

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

Making the economy work for people on low incomes

Ymateb gan: Professor Jane Millar

Response from: Professor Jane Millar

1. This evidence is submitted in a personal capacity<sup>1</sup>. It addresses the final topic in the consultation, 'The role that welfare benefits play in supporting people on low incomes in Wales' and in particular considers the issues raised by the introduction of Universal Credit.
2. Universal Credit replaces six means-tested benefits (Income-based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Income-related Employment and Support Allowance and Income Support) with a single system covering people both in and out of work.
3. Universal Credit is based on a household means test, and is assessed and paid monthly, in a single payment. For employed claimants, there is an automatic adjustment of payments when earnings change (through data supplied by employers), but other changes in circumstances must be reported by claimants and are treated as applying to the whole month.
4. The main aims of Universal Credit are to improve incentives both for people to enter work and for people to make progress in work. It is intended to be a simpler system, easier for people to understand and more straightforward to administer<sup>2</sup>.
5. Universal Credit is also expected to bring about transformational change. The main political architects of the system – Iain Duncan Smith, MP and Lord David Freud – make this very clear: "... what Universal Credit is really about is a sweeping cultural change".
6. This cultural change applies to **jobcentres** ("vastly improved administration ... allowing Work Coaches to focus on the real task of helping people enter and progress in work"), **local authorities** ("joining up services for the most vulnerable to deliver holistic support that helps people get online and better manage their money"), **businesses** ("recruiting someone part-time, for extra shifts or overtime suddenly becomes a real possibility"), and **individuals** ("no longer trapping people in dependency but providing the incentive and support to secure a better future for themselves and their families")<sup>3</sup>.
7. Universal Credit is being rolled out over a period of several years. It is now available to single jobseekers throughout Great Britain. Couples and families with children are currently being brought into the system. Those who claim Universal Credit, or are brought into the system following a change in circumstances, cannot go back and claim the legacy benefits. In Wales, the roll-out to couples and families is just starting<sup>4</sup>.
8. An estimated ten million people in the UK will be in the Universal Credit system when it is fully operational. Thus Universal Credit will be playing a central role in supporting people with low incomes, in and out of work. This is the new environment in which individuals and employers will be operating and making decisions about jobs and working hours.

9. The *level* at which Universal Credit is paid is clearly an important factor affecting incomes and living standards. Various cuts and restrictions have already been introduced as part of the 'austerity' budgets of the Cameron/Osborne governments. These include limiting the child element to two children, the removal of the family element/first child premium, and cuts in access to and the level of the work allowance (the amount that people can keep before their Universal Credit starts to be reduced). The impact of these changes will vary for different family types and circumstances, but the House of Commons Library estimates that working households with children would lose an average of £1,300 in 2020<sup>5</sup>. Alongside other benefits cuts, this means that child poverty rates are predicted to rise over the next few years<sup>6</sup>.
10. But it is not just the level of the benefit that has an impact on people's lives, it is also the *rules and conditions* attached to people claiming and receiving Universal Credit. Here I focus on areas where the early evidence and reports from on the ground (housing associations, MPs, charities and welfare rights advisors) suggest that some problems are emerging. These may provide an early warning of the challenges that will be faced when families, who tend to have more complex and changeable circumstances compared with single people, are brought into the system.
11. First, there are issues about **accessing the system**. Universal Credit is designed to be 'digital by default' and one of the things this means is that, for the majority of people, claims are made online. Help may be available through Jobcentres or local advice services. But many people with low incomes have no access to computers at home, and must rely on friends or public systems in libraries or Jobcentres, which are not always readily available. Others will lack the experience and skills to easily negotiate complicated online forms. Thus some people face barriers to accessing the system, as the DWP evaluation shows<sup>7</sup>.
12. Second, there is the time taken to **assess claims and make payments**. There is a waiting period of seven days for new claims<sup>8</sup>, the assessment period is four weeks, and then up to another week before the first payment is made. Six weeks is a long time and some claims are taking longer than this<sup>9</sup>. (Some people may get an advance, but this has to be paid back over 6 or 12 months.) There is evidence that this time to assess and pay Universal Credit causes significant financial hardship, including debt. Recent evidence to the House of Commons Work and Pensions Committee, pointed in particular to an increase in rent arrears<sup>10</sup>. Data on foodbank use from the Trussell Trust also suggest that this long wait for payments has led to increased foodbank use, as well as other hardship indicators<sup>11</sup>. Many MPs expressed concerns about the impact of these long waits for Universal Credit payments in a House of Commons debate in April 2017<sup>12</sup>, and some have suggested the need to delay the roll-out to avoid further hardship<sup>13</sup>.
13. Third, there are also hardship issues arising from the **change to a monthly assessment and single monthly payment**. The monthly payment is intended to give people the opportunity to manage their money in the same way as they would in work. But most means-tested benefits are currently paid fortnightly and many low-paid people are paid weekly<sup>14</sup>. So this is a significant change which may not be a good fit to budgeting practices that rely on the receipt of different sources of income at different times. And the single payment to one (nominated) account for

couples has raised concerns about the potential impact on women's access to benefit income<sup>15</sup>. Advice on how to access alternative systems of payment (which are available to certain claimants in some circumstances) and on budgeting and money management is likely to be an important form of support for some claimants.

14. Fourth, Universal Credit includes new rules for **work requirements**, extending these to more people, including to more household members (partners in couple families with children) and to some people in part-time work, who may be required to try to increase their earnings or hours. A new role within DWP – the 'work coach' - is being introduced to support people into work and help those in work to increase their hours. But it can be difficult to increase hours without changing jobs, and for some groups, such as lone mothers, stability in work may be more important than more working hours, to enable them to manage work and family responsibilities<sup>16</sup>. There is also some evidence to suggest that those in work do not understand, and find it difficult to meet, these work requirements and that sanctions not only cause hardship but are experienced as arbitrary and unjust<sup>17</sup>.
15. Universal Credit is a national scheme, not devolved to the Welsh government, so there is no real option to vary the design. However there are some areas where local activity to support the effective implementation of the scheme will make a difference, and where work is already under way.
16. In respect of hardship due to payment delays or sanctions, the Discretionary Assistance Fund and the Discretionary Housing Payments system provide for emergency financial support for some, and monitoring these in relation to Universal Credit would provide information on whether and how people are being affected.
17. In relation to information and advice, the Universal Support delivered locally (USdl) programme provides the framework, allowing the development of local partnerships and the opportunity for innovation and experimentation. Sharing ideas and identifying good practice will be important in making these into effective and joined-up services<sup>18</sup>. Self-employed people are eligible to claim Universal Credit, as well as employees, and this requires advice and support tailored to their needs.
18. The extension of the work requirements to people who are already in work and other household members is a significant change, with major implications not just for claimants but also for devolved public services, for example skills and training provision and employment support services. The extent to which these are ready for Universal Credit needs to be assessed and provisions developed as appropriate. Similarly, the impact of monthly payments on systems in the public and third sector (especially in respect of housing costs and council tax) needs to be monitored and systems revised as appropriate.
19. It will also be important to work with business and employers, to provide relevant information about Universal Credit and to support the development of 'good jobs'. The level of wages is one part of this, and seeking to increase the number of employers paying higher wages would reduce reliance on Universal Credit. The hours of work on offer are also important. Universal Credit work coaches will be expected to work with employers to develop job opportunities, but there are no specific requirements placed on employers to offer job contracts with a minimum,

or guaranteed, number of hours, or to enable people to increase their hours of work.

20. Tax credits have become a very significant source of income for many working families over the past two decades. Providing financial support to people with low and variable earnings is important to making the economy work for people on low incomes. Further work to assess the labour market and wider impact of Universal Credit at local level, and on different groups within the labour market, will thus be critical for future policy development.

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<sup>1</sup> With thanks to Fran Bennett, Rita Griffiths and Victoria Winckler for comments.

<sup>2</sup> DWP (2010) *Universal Credit: welfare that works*, London: DWP.

<sup>3</sup> Preface to DWP (2015) *Universal Credit at Work spring 2015*, London: DWP.

<sup>4</sup> The [DWP map](#) shows where Universal Credit is available, and the [schedule for 2017 and 2018](#), London: DWP.

<sup>5</sup> Keen, R. and Kennedy, S. (2016) *Universal credit changes from April 2016*, House of Commons Library.

<sup>6</sup> Finch, D. (2015) *A poverty of information: Assessing the government's new child poverty focus and future trends*, London: Resolution Foundation.

<sup>7</sup> DWP (2016) *Evaluation of the Universal Support Delivered Locally trials*. London: DWP.

<sup>8</sup> This does not apply to those moving to Universal Credit from legacy benefits. DWP (2017) *Universal Credit: different earning patterns and your payments*.

<sup>9</sup> DWP estimates that 80% of cases were paid in full at the end of the first assessment period. *The Guardian* (25.8.2017)

<sup>10</sup> House of Commons Work and Pensions Select Committee (2017) *Universal Credit update inquiry*.

<sup>11</sup> The Trussell Trust (2017) *Early warnings: Universal credit and foodbanks*. The Trussell Trust.

<sup>12</sup> [House of Commons Hansard](#) (2017).

<sup>13</sup> [The Guardian](#) (2017).

<sup>14</sup> Millar, J. and Bennett, F. (2016) Universal Credit: assumptions, contradictions and virtual reality. *Social Policy and Society*. 16(2):169-182

<sup>15</sup> See [Women's Budget Group](#) website.

<sup>16</sup> Millar J. and Ridge T. (2017) *Work and relationships over time in lone-mother families*. Joseph Rowntree Foundation.

Millar, J (2016) Evidence to House of Commons Select Committee inquiry [In-work Progress](#).

<sup>17</sup> Wright, S. (2016) *First wave findings, Universal Credit*.

<sup>18</sup> DWP (2103) *Local Authority Led Pilots: A summary of early learning from the pilots*, London: DWP; Centre for Social Justice (2016) *Next steps for universal support in Universal Credit, Roundtable Report*. London: CSJ.