

## Introduction

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

This update is in addition to our original written and oral evidence submissions to the Committee last summer. It highlights some of our more recent evidence and concerns around the rollout of Universal Credit (UC), particularly in relation to how Universal Credit is working for those in work and our evidence to date on Universal Support.

We recognise that policy linked to Universal Credit is a reserved matter. However, as this benefit will form such a key element of the future income of many low income families in Wales we believe the Committee should be made aware of Citizens Advice's latest evidence and concerns. There is also a need to fully consider the implications of UC rollout on Welsh Government policy and programmes.

- 1.2 By 2022 Citizens Advice analysis<sup>1</sup> shows **over 400,000 households in Wales** (31% of all households) will be receiving Universal Credit, around half of whom will be in work. Citizens Advice has unparalleled evidence on the roll-out of Universal Credit:

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<sup>1</sup> Based on national patterns of benefit claims from Family Resources Survey 2014-15 and constituency level administrative data from the DWP and HMRC (August 2015).

- During 2017 our advisers across England and Wales have supported **more than 49,000 people** with **nearly 94,000 Universal Credit issues**.
- We've had **over 800,000 visits** to our UC web pages in the last 6 months.
- We are seeing the equivalent of **1 in 10** new Universal Credit claimants every month.

1.3 In Wales, between April 2017 (when UC full service started to be implemented in Wales) and the end of December 2017, local Citizens Advice offices have helped **more than 1,900 people** with **nearly 3,500 UC issues**. Our local offices are reporting quarter by quarter increases in people seeking our support.

1.4 Citizens Advice supports the principles and aims of Universal Credit - to simplify the benefits system and improve work incentives. We are closely monitoring the rollout of the new benefit and its impact on people we help. We have published two reports and welcomed the steps taken by the Chancellor in the Autumn Budget 2017 towards fixing the problems we have identified. We continue to share our evidence and raise issues as they arise. Alongside our general UC monitoring, we are undertaking research on the impact on working households and on disabled people and those with health conditions. We are looking to publish our findings in these areas shortly.

The majority of this submission is an abridged version of our latest submission to the Work and Pensions Select Committee's current Universal Credit inquiry (which is due to be submitted on 16 January).

## The role of welfare benefits

### Universal Credit and work - self employment

2.1 There are around 201,000 self employed people in Wales. The self employment rate (14% of the working population) is slightly lower than the UK average (15%)<sup>2</sup>. Citizens Advice analysis shows median earnings for self-employed people lag significantly behind earnings for employees<sup>3</sup>. This means a significant proportion of the self-employed workforce are potentially eligible for in-work benefits, and will be looking to Universal Credit (UC) for support.

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<sup>2</sup> Status of employed persons by Welsh local authority and measure (year ending 30 June 2017), StatsWales.

<sup>3</sup>Who are the Self-Employed, Citizens Advice & New Policy Institute, 2015 (Figures taken from the Families Resources Survey 2013-14)

- 2.2 Universal Credit brings with it some fundamental changes for self-employed people compared to the legacy benefit system, including changes to how income is assessed and reported. UC is assessed monthly whereas tax credits are annual. This approach reduces the likelihood of overpayments. However it does mean that UC tends to work best for people in the most 'traditional' models of work: who are directly employed, working a fixed number of hours each week, and paid once each calendar month.
- Self-employed people are more likely to have variable, non-monthly and irregular incomes. For some people Universal Credit will help to smooth monthly income fluctuations but for others it can make their income far less stable.**

Citizens Advice are already seeing evidence of this. We are continuing to monitor this issue, including undertaking research on the challenges faced by people with non-traditional working patterns and incomes.

- 2.3 Under UC a number of new rules are also set to intensify the level of scrutiny on self employed people. These include the introduction of the 'gainful self-employment' test, minimum income floor and surplus earnings rules. These rules are in addition to other policies introduced in UC such as the claimant commitment and in work conditionality. The new rules for self employed people are intended to incentivise progression and make sure that people on Universal Credit are running genuine and viable businesses. These rules will penalise unviable businesses but also carry the risk of affecting self-employed people in viable businesses and choking off new businesses before they have had the time to become viable.

Further details can be found in the Citizens Advice response to the Work and Pensions Select Committee which will be forwarded to the Committee once submitted.

- 2.4 **We are currently calling on the UK Government to test and assess the variety of rules for self-employed people on UC** in order to understand how best to tackle fraud and avoid unintended labour market consequences.

Citizens Advice believe that self-employed people should be able to access an equivalent level of support to their employed counterparts.

## **Universal Credit and work - work incentives**

- 3.1 At its launch UC had ambitions to significantly improve work incentives. Since then, a series of significant cuts to the benefit have reduced the financial awards available and weakened work incentives.

Reducing the taper rate in UC and increasing work allowances are two methods that would help improve work incentives. Both let people keep more of their money as hours and earnings increase.

- 3.2 Lowering taper rates improves marginal returns to work but we believe there needs to be substantial change for most families to feel a significant impact in their budgets and work incentives. Increased work allowances extend how many hours people can work with no penalty in their benefit entitlement. This is a more targeted approach as work allowances are set at different rates (including £0) for different groups of benefit claimants. It can provide significant improvements in financial work incentives for those currently working the fewest hours.
- 3.3 To help the people most affected by poor work incentives, **Citizens Advice is calling on the UK Government to invest in work allowances.** Alternatively, to make small improvements for all claimants, the taper rate could be reduced.

## Universal Support

- 4.1 The way UC is claimed, paid and managed will mean major adjustments for many people. Universal Support should be providing this assistance and helping people adapt. Citizens Advice is concerned that **currently support is not being delivered consistently and at a high enough standard in different areas.**
- 4.2 At the end of November 2017 Citizens Advice Cymru held a roundtable event to discuss Universal Support in Wales. The aim being to bring together representatives from key organisations<sup>4</sup> and look at how we can work together to provide the most effective support for UC claimants in Wales.

A summary report detailing the outcome of these discussions is currently being prepared and can be shared with the Committee if this would be helpful. Key issues raised by participants included the need for:

- more preparatory work and awareness raising ahead of further UC rollout in Wales to ensure all supporting organisations and employers, large and small, have access to correct information about UC and what it may mean for their clients/employees
- better use of existing systems (including the legacy benefit system) to identify support needs

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<sup>4</sup> This included representatives from Welsh Government, WLGA, Money Advice Service, Citizens Advice regional UC intelligence hubs in Wales, and a number of other third sector organisations.

- a more comprehensive support package, with tailored and targeted support for particular groups (eg. lone parents; those in work; disabled people; people for whom English is a second language and those with more chaotic lifestyles)
- ensuring organisations delivering support have the resources to manage demand at the time it's needed
- improved intelligence gathering to assess what's working and what's not working in relation to support provision
- greater consideration of how UC implementation, and any support linked to this, fits with particular programmes or policy specific to Wales. This includes the Welsh Government's free childcare offer; the Council Tax Reduction Scheme; passported benefits (including free school meals), and programmes delivered by the Welsh Government and others to upskill and support people into work.

4.3 During our roundtable discussions there was overall agreement that **more needs to be done strategically across Wales to plan and coordinate Universal Support**, including an agreement on what true 'joined up' support looks like. There was also a widely held belief that the **Welsh Government could and should be doing more in this regard**. It was suggested this should be linked to work being undertaken on the future funding of advice in Wales.

4.4 At the UK level **Citizens Advice is calling on the UK Government to ensure people have access to a minimum standard of support to help them adapt to Universal Credit, which is published**.

This should, at a minimum, include

- a) Ensuring all UC claimants are made aware of, and can access budgeting support and digital support which is appropriate to their needs;
- b) Expanding the scope to include help to make and complete a claim with support available to help people manage their finances whilst waiting for their first payment
- c) Making funding available for free impartial debt advice to meet existing increases in demand as a result of Universal Credit.