March to April (4 Scottish postcodes)

Percentage change in UC starts March to April 2020			
	March 2020	April 2020 (p)	Percent Change
Glasgow	3,919	17,570	+348%
Edinburgh	2,435	20,126	+726%
Aberdeen	1,539	17,893	+1062%
Kilmarnock	1,154	7,757	+572%
Total (4 postcodes)	9,052	63,350	+600%

Source: DWP Stat Xplore

³⁴ Issues related to the Edinburgh’s labour market discussed here: <https://www.bbc.co.uk/news/uk-scotland-scotland-business-52728307> and Aberdeen’s labour market discussed here: <https://www.pressandjournal.co.uk/fp/news/aberdeen/2208545/number-of-aberdonians-affected-by-unemployment-up-60-in-just-one-month/>. However, future data will ideally reveal more about the drivers of unemployment and subsequent benefit claims and starts in each local authority.

3.3. People on Universal Credit by local authority

The final figures considered are the counts of those receiving Universal Credit at a single point in time in early April. Unlike the UC claims and starts data, this dataset captures those already in receipt of Universal Credit. The count of people on UC in Scotland was 373,306 in April, up from 264,117 in early March (a 41% increase) (Table 2).

We can see localised impacts of the economic downturn with this data by viewing changes in recipients by local authority areas. Table 2 shows the five local authorities with the most people on Universal Credit at the beginning of April 2020. The most notable increase in the count of people on UC among these five is the City of Edinburgh, that experienced a 68% increase in caseload, followed by Glasgow with a 42% increase. Although Edinburgh and other local authority areas may have seen a sharper uptick by percentage, by virtue of Glasgow's higher poverty levels the number of people in Glasgow who receive UC is over double that of Edinburgh in April 2020; a local authority area with roughly the same population size.

Table 2: People on Universal Credit, January 2020 – April 2020 (5 local authorities)

People on Universal Credit, January 2020 – April 2020 (Five local authority areas with highest counts)					
Local Authority	January 2020	February 2020	March 2020 (r)	April 2020 (p)	Percent Change (M-Apr)
Glasgow City	33,656	35,942	37,380	52,946	+42%
Fife	20,317	21,262	21,846	29,154	+33%
North Lanarkshire	18,045	18,885	19,543	27,457	+28%
City of Edinburgh	12,629	13,688	14,425	24,266	+68%
South Lanarkshire	16,370	16,955	17,466	24,144	+38%
Total (Scotland)	243,641	256,083	264,117	373,306	+41%

The stark figures on Universal Credit claims and starts in Scotland are broadly consistent with the UK-wide picture and reflect the sharp changes in incomes and employment as a result of the lockdown for broad sectors of the economy. These increases in claimants, which capture a wider group of the self-employed along with some people on furlough, also represent the large number of people in the UK whose incomes were previously just above the low-income threshold now plunged into poverty.

4. Universal Credit in Glasgow

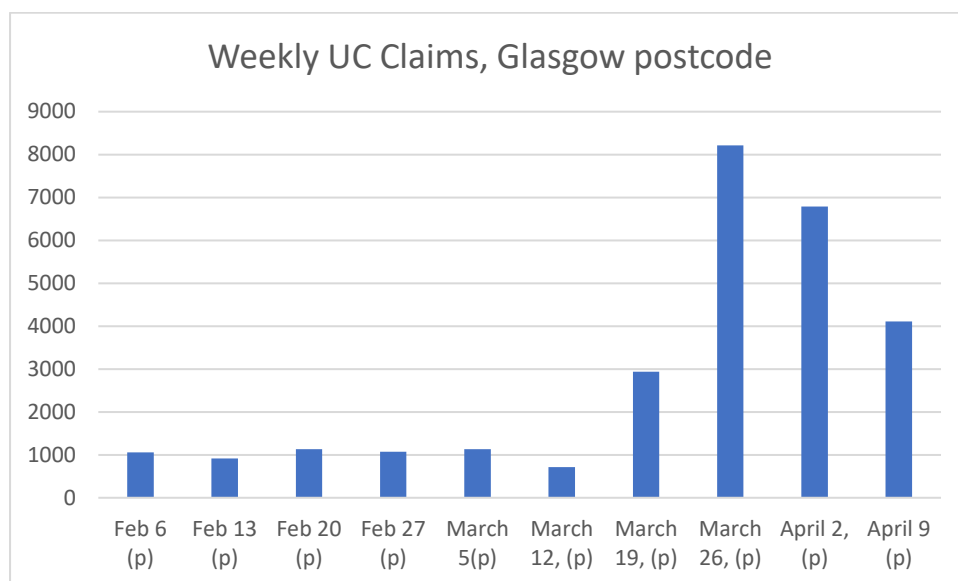
The previous section provided detail on how the economic shock of this crisis impacted Scotland overall, and we began to see the ways that impacts were felt differently in particular areas. In this section we focus on the changes in Glasgow. We view UC claims for the Glasgow postcode and then consider four subsections of UC starts and full caseload data; two that consider demographic groups and two that engage with the labour market conditions of claimants.

4.1. Universal Credit Claims in Glasgow

The weekly claims data for Glasgow is consistent with the national picture, although there was only one week of claims at or near their peak of around 8,000 – that of 26 March – rather than into the

week of 2 April. On the week of 9 April the weekly claims were still four times that of pre-COVID levels.

Figure 4: Weekly Universal Credit Claims, Glasgow (February – April 2020)



Source: DWP Stat Xplore

In the week of 26 March the Glasgow claims account for 20% of claims nationally, where earlier weeks of claims (i.e. 6 February) account for around 25% of claims nationally. This illustrates the spread of this economic crisis in Scotland beyond areas not already experiencing deprivation. While this initial data for Glasgow suggests just one major spike in new claim activity as the economic shutdown was implemented, the ‘new normal’ of high weekly claims in early April are evidence of the longer period of uncertainty as sectors made subsequent decisions about furloughing staff or reducing hours; an impact that we may see continue into data for May and June.

4.2. Demographic Groups

The next two subsections detail data for Universal Credit starts and people on Universal Credit by two demographic categories, age and gender. The two subsequent sections detail the people on Universal Credit by their conditionality regime and the duration they have been in receipt of UC, both of which can give us further detail into the types of people who are moving on to UC in the current crisis.

4.2.1 Age

Based on the sectors that were completely shut down in late March, we know that this crisis is having differential impacts for different age groups in the labour market. Recent work from the Resolution Foundation using Understanding Society data shows that around 30% of workers under 24 have been furloughed with another 10% losing their jobs altogether; by far the hardest hit age group³⁵. Those aged 25-29 are the age group with the second-worst impacts, with around 24% on furlough and 6% losing their jobs. This is relatively unsurprising given the concentration of young

³⁵ Resolution Foundation 2020. Summer Economic Update
<https://www.resolutionfoundation.org/publications/summer-statement-july-2020/>

workers in low paid hospitality, retail and culture sectors. These age groups are therefore also closer to the eligibility threshold for UC than older workers in higher paid sectors.

Given the features of the UK social security system, which has lower levels of benefits for those under 25 without children³⁶ (due to an assumption of dependency on family members for this group)³⁷, take-up of benefits for this group is generally lower than for other age groups. Instead, young people may be choosing to rely on their family as the first ‘safety net’ to turn to rather than state systems by moving back home (if possible) or receiving income support from parents. UC data for this age group therefore likely captures a group of young people who do not have as robust a family support system to fall back on and for whom will be experiencing severe hardship (relatively independently) during this crisis. For those who are claiming UC the lower level of payments for those under 25 is also problematic in terms of adequacy, as a single adult under 25 has a standard allowance £60 lower per month than a single adult over 25.

The other age group experiencing disproportionate impacts during this crisis are workers over age 60, with around 22% furloughed and 6% laid off³⁸. However, this is also a group that has very low take up of Universal Credit³⁹. Rather, most people on Universal Credit are of ‘working age’ here considered between age 25 and 55.

Universal Credit starts for Glasgow show an increase in starts for all age groups, each experiencing more than triple the number of UC starts recorded for April than in March (Table 3). Those between ages 25 to 39 make up the largest proportion of starts to UC in April, with just over 8,000 new starts for this group. We can consider this a ‘younger families’ group; a group that will also be reflected in figures on child poverty, which is projected to rise as a result of this crisis. Although this ‘young families’ group comprises the largest number of starts in Glasgow, the age group with the largest increase in UC starts was the 40 to 55 year-old age group. This may be partially due to the situation among the self-employed, who were disproportionately impacted by lockdown and able to apply for UC due to the removal of the minimum income floor. This group of workers are generally older than other workers: 45 to 54 year-olds make up the largest proportion of the self-employed according to the Annual Population Survey⁴⁰.

³⁶ The standard allowance for a single adult under 25 is £342.72 per month, and the standard allowance for a single adult over 25 is £409.89 per month. See: <https://www.gov.uk/universal-credit/what-youll-get>

³⁷ The ‘dependency assumption’ inherent in the UK social security system is detailed in Harris (1989), *Social Security for Young People*.

³⁸ Resolution Foundation 2020 Summer Economic Update
<https://www.resolutionfoundation.org/publications/summer-statement-july-2020/>

³⁹ There is currently very little empirical work done on the reason for low take up of Universal Credit for claimants above age 55, but it has been suggested that it may be combination of digital by default service delivery as a barrier; not being migrated to UC from tax credits; or those eligible waiting (if possible) until they reach the state pension age to access pension credit rather than UC.

⁴⁰

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/article/s/coronavirusandselfemploymentintheuk/2020-04-24#self-employed-people-are-older-on-average-than-employees>

Table 3: Monthly UC Starts in Glasgow, by age group⁴¹

UC Starts, Glasgow by age group			
Age group	March 2020	April 2020 (p)	Percent Change
16-24	825	2,760	+234%
25-39	1,737	8,094	+365%
40-54	934	4,877	+422%
Over 55	410	1,830	+346%
Missing	0	18	
Total	3,919	17,570	+348%

While these start figures capture all of those who started on UC to 9 April, it is likely that the next round of UC data will capture the continued high engagement with UC for all groups. We may potentially also begin to see more engagement in UC from the younger age groups, as employers made more decisions about furloughing staff after the initial three-week lockdown period that affected this group to a greater degree.

People on UC in Glasgow by age group

Provisional point in time figures for Glasgow in April report 52,946 people in the entire UC caseload, which includes those already in receipt. Again, the largest proportion of recipients are in the 25-39 year-old age group (47%); nearly double the number of recipients than the second highest 40-55 year-old group, which comprise 26% of the caseload. The proportion of the UC caseload in each of the age groups are similar to the national picture (see Figure A1 and Table A1, Appendix).

When looking at increases to the total recipient population in Glasgow the increases are not as stark as when viewing claims and starts data. This is particularly notable for Glasgow, which has the highest UC caseload of any local authority in Scotland. After a 44% increase, nearly 25,000 people in the 25-39 year old age group were receiving Universal Credit in Glasgow on 9 April. These percentage increases are similar when looking at figures for Scotland⁴².

Table 4: People on UC, Glasgow by age group

Age group	February 2020	March 2020 (r)	April 2020 (p)	Proportion of caseload, April	Percent change (Mar/Apr)
16-24	5,728	5,963	8,167	15%	+36%
25-39	16,544	17,172	24,861	47%	+44%
40-55	9,450	9,849	13,878	26%	+41%
Over 55 (incl missing)	4,221	4,403	6,040	11%	+11%

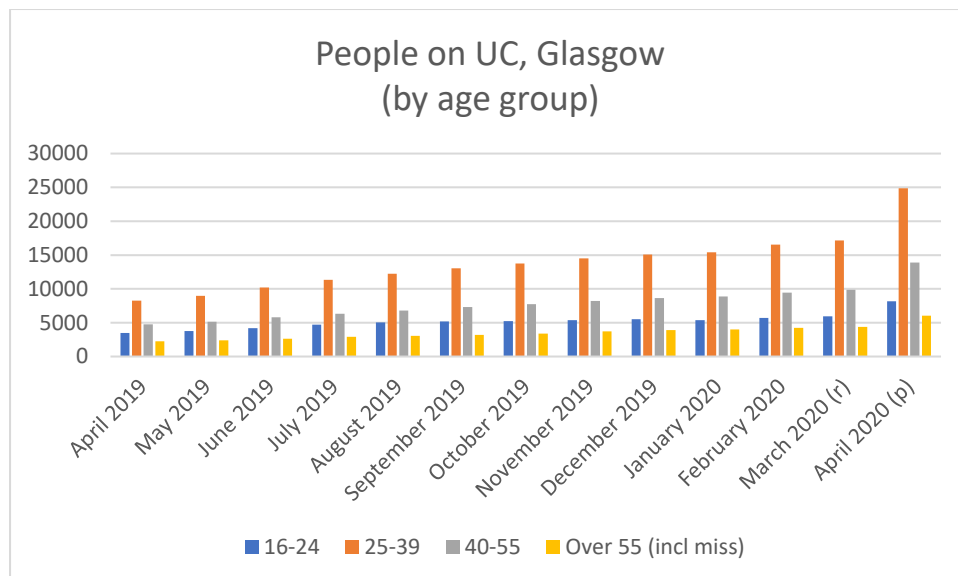
These large increases in the UC caseload compare to a small but steady increase in the UC caseload for the last year for those in the 25-39 year old group (between about 3 – 7%) (Figure 5). Although

⁴¹ Figure A2 in the Appendix charts UC starts data for Glasgow by age group for the period April 2019 to April 2020.

⁴² See Figure A3 and Table A3 for charts on UC caseload for Scotland by age group.

the increases to the caseload of every age group is unprecedented, for the youngest group of recipients this increase to around 8,000 people follows roughly 8 months of a caseload of around 5,000 young people. Again, given the nature of the labour market for young people as a result of this crisis we might see an even larger caseload in Glasgow in the next UC data release.

Figure 5: People on Universal Credit in Glasgow by age group, April 2019 – April 2020



4.2.2. Gender

Given what we know about the disproportionate impact this crisis and sector shutdowns have on women⁴³, we might also expect this impact to be reflected in Universal Credit data for the first part of the crisis period. In Scotland as in the rest of the UK, women make up a larger proportion of the Universal Credit caseload, due to the greater proportion of women living in poverty overall and the higher likelihood of female-headed households living in poverty⁴⁴. The UK benefit system, and liberal welfare states overall, are ‘gendered’ by design and eligibility criteria is predicated on how the state defines who is ‘deserving’ of support⁴⁵. In general, single mothers have always been considered a group deserving of government assistance (although conditions of assistance for this group have changed in recent decades).

The Scottish point in time figures for the UC caseload reported in March that 54% of the caseload were women and 46% were men. This gap decreased in April with more men coming on to Universal Credit, such that in April 49% of men and 51% of women were on the UC caseload⁴⁶.

The larger increase in men starting on Universal Credit from the beginning of March to the beginning of April nationally is also present in Glasgow, as monthly UC starts increased by a slightly higher percentage for men (+372%) than for women (+322%) (Table 5). Again, however, the situation for both genders in Glasgow resulting from this crisis is still dire.

⁴³ <https://www.ifs.org.uk/publications/14791> ; <https://wbg.org.uk/analysis/reports/crises-collide-women-and-covid-19/>

⁴⁴ <https://wbg.org.uk/blog/dwp-data-reveals-women-continue-to-be-worst-affected-by-poverty/>

⁴⁵ See foundational work on the gendered welfare state by Orloff (1996) "Gender in the Welfare State." Annual Review of Sociology 22 (1996): 51-78. www.jstor.org/stable/2083424 and Sainsbury (ed) (1999). *Gender and Welfare State Regimes*.

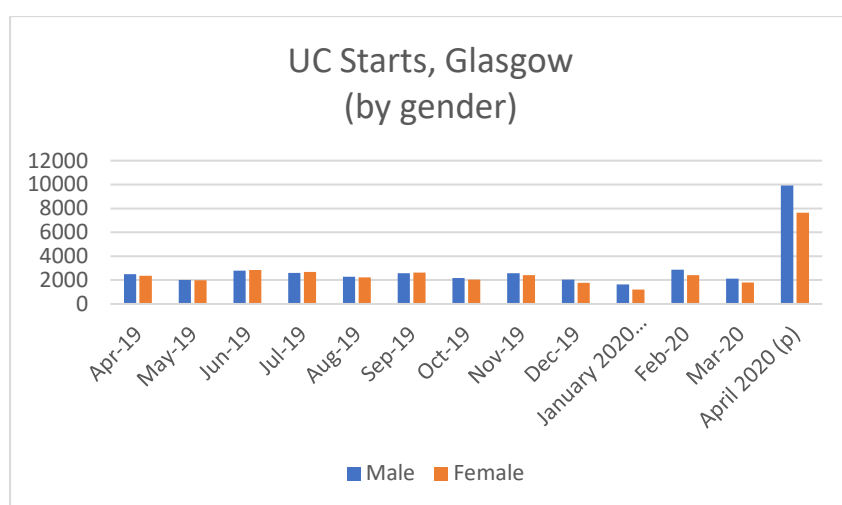
⁴⁶ See Figure A4 UC caseload trends in Scotland by gender since April 2019.

Table 5: Universal Credit starts in Glasgow by gender, March and April 2020

Gender	March 2020	April 2020 (p)	Percent change	Proportion of starts
Male	2106	9924	+371%	56%
Female	1810	7650	+322%	44%
Total	3919	17570	+348%	

A notable distinction between Glasgow and the national picture is that in Glasgow, trends in UC starts have been slightly higher for men than for women since October 2019 (Figure 6). The difference between starts by gender between October 2019 and March 2020 was not nearly as stark as in the April starts data, where 56% of starts were for men compared to 44% of starts for women.

Figure 6: Universal Credit starts in Glasgow by gender, April 2019 – April 2020



This suggests that although women are more likely to live in poverty and be engaged with social security nationally, there is unique picture in Glasgow⁴⁷ where men also experience poverty in higher proportions than in other parts of the country. The spike in starts data for men may also point to sector changes among male-dominated professions such as construction during this crisis along with the crisis among the self-employed, as men make up two-third of the self-employed in the UK⁴⁸.

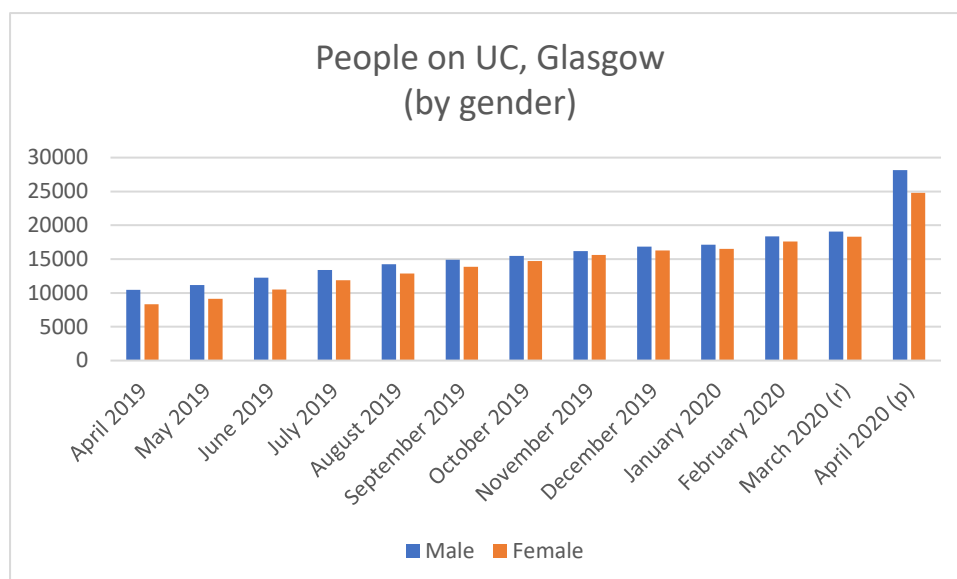
We must also consider the existing UC caseload in Glasgow for men and for women, where we find that since April 2019 (the earliest data on Figure 7 below) men have comprised a larger proportion of the UC caseload.

⁴⁷ <https://www.nomisweb.co.uk/reports/lmp/la/1946157420/report.aspx>

⁴⁸

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/article/s/coronavirusandselfemploymentintheuk/2020-04-24#self-employed-people-are-older-on-average-than-employees>

Figure 7: People on Universal Credit in Glasgow by gender, April 2019 to April 2020



The UC caseload for men increased by 48% from March to April, now with over 28,000 men on the UC caseload compared to nearly 25,000 women on the caseload. Considering how this crisis has had a slightly larger impact on female labour market sectors, we may start to see an increase in the proportion of women on UC in Glasgow in later data releases.

4.3. Recipients and Labour Market Attachment

The UC point in time caseload information from Stat Xplore also allows an investigation into two aspects of the caseload; the duration of receipt of UC and the conditionality regime that people in receipt are placed on. Both can give us an idea of how long most people engage with UC and the types of people coming onto the UC caseload. This can point to the potential employability needs of those new to the caseload as we consider implications for recovery.

4.3.1. Duration on Universal Credit

Looking at the proportion of the UC caseload by the duration each person has been receiving UC we find two things: a declining proportion of those on the rolls in the 6 months to 1 year category (those who were new claimants between 6 months to a year ago), down from 30% of the caseload to 19% of the caseload; and a large increase in the proportion of those who are in the 'up to 3 months' duration group.

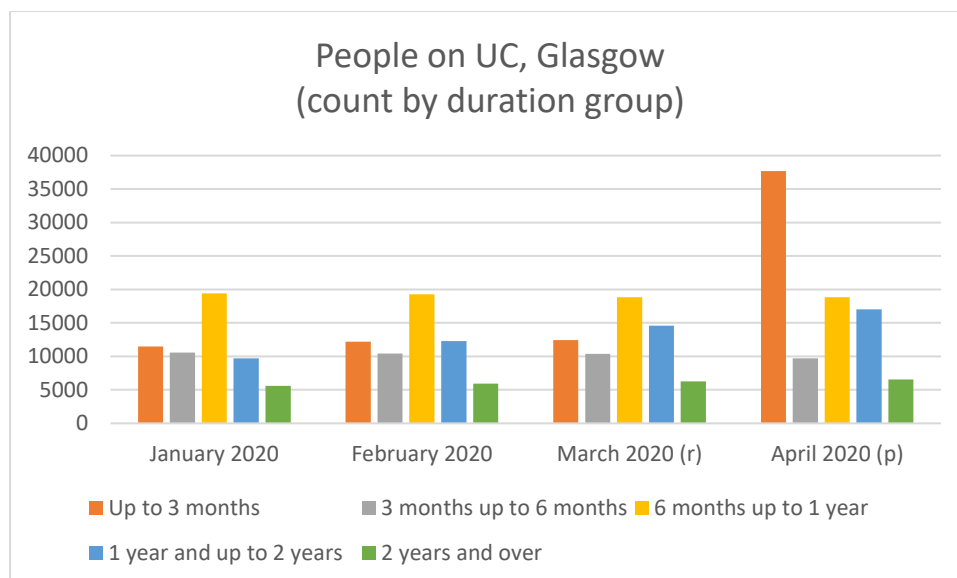
In April 2020, 42% of the UC caseload has been on the rolls for 3 months or less compared to just 23% in March 2020. This group can be considered those 'new' to UC, capturing the majority of the first large spike in UC starts in Glasgow. For full trends on the UC caseload in Glasgow by duration group, please see Figure A5 in the Appendix.

The most impactful illustration of this data is in Figure 8, which details trends in the counts of those in the UC caseload by duration group. The spike in UC starts during the end of March translates to an unprecedented jump in the number of people who have recently come on to UC. 37,655 people in Glasgow have been receiving UC for 3 months or less, a count slightly less than the total of all other duration groups combined.

This is a shock not only to the UC system itself but to the thousands of people who may not have had any engagement with the UC system or any type of means-tested benefits previously. The sharp

drop in income from layoffs or even a 20% drop in income for those on furlough, combined with the critical five week wait until the first payment for Universal Credit, meant that many of the nearly 38,000 people in Glasgow who are in this duration group were likely experiencing severe hardship in May before they received their first UC payment.

Figure 8: People on Universal Credit in Glasgow by duration group, January – April 2020



Source: DWP Stat Xplore

Previous work on the dynamics of benefit receipt and poverty⁴⁹ find that the majority of people who become poor in a year will not go on to be chronically poor. Rather, most will ‘cycle’ in and out of poverty as their circumstances change. Those who are long-term, consistently poor and receiving UC make up a small proportion of the overall caseload. In the case of UC recipients in these longer duration groups are likely those who have complex cases due to disability that make it challenging to engage in the labour market and who do not have work requirements attached to their claim (see next subsection).

This crisis and its recovery, however, may prove to be longer and slower than any previous recessions: it is unlikely that the UK will have a V-shaped recovery and therefore it will be valuable to see just how many of those currently on UC will still be in the caseload at 6 months to a year after this crisis.

4.3.2. Conditionality Regime

A final way to view the UC caseload in Glasgow is by the conditionality regime each person is placed in based on their employment status when making their claim, hours working (if in employment) or work capability (if they have a disability). This can illustrate the type of people coming on to the UC caseload and their employability needs as a result of the COVID-19 crisis. There are 6 different conditionality regimes, some of which require job search requirements (generally 35 hours a week)

⁴⁹ Bane and Ellwood (1994), *Welfare Realities*, covers these dynamics for the United States. In the UK, work from Hills (2014) *Good Times, Bad Times: The Welfare Myth of Them and Us* and Jenkins (2011) *Changing Fortunes: Income Mobility and Poverty Dynamics in Britain* also address this topic.

and some which do not⁵⁰. People in the ‘Searching for work’ and the ‘Working with requirements’ must adhere to requirements in their claimant commitment in order to keep receiving their full Universal Credit payment. Conditionality does not apply for those earning more than £343 per month for a single adult or £549 per month joint income.

For this time period UK-wide, those in the ‘Searching for work’ conditionality regime made up the largest group of cases (1.8 million; 43% of the 4.2 million people on UC in the UK). Since 13 March 2020, this increased by two-thirds from 1.1 million (36% of the March caseload)⁵¹; the largest percentage increase among all conditionality regimes. Like the UK-wide figures, the increase in the proportion of recipients in the ‘Searching for Work’ conditionality group increased in Scotland after a downward trend in recent years⁵² to 44% of the caseload, over 160,000 people. The number of those in both of the ‘Working’ conditionality groups (with/without requirements) is around 50,000 for Scotland (representing roughly 14% of the total each).⁵³ Together, then, roughly 28% of the UC caseload in Scotland in April is still attached to the labour market in some way.

The UC caseload in Glasgow also experienced a large increase in number of people in the ‘Searching for Work’ category, up 66% from March to April. The two groups attached to the labour market also had over 50% increases in caseload, as the ‘Working, no requirements’ group experienced a 54% increase and the ‘Working with requirements’ group experienced a 51% increase. The other three groups did not see a spike in nearly the same way. Although not able to be disaggregated further, those in the ‘Searching for work’ category would include those who have been made redundant, young people unable to find a job, and those who are self-employed with no earnings during the shutdown; nearly 44,000 people in Glasgow in April (Table 6).

The Glasgow increases in each category are relatively consistent with the national picture but there is a slightly larger spike in the number of people in the ‘Working no requirements’ category, where the earnings are still above the conditionality threshold but are indeed low enough to be eligible for UC overall. This is further evidence of the crisis of in-work poverty facing families in Glasgow.

Table 6: People on Universal Credit by Conditionality Regime, Glasgow (January 2020 – April 2020)

	Searching for work	Working – with requirements	No work requirements	Working – no requirements	Planning for work	Preparing for work
January 2020	25,081	7,514	14,289	5,719	1,295	2,827
February 2020	25,903	7,755	15,612	5,911	1,369	3,566
March 2020 (r)	26,206	8,081	16,794	6,161	1,415	3,807
April 2020 (p)	43,622	12,076	18,351	9,837	1,629	4,291

Even this early data indicates a distinct change in the shape of the workforce – a 66% increase in those who are unemployed and in the ‘Searching for work’ regime in this data, even with the

⁵⁰ For a full description of each conditionality regime and its requirements please see:

<https://www.gov.uk/government/publications/universal-credit-statistics-background-information-and-methodology/universal-credit-statistics-background-information-and-methodology#background-information>

⁵¹ <https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020>

⁵² <https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020#people-on-universal-credit-1>

⁵³ See Table A6, Appendix for people on UC data by conditionality regime for Scotland.

furlough scheme in place, suggests a bleak picture that is not yet entirely apparent in the unemployment data (as this is a lagging indicator). It also suggests that there are still firms holding on to employees (by virtue of cutting hours or participation in the furlough scheme) which is positive, but that the income from this work is insufficient on its own.

The large increase in the number of people unemployed in the UC caseload necessitates a larger cadre of Job Centre Plus staff as work coaches with a less 'light touch' role in working with those on UC. The announcement from the Chancellor that Job Centre Plus staffing will increase back to 2013 levels indicates a recognition of this challenge⁵⁴. However, the ability to easily reengage with the labour market is based on the number of vacancies available which do not seem to be improving quickly (see Section 5).

As noted in Section 2, conditionality regimes are accompanied by sanctions for UC recipients who do not meet the requirements of their Claimant Commitment. It must also be noted that although people on Universal Credit are put into conditionality regimes upon claiming, these requirements were waived during the lockdown period; thus those who came onto Universal Credit during the peak of the crisis were not required to search for work. These requirements were reinstated on 30 June 2020 (although they have been waived in Northern Ireland until 7 August, a decision made by their government). The decision to not extend this sanctions ban has been viewed as particularly cruel given the sharp drop in vacancies during this period. Recent work on UC claimants in Glasgow and UK wide⁵⁵ has found the conditionality and sanctions regime to be ineffective in labour market engagement, rather causing further financial hardship and anxiety to claimants. It will be valuable in the coming months to understand if the re-introduction of conditionality for all of the new Universal Credit recipients will be accompanied by a spike in sanctions, and how conditionality regimes are impacting those new to UC.

4.4. Using Universal Credit evidence

The Universal Credit figures in Glasgow during this initial spike in claims and starts allows us to follow those who are facing the sharpest impacts of this crisis, and can gauge just how many people in the local authority are facing severe hardship. While Glasgow was already facing serious issues with poverty and inequality, the inflows of people in Glasgow onto UC is unprecedented. As we move through this crisis, UC data will allow us to see how severe hardship is distributed among different age groups (although there are issues with UC take up for older and younger groups, as detailed above) and among men and women. It also provides information to local and regional policymakers to understand the scale of the crisis facing their residents with relatively little time lag.

Although these descriptive figures cannot give us information about *why* people are on UC, they can give policymakers an idea of where to focus efforts in the recovery period. The distinct hardship facing people on UC in this period, combined with labour market challenges to be detailed below, also suggest that Universal Credit should change in some notable ways in order to more adequately support those who need it (See Section 6). We turn next to the larger issues facing the labour market

⁵⁴ <https://www.resolutionfoundation.org/publications/summer-statement-july-2020/>

⁵⁵ See JRF report on Universal Credit in Glasgow from June 2020: <https://www.jrf.org.uk/report/how-well-universal-credit-supporting-people-glasgow> and Wright et al (2020) Punitive benefit sanctions, welfare conditionality and the social abuse of unemployed people in Britain: transforming claimants into offenders? Social Policy and Administration, (doi: 0.1111/spol.12577) (Early Online Publication). David Webster has been tracking UC sanctions for the Child Poverty Action Group since November 2013 here: <https://cpag.org.uk/policy-and-campaigns/briefing/david-webster-university-glasgow-briefings-benefit-sanctions>

in the Glasgow region and the interactions between the labour market and Universal Credit: what this might mean for the UC caseload (both those currently receiving UC and those who may be at risk of having to rely on UC).

5. Challenges Ahead

The challenges ahead for the Glasgow region and its residents, particularly those on low incomes, are beginning to become clearer as the country exits lockdown and firms are making decisions on how to recover. We consider challenges facing individuals and their reengagement with the labour market, challenges at the firm level related to furlough and keeping employees, and challenges with specific sectors.

5.1. Getting back to work

The ability of workers to return to the labour market hinge on the vacancies that are available. Vacancies data show sharp dips in job postings for most of the local authorities in the Glasgow city-region. Local authority data, drawn from Adzuna (as reported by the IES), shows the following change in vacancy levels since March 15 (for local authorities in the Glasgow city-region)⁵⁶:

Table 7: Changes in vacancy levels since March 15, as recorded at week end July 5 – for Glasgow city-region local authorities

Local authority	Percentage change in vacancies
Glasgow City	-64.4%
East Dunbartonshire	-34.0%
West Dunbartonshire	-38.9%
Inverclyde	-22.1%
North Lanarkshire	-51.7%
South Lanarkshire	-54.8%
Renfrewshire	-42.0%
East Renfrewshire	-9.8%

Source: Adzuna (as reported by IES)

These drops in vacancy levels are particularly concerning given the structure of the UK welfare state today; a system of ‘work incentives’ (both carrot and stick measures) that are predicated on a relatively buoyant labour market. For those on the UC caseload who have work/work search requirements as of 30 June, it is difficult to see the value in requiring claimants to apply to a smaller and smaller number of vacancies available. There is also emerging evidence that those on UC who were claiming during lockdown were searching for work without these requirements⁵⁷. A continuation of the sanctions regime therefore seems an unnecessarily punitive policy to reinstate.

5.2 Furlough and firms

The rapid spike in UC claims coupled with the new higher level of claims over recent weeks has emerged despite government interventions being lauded by many. Indeed, initial furlough

⁵⁶ <https://www.employment-studies.co.uk/system/files/resources/files/IES%20Briefing%20-%20w.e%2010.07.2020.pdf>

⁵⁷ Geiger et al (2020). Welfare at a Social Distance report: <http://hub.salford.ac.uk/welfare-at-a-social-distance/wp-content/uploads/sites/120/2020/06/WaSD-Rapid-Report-1-Work.pdf>

timeframes have been extended to avoid an initial cliff edge whereby firms would start to consider redundancies. This extension is through to end of October; however, from August employer contributions will be required⁵⁸. Support for those self-employed via the SEISS scheme has also been extended allowing a further claim for three months from August 2020, with 70% of monthly earnings covered.⁵⁹

More generally, how the economy transitions from life support to some semblance of normality will reflect a critical transition for the labour market, and, where unemployment spikes again, Universal Credit may be called on by more households.⁶⁰ An Institute of Directors survey of 700 company directors (28 May), found that “around half of those using the Job Retention Scheme for their staff said they could provide 20% or above toward furloughed workers’ full-time salaries between August and October. However, a quarter said they could not afford any amount”⁶¹. More recent data from a survey of firms (n = 525) for the Scottish Chambers of Commerce pointed to drops in employment levels across a number of sectors (notably in tourism)⁶². This reflects a key issue in that the labour market consequences of this crisis will in many ways hinge on the ability of firms to bounce back (and resume paying wages). To address this issue, the Chancellor announced (on July 8) a £1000 payment to firms who bring back workers from furlough (through to the end of January 2021).

While we may see an increase in UC claims (for the low income) in August for those whose employers cannot contribute to their wages – or where the retention bonus does not prove to be sufficient - the potential spike to UC claims in August for those on furlough is incomparable to the potential increase in UC claims anticipated when the furlough scheme ends in October. The Resolution Foundation, in a summary of the Chancellor’s July 8 announcements noted that the “low level and temporary nature” of the bonus announced in July “means it is unlikely to have a major impact on unemployment”.⁶³ We may therefore expect to see a UC claimant spike of comparable magnitude this fall if firms must make their employees redundant in a very different (and currently unknown) labour market.

5.3. Sector-specific challenges

Of course, the need to resort to UC will be experienced differently by different parts of the labour market, and it is well rehearsed now that young people face high risks of unemployment. The Chancellor’s announcement on July 8 of the Kickstart scheme – 6 month work placements paying the national minimum wage - reflects this⁶⁴. Low earners are also three times more likely to have been furloughed or have lost their jobs relative to high earners⁶⁵. Furthermore, some have argued that the specific sectoral impacts of the crisis warrant specific responses.⁶⁶ For example, how many firms in

⁵⁸ <https://www.gov.uk/government/news/chancellor-extends-furlough-scheme-until-october>

⁵⁹ <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

⁶⁰ <https://www.cityam.com/uk-unemployment-rate-unchanged-despite-lockdown/>

⁶¹ <https://www.iod.com/news-campaigns/news/articles/Furlough-costs-will-mean-difficult-decisions-for-firms>

⁶² <https://www.scottishchambers.org.uk/wp-content/uploads/2020/07/SCC-QUARTERLY-ECONOMIC-INDICATOR-Q2-2020-Report.pdf>

⁶³ <https://www.resolutionfoundation.org/publications/summer-statement-july-2020/>

⁶⁴ <https://www.gov.uk/government/publications/a-plan-for-jobs-documents>

⁶⁵ Resolution Foundation – a new settlement for the low paid -

<https://www.resolutionfoundation.org/publications/a-new-settlement-for-the-low-paid/>

⁶⁶ <https://twitter.com/ChrisGiles/status/1280770787457273857>

the accommodation sector will be able to contribute to employee wages - when business activities are only beginning to resume - remains unknown.

In terms of possible approaches and tools here, the case for a VAT cut targeting particularly hard hit sectors has been raised, whilst others have proposed a spending allowance to encourage consumers to spend locally (to support local businesses) through the recovery period⁶⁷. Such suggestions were adopted in some form by the Chancellor in his statement of July 8, with VAT reductions for “hospitality, accommodation and attractions” set out⁶⁸. Alongside this, the eye-catching ‘eat out to help out’ approach is novel but small in scope and likely impact, some suggest⁶⁹.

Despite the policy steps made, it seems apparent that some sectors will diminish as a result of this crisis and unemployment will rise. Therefore, what happens to workers in heavily impacted sectors? Here skills policy and job training becomes essential, and as most worker movements are within industry, this will likely prove to be a substantial policy task.⁷⁰ Key questions here include: what levels of cross-sector reallocation are plausible, and what lags might we see given requirements for training and skills acquisition? Over longer time horizons, the relative prices of capital versus labour - the attractiveness of machines versus costly distancing arrangements for workers, for example - may shape future employment trajectories.⁷¹

6. Early conclusions and implications

One key implication from all the above is that, for the meantime at least, the state and the market will be fundamentally reconfigured. While some have alluded to the potential for government to take equity stakes in businesses⁷² - ensuring viability of operation (and thus employment) - others have emphasised the need for government to ramp up employment support measures.⁷³ Finally, policymakers will need to be agile to respond to what is a fast moving labour market context. Whilst the winding down of furlough and other support schemes reflect key tipping points, a second spike in the pandemic may have further, grave implications for employment and thus create further demands for Universal Credit.

In the sections prior, Universal Credit data for Scotland and Glasgow allowed us to consider how the initial phases of the economic crisis have plunged more people into poverty and interaction with the social security system. In just one month nearly 18,000 new people came on to the Universal Credit caseload in Glasgow, and these people had to wait until at least May in order to receive their first payment. We find from these initial figures that this crisis has been dramatic for young families just scraping by before the crisis and those self-employed who experienced an almost complete loss of income due to the economic shutdown. This evidence also points to a group of young people in Glasgow (both with and without children) who are having to turn to UC as a result of shutdowns of

⁶⁷ <https://twitter.com/CentreforCities/status/1280835990203125760>

⁶⁸ <https://www.gov.uk/government/publications/a-plan-for-jobs-documents>

⁶⁹ <https://www.resolutionfoundation.org/publications/summer-statement-july-2020/>

⁷⁰ <https://www.employment-studies.co.uk/resource/no-time-lose-getting-people-work-quickly>

⁷¹ <https://www.bankofengland.co.uk/-/media/boe/files/speech/2020/the-second-quarter-speech-by-andy-haldane.pdf?la=en&hash=3B82F9C046B7BCDA160AE8BE558B1EB58CFF21EB>

⁷² <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2020/06/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/documents/towards-robust-resilient-wellbeing-economy-scotland/towards-robust-resilient-wellbeing-economy-scotland/govscot%3Adocument/towards-robust-resilient-wellbeing-economy-scotland.pdf>

⁷³ <https://www.employment-studies.co.uk/system/files/resources/files/Help%20wanted%20-%20short-term%20unemployment.pdf>

sectors they are most likely to be employed in – sectors that will be fundamentally altered for many months to come.

Glasgow also faces distinct challenges in the recovery from COVID-19 because of the higher number of people in the city-region already on low-incomes and interacting with the benefit system compared to other city-regions in the UK. As the recovery process continues - in whatever form that may take - it will be valuable to continue to assess whether, over time, Glasgow is more starkly hit compared with other places. Indeed, here, considerations concerning employment trajectories for Glasgow link into other policy agendas; notably the UK Government's fledgling "levelling up" agenda⁷⁴. Evidence⁷⁵ on the spatial expression of the employment impacts of the crisis will be important to track, indeed, and will allow us to determine if usual spatial fault lines are being followed.⁷⁶

Our final section considers what issues, programmes and policy considerations will need to be at the fore in the coming months as the labour market attempts to recover from this (initial) economic shutdown.

6.1 Implications

Based on this work we sketch out some initial implications of this crisis for particular demographic groups, systems of public support, policies to improve employment support, and emerging areas of research.

Demographic groups of interest

Young people (a necessary focus given increasing challenges ahead): The initial figures for Universal Credit to April suggest that the youth claimant count did not spike in the same way as other age groups, and we suggested earlier that this may be because they are choosing to stay or return home and not access UC independently. We also know that young people do not have high take up of UC (or many other benefits), but when furlough ends and firms do not come back in the sectors they are concentrated in, we may see a spike in Universal Credit recipients among young people. Therefore, now is the time for programmes to be put in place for young people. Again, new programmes announced on 8 July are welcome for this group but there are fears that it is not nearly enough. According to the Institute for Employment Studies⁷⁷:

To take one example, the maximum value of the 'kickstart' subsidy for young people will be a quarter lower than that offered through the Future Jobs Fund, but is intended to create four times as many jobs. Whether it can fund the sorts of transitional jobs for disadvantaged groups that the FJF delivered will remain to be seen. Furthermore, the £100 million investment in support for 18-19 year olds will repair just a fraction of the cuts in further education funding in recent years – we will surely need more than this in the coming months.

Young families: Although the Chancellor's announcement in July provided some commitments for support for some groups of people facing hardship, there was no announcement of changes to help families who are still struggling. The wait times for Universal Credit in the spring and throughout the

⁷⁴ <https://www.centreforcities.org/blog/where-has-seen-the-biggest-increase-in-unemployment-since-lockdown-began/>

⁷⁵ <https://www.jrf.org.uk/report/levelling-economy-we-cant-afford-not>

⁷⁶ <https://www.centreforcities.org/blog/where-is-the-job-retention-scheme-keeping-jobs-on-life-support/>

⁷⁷ <https://www.myiep.uk/blogpost/1246261/351966/From-the-Top>

summer will continue to have knock-on effects related to food insecurity, rent arrears and debt for families who were facing higher costs during school shutdowns. Therefore, we echo calls from academics calling for an end to the five week wait for Universal Credit, an end to Advance Payments for UC as loans rather than one-time grants, and an extension of the halting of sanctions.

Policy and Programme Implications

Policy measures that support employment in the near future: Whilst large infrastructure projects are often opted for to re-stimulate economic activity, which measures will generate employment in a relatively quick manner? Retrofitting housing is one route that may marry short term compulsions with long term⁷⁸ needs.⁷⁹

Changes to Job Centre Plus and other programmes of support: The needs of people entering UC during this crisis are not new, but the number of recipients and their ability to quickly and easily engage with the labour market is a unique feature of this crisis. Unlike a labour market with readily available jobs in the service sector that claimants would be able to potentially work in, or at least apply for, as a condition of their UC claim have disappeared (at least for the next few months). Therefore the 'low-touch' system of support previously provided by Job Centre Plus is not up to the task and the government has rightfully responded with more employment support staff and a new programme for the long-term unemployed. However, it is likely that more will be needed – particularly for those who are self-employed and who would like to remain so. Local governments will also be key players in support for low income residents receiving UC and still facing hardship; how can programmes such as the Scottish Welfare Fund, for example, be utilised to face this crisis? Are there innovations in other policy areas such as housing that can be improved to support low income families (such as rapid rehousing or an extension of eviction moratoriums)?

Areas of research

Legacy benefits: Although not explored in this paper, given the nature of deprivation in Glasgow we can be confident that there is sector of the low-income population on legacy benefits who have not been able to benefit from the UC uplift. Not only should these recipients benefit from an increase in the same way as others, it will be valuable to understand in more detail for Glasgow who is on legacy benefits and how this caseload differs from UC and what their needs may be in this crisis.

Understanding transmission mechanisms: This note sketches out some of the major dimensions that link labour market changes to Universal Credit. More research is needed, as data evolve, on the transmission mechanisms that link the two areas. This paper already points to issues of age and gender, while future assessments may also consider how economically inactive persons appear in UC caseloads⁸⁰.

⁷⁸

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898421/A_Plan_for_Jobs_Web.pdf;

⁷⁹ <https://www.newstatesman.com/politics/energy/2020/07/why-green-homes-grant-shows-dangerous-lack-ambition>

⁸⁰ The People on Universal Credit dataset in Stat Xplore enables the data to be viewed by the claimant's employment status; however this data only went to February 2020 so it was not used in this working paper.

7. Appendix

Figure A1: Universal Credit starts in Scotland by age group, April 2019 – April 2020

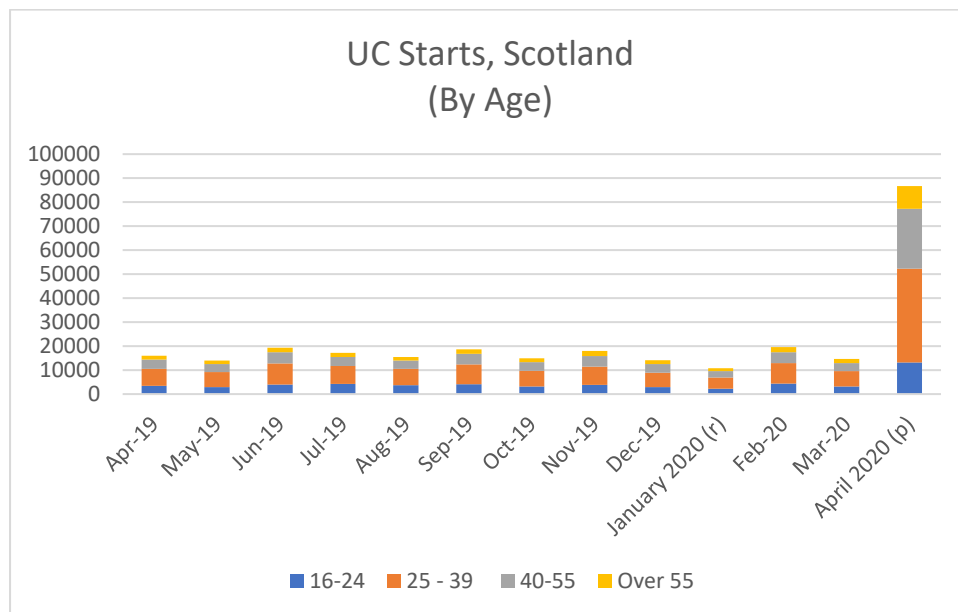


Table A1: Proportion UC Starts in Scotland by age group

Proportion UC Starts in Scotland by age group			
	Feb 2020	March 2020	April 2020 (p)
16-24	22%	22%	15%
25-39	44%	43%	45%
40-55	24%	23%	29%
Over 55	10%	12%	11%

Figure A2: UC starts in Glasgow by age group, April 2019 – April 2020

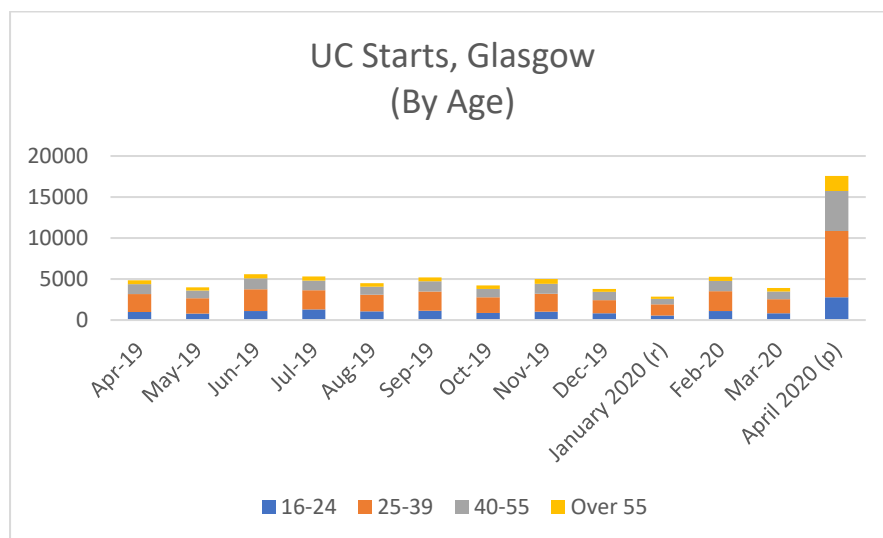


Figure A3: People on Universal Credit in Scotland by age group, April 2019 – April 2020

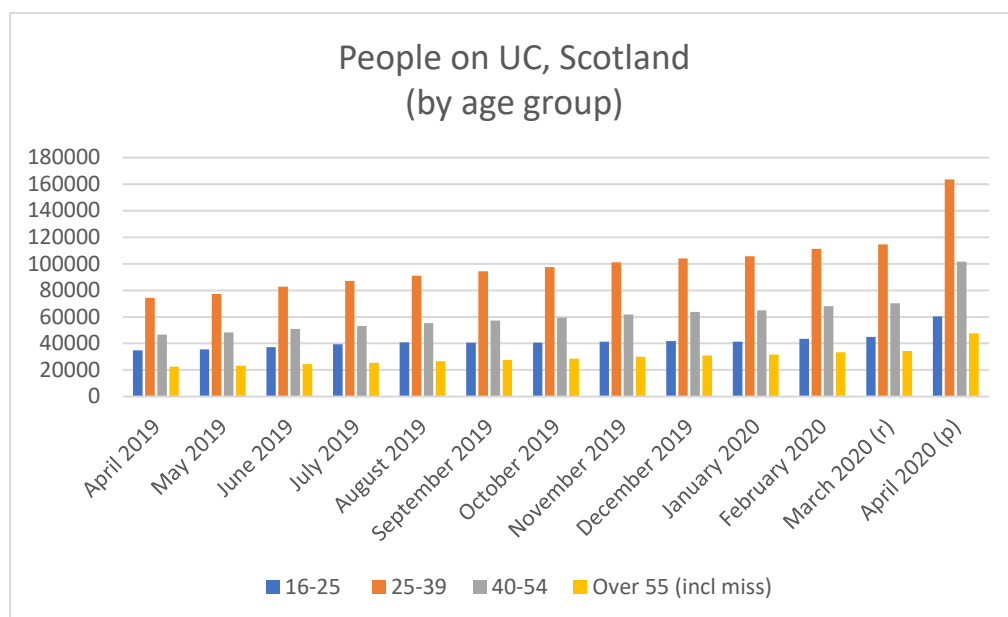


Table A3: People on UC in Scotland by age group

People on UC in Scotland by age				
	February 2020	March 2020 (r)	April 2020 (p)	Percent Change (Mar/Apr)
16-24	43463	44892	60279	+34%
25-39	111211	114646	163703	+42%
40-55	68155	70237	101706	+44%
Over 55	33255	34337	47630	+38%

Figure A4: People on UC in Scotland by gender, April 2019 – April 2020

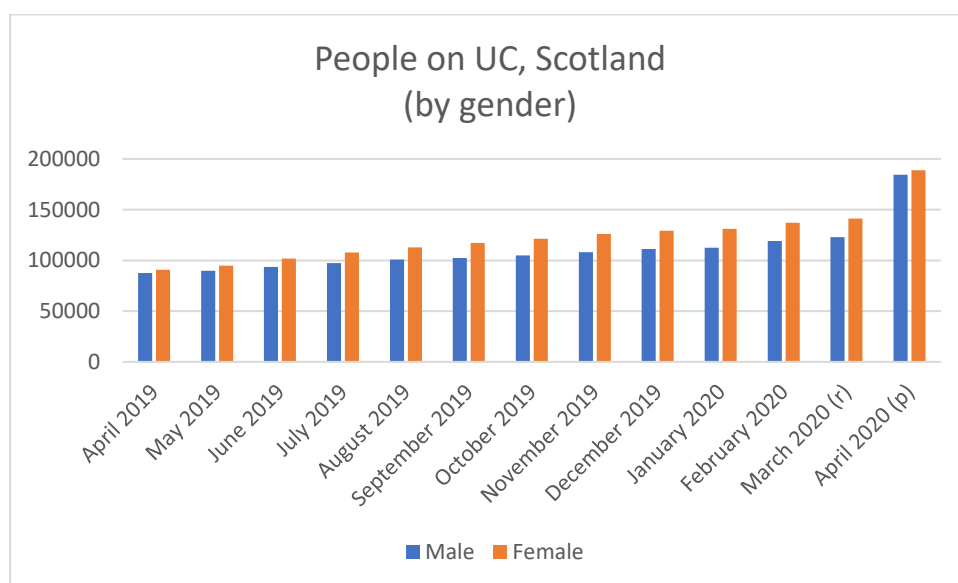


Figure A5: People on Universal Credit in Glasgow, proportion in each duration group

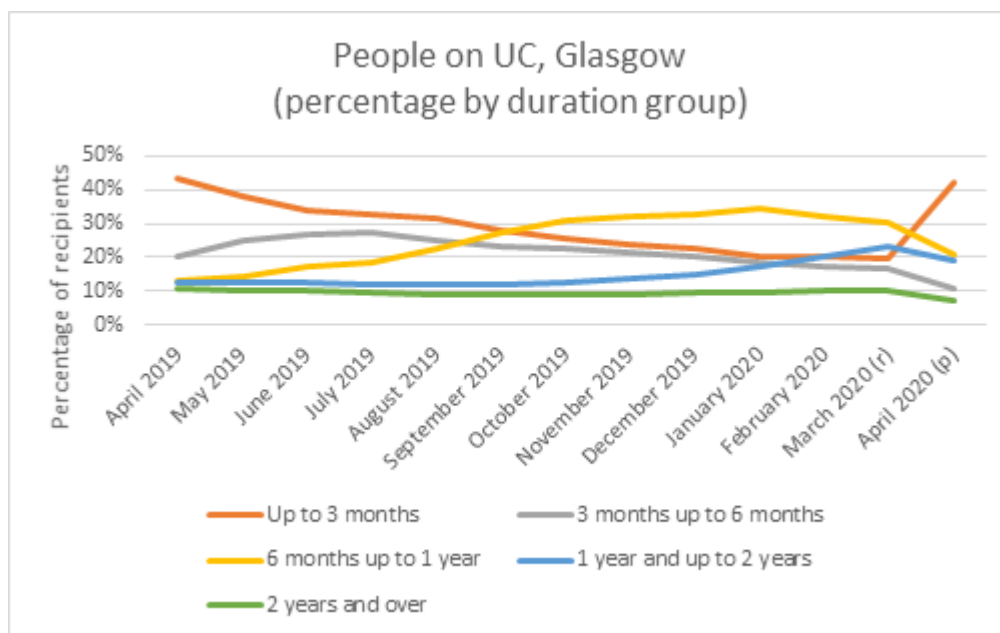


Table A6: People on Universal Credit in Scotland, by conditionality regime

	Searching for work	Working – with reqs	No work reqs	Working – no reqs	Planning for work	Preparing for work
January 2020	95,440	31,898	67,063	29,374	5,699	14,098
February 2020	98,265	33,025	71,817	30,022	5,930	16,963
March 2020 (r)	98,442	34,088	76,208	31,394	6,070	17,849
April 2020 (p)	163,818	51,448	82,224	48,446	6,929	20,381

Source: DWP Stat Xplore