

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

Making the economy work for people on low incomes

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1. Social security in Wales

1.1 The major change to social security provision in Wales is the introduction and roll-out of Universal Credit. In addition to this, several policies have impacted people on low incomes, including:

- Household Benefit Cap
- Spare Room Subsidy ('Bedroom Tax')
- Benefit rates, below poverty levelsⁱ, reduced by rate freezes and uprating mechanisms (ensuring year-on-year long-term devaluation of benefits relative to wages and costs of living).

1.2 This written evidence is focused on Universal Credit and back-to-work support.

2. Universal Credit

2.1 Universal Credit (UC) is the new working age benefit that replaces six existing payments (Income-Based Jobseeker's Allowance, Employment Support Allowance Work Related Activity Group, Income Support, Working Tax Credit, Child Tax Credit and Housing Benefit). UC is being rolled out first in full digital service areas (to be completed by September 2018), then these will become live service areas. Roll-out has been delayed, but existing benefit and tax credit claimants are expected to transfer to UC from July 2019 – March 2022. The roll-out for Wales is due to intensify in autumn/winter 2017 and spring/summer 2018ⁱⁱ.

2.2 What might Universal Credit roll-out mean for Wales? Universal Credit (UC) was designed to: simplify working age benefits, particularly to ease the transition between benefits and paid work; to ensure that being in work was more financially viable than being out of work; to provide employers with flexible workers; and to reduce fraud and errorⁱⁱⁱ. Since UC was announced, several changes and cuts have reduced the generosity of the payment (caps, tapers and restriction to only two children^{iv}) and undermined its ability to deliver what was promised^v. Research shows that UC is likely to create challenges for claimants in Wales due to:

- In-built waiting days and long assessment periods lead to payment delays (officially approx. 5 weeks^{vi}, but up to 10 weeks in practice^{vii}) between claiming and receiving the first payment, meaning lengthy periods without income despite entitlement.
- Sanctions
 - UC sanctioning rates are higher than for Jobseeker's Allowance (JSA)^{viii};
 - Multiple UC sanctions hit harder because they are consecutive, rather than concurrent;
 - UC extends sanctioning to partners of claimants and claimants in work (for whom UC replaces Working Tax Credit^{ix});
 - Sanctions are harsh (up to 3 years or indefinitely until 'recompliance') and disproportionate (e.g. miss an appointment, lose income for a month)^x;
 - Sanctioned claimants are rarely informed of their right to Hardship Payments and only tiny proportions tend to apply^{xi};

- Hardship payments are made at a reduced rate, available after a two-week waiting period of no income;
 - newly for UC, Hardship Payments must be repaid;
- Mandatory reconsideration and administrative delays deter appeals (even for those with good cause that can be evidenced) and claimants may be unaware that penalties ramp up for subsequent sanctions.^{xii}
- New digital requirements, including Day One Conditionality (e.g. having an email account and using Universal Jobmatch) and the digital by default claims process, make it more difficult for those with language, literacy and dyslexia-type conditions to establish and maintain their claim.
- Lumpy monthly payments that combine income, housing and child components at below-poverty rates that are very low by cross-national standards^{xiii}, making budgeting more difficult, poverty more prevalent and deeper for those in-work^{xiv} (particularly couples with children) and out of work and increasing risks of rent arrears, eviction and destitution.
- Dilution of lone parent ‘easements’ – provisions to protect reduced travel distances and working/job-search hours under JSA have been reduced to guidance under UC, meaning that lone parents face greater pressure to prioritise paid employment over caring activities
- 35 hour working/job-seeking model – UC usually requires 35 hours per week of paid work or job search, which disadvantages those impaired by disability/long-term health conditions and carers (disproportionately women), for whom full-time work is not realistic. There are tensions between inflexible Jobcentre Plus conditionality requirements (e.g. fixed appointment times) and contemporary employer practices (e.g. short notice work on zero-hours contracts).

2.3 These features are likely to worsen the financial circumstances of many claimants in Wales and be detrimental to the Welsh economy (since low income households spend a high proportion of income locally). Unmanageable debt and housing arrears are likely to increase, along with increased risks of eviction, destitution and food poverty^{xv}.

2.4 Recommendations:

1. Universal Credit information and take-up campaigns are launched in Wales, designed to reduce stigma and to mitigate the disentanglement strategy pursued by the UK Government. This will maximise income for households (both in and out of work) rightfully entitled to UC and support the Welsh economy.
2. Mitigating action is taken to reduce the financial impact of welfare reform in Wales, including the costs of Universal Credit, sanctions and likely reductions in those with entitlement making claims (in the medium-term this will include in-work recipients who would otherwise claim Working Tax Credit, including public sector employees)^{xvi}.
3. The Assembly for Wales and local authorities work collaboratively with the Department for Work and Pensions and Jobcentre Plus to minimise sanctioning (e.g. by creating more positive cultures of enablement) and create good practices that ensure dignity and respect for claimants and JCP work coaches (e.g. flexible appointment times for workers, parents and disabled people/those with long-term health conditions, including those with learning difficulties and mental health difficulties).

4. Investment in welfare rights advice to ensure that those who are entitled, do make and retain their claim.
 - New forms of flexible (online and phone) support and advocacy for Mandatory Reconsiderations and appeals.
5. The National Assembly for Wales lobby the UK Government for greater welfare powers to make changes to Universal Credit administration, most crucially to ensure:
 - claimant choice over whether payments are made weekly or monthly;
 - default payment of the housing element to social and private landlords, with claimant choice to opt in to receiving the housing element directly;
 - default payment to the main carer, rather than the main earner to ensure that children's needs are put first and to minimise financial abuse.
6. The National Assembly for Wales lobby the UK Government to:
 - ease the sanctions regime (for example, to reduce penalties in proportion with the 'offence' e.g. non-financial or shorter duration and/or lower benefit reductions for common service sector occurrences such as missed appointments)
 - reinstate lone parent 'easements' as duties rather than guidance.

3. Back-to-work support

3.1 There are several weaknesses inherent in the design of reserved welfare-to-work programmes, like the UK Government's Work and Health Programme, which are detrimental to people living on low incomes in Wales and to the Welsh economy. Inbuilt disincentives, including harsh sanctions, deter use of the programmes and benefit claims. This is likely to worsen under Universal Credit, meaning that essential benefit income will be lost to individual households and local economies, contributing to more prevalent and deeper experiences of poverty, deprivation and destitution. Several issues create challenges for benefit claimants in Wales:

- Underfunding and disinvestment, UK active labour market programmes are the most frugally funded in Europe^{xvii}.
- Very little support is offered, meaning that the system operates mainly on a coerced self-help basis^{xviii}
- The combination of profit-based service commissioning (payment by results in a market dominated by large multi-national providers) and punitive social security reforms creates strong disincentives to claiming benefits and using services.
- Recent Work Programme evaluations show underperformance in Wales, with the hardest to help benefitting least, which reinforces inequalities.

3.2 Recommendations:

1. That the National Assembly for Wales lobby the UK Government for greater welfare powers, to achieve parity with the Scottish Parliament's legislative and administrative powers relating to social security and back-to-work support. Greater Welsh control could enable:
 - Locally-informed design of employability programmes (to replace the Work and Health Programme), based on user experiences and research evidence, rather than ideology or myth^{xix};
 - Funding allocation based on the principle of social investment (rather than 'work first' deterrence), which could result in more meaningful and sustainable outcomes for service users, especially those facing multiple barriers.

- Removal of the profit motive from employment service design could redirect resources to services based in Wales, reduce fraud and ensure that services are designed to deliver what users need rather than what shareholders can profit from;
 - Removal of employability programme sanctions on the rationale that high quality services can attract users because they deliver what claimants need.
2. That bespoke Welsh back-to-work support services be developed in local areas, particularly for lone parents, disabled people and those with long-term health conditions and in-work Universal Credit claimants, on a voluntary basis, ensuring dignity and respect, practical support (e.g. help with form-filling) and a focus on user-defined long-term outcomes (including training, job retention).
 3. That the National Assembly for Wales engage with employers to promote the employment of part-time carers, disabled people and those with long-term health conditions.

Appendix One: Universal Credit Roll-Out in Wales

Month	Local Authority	Jobcentre Plus Area
July 2017	Torfaen	Cwmbran, Pontypool
Oct 2017	Neath Port Talbot	Neath, Port Talbot
Dec 2017	Swansea	Gorseinon, Morriston, Swansea
Feb 2018	City of Cardiff	Cardiff Alex House, Cardiff Charles Street
	Carmarthenshire	Ammanford, Carmarthen, Llanelli
	Isle of Anglesey	Amlywch, Holyhead, Llangefni
	Merthyr Tydfil	Merthyr Tydfil
	Monmouthshire	Abergavenny, Caldicot, Chepstow
April 2018	Blaenau Gwent	Abertillery, Ebbw Vale
	Gwynedd	Bangor, Caernarfon, Dolgellau, Porthmadog, Pwllheli
May 2018	Caerphilly	Bargoed, Blackwood, Caerphilly
	Ceredigion	Aberystwyth, Cardigan
June 2018	Gwynedd	Machynlleth
	Powys	Brecon, Llandrindod Wells, Newton, Machynlleth, Welshpool, Ystradgynlais
	Vale of Glamorgan	Barry
July 2018	Rhondda Cynon Taf	Aberdare, Llantrisant, Pontypridd, Porth, Tonypany, Treorchy

Appendix Two: British Benefit Sanctions (2012-present)^{xx}

Benefit/programme	Low e.g. non-attendance at Jobcentre Plus or Work Programme	Medium e.g. failure to be available for work	High e.g. failure to apply for a job or refusal of Mandatory Work Activity
Jobseeker's Allowance	Benefit stopped or reduced for: 1st/2nd 'offence' = 28 days 3rd = 91 days		1st/2nd = 91 days Then = 182 days– 1,095 days
Universal Credit	Benefit stopped until re-compliance, or reduced for: 1st = 7 days 2nd = 14 days 3rd = 28 days	1st = 28 days 2nd/3rd = 91 days	1st = 91 days 2nd = 182 days 3rd = 1,095 days
Employment and Support Allowance Work Related Activity Group	Benefit stopped until re-compliance, then 1st = 7 days 2nd = 14 days 3rd = 28 days		

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- ⁱ Kenway P (2009) *Should Adult Benefit for Unemployment now be Raised?* York: Joseph Rowntree Foundation.
- ⁱⁱ See Appendix One; DWP (2016) *Universal Credit: Transition Rollout Schedule – July 2017-September 2018*: <https://www.gov.uk/government/publications/universal-credit-transition-to-full-service>
- ⁱⁱⁱ DWP, 2010a, 21st century welfare, London: The Stationery Office; DWP, 2010b, Universal Credit: Welfare that works, London: The Stationery Office
- ^{iv} <https://www.gov.uk/universal-credit/what-youll-get>
- ^v Finch, D (2016) Universal challenge: making a success of Universal Credit Resolution Foundation.
- ^{vi} <https://www.gov.uk/government/publications/universal-credit-different-earning-patterns-and-your-payments/universal-credit-different-earning-patterns-and-your-payments-payment-cycles>
- ^{vii} Wright S Dwyer P McNeill J and Stewart ABR (2016) First Wave Findings: Universal Credit: <http://www.welfareconditionality.ac.uk/wp-content/uploads/2016/05/WelCond-findings-Universal-Credit-May16.pdf>
- ^{viii} Webster D (2017) *Benefit Sanctions Statistics: JSA, ESA, Universal Credit and Income Support for Lone Parents* : <http://www.cpag.org.uk/david-webster>
- ^{ix} Dwyer P and Wright S (2014) 'Universal Credit, ubiquitous conditionality and its implications for social citizenship', *Journal of Poverty and Social Justice*, 22 (1) 27-35.
- ^x Wright *et al.* (2016), see note viii; See Appendix Two
- ^{xi} DWP (2013a) *The Jobcentre Plus Offer: Final Evaluation Report* London: DWP; National Audit Office (2016) *DWP Benefit Sanctions*, London: National Audit Office.
- ^{xii} Webster D (2016) *Explaining the rise and fall of JSA and ESA sanctions 2010–16*: <http://www.cpag.org.uk/david-webster> ;
- ^{xiii} Esser I, Ferrarini T, Nelson K, Palme J and Sjöberg O (2013) *Unemployment Benefits in EU Member States*. Geneva: European Commission; Kenway P (2009) *Should Adult Benefit for Unemployment now be Raised?* York: Joseph Rowntree Foundation.
- ^{xiv} Bailey, N (2016) Exclusionary employment in Britain's broken labour market. *Critical Social Policy* 36, 1, 82-103
- ^{xv} Fitzpatrick S Bramley G. Sosenko F Blenkinsopp J Johnsen S Littlewood M Netto G and Watts B (2016) *Destitution in the UK*, York: Joseph Rowntree Foundation.
- ^{xvi} Williams E and Carter L (2015) *The Impact of Welfare Reforms on Housing Policy in Wales: A Rapid Evidence Review* Public Policy Institute for Wales
- ^{xvii} Bonoli G (2010) The political economy of active labour market policy *Politics & Society* 38(4): 435–457.
- ^{xviii} Fletcher D R and Wright S (2017) 'A hand up or a slap down? Criminalising benefit claimants in Britain via strategies of surveillance, sanctions and deterrence', *Critical Social Policy*, (forthcoming)
- ^{xix} Wright S (2016) 'I don't want your benefits!' Welfare reforms fail to understand the day-to-day lives of those on benefits LSE blog; Newman I (2011), 'Work as a route out of poverty: a critical evaluation of the UK welfare-to work policy', *Policy Studies*, 32: 2, 91–108.
- ^{xx} p28–31, DWP (2010b) Universal Credit: Welfare that works. London: HMSO; DWP (2015b) Work Programme Provider Guidance: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/505310/wp-pgchapter-3a.pdf
- Citizen's Advice (2017) Benefits for People Looking for Work: https://www.citizensadvice.org.uk/benefits/in-work-or-looking-for-work/benefits-for-people-looking-for-work/#h_jobseekers_allowance_and_sanctions