

## **CONTACT – WRITTEN EVIDENCE (EUC0103)**

### **The economics of Universal Credit**

Contact is the charity for families with disabled children, health and rare conditions. Contact has offered specialist advice on benefits to families for more than 15 years. Local advice services or other national helplines offering advice often lack the necessary expertise to properly advise families with disabled children. Independent evaluation of our specialist welfare right team shows that we are a one of kind service not only do offer high levels of expertise, parents say we are were very responsive, '*compassionate*', empathetic and calm. Our service helped families claim over £3 million in extra entitlements over the period 2016-2018. That's money that wouldn't have claimed without us.

Calls to helpline about Universal Credit have more than doubled in the last year, reflecting the increased confusion and concern over the benefit. Our research with more than 3000 families shows that 7 in 10 are worried about the impact of Universal Credit.

#### **Section 2: Summary of key points**

- 100,000 families with disabled children will be worse off by more than £1,800 per year per child as a result of the 50% cut to the lower child disability payment under Universal Credit. That's more than £180 million less going towards helping disabled children with their extra care and disability costs.
- Families with disabled children affected by this change to Universal Credit are already struggling to afford basics like food, heating and increasingly specialist equipment and therapies. Families that often can't work as much as they would like, due to their complex caring responsibilities. Census data indicates that 150,000 families now provide more than 100 hours of complex care per week – that's the same as 3 full-time jobs, and saving the NHS billions each year.
- While Contact has particular concerns about cuts to disabled child additions, there are a number of other features of Universal Credit that are likely to have a negative impact on families with disabled children:
  - Stopping payments for disabled children with looked after status who are in residential care
  - Suspending all universal credit payments for children who are away from home for more than 6 months, such as children in hospital
  - Expecting a full time carer to look for work where they share the care of a severely disabled child with a partner
  - Expecting a full time carer to look for work while they are waiting for a decision to be made on their child's claim for DLA
  - Cuts to payments for disabled carers
  - The difficulties for disabled young people in education.
- Many parents are astounded at the complexities surrounding claiming Universal Credit. Our research shows 7 in 10 families are worried about the introduction of Universal Credit. Parents tell us that it is very difficult to source specialist advice locally.

- Parent carer Natasha said: *'I may have given up on the claim had it not been for your advice and continued support. My local advice organisation told me that my son would not qualify and the Jobcentre gave the same incorrect advice.'*
- No assessment into Universal Credit's impact on families with a disabled child as a specific group has been published.

### **Section 3: Key recommendations**

- Reverse the 50% reduction to the lower child disability addition under Universal Credit as it's not achieving the intended policy goal (or widen the criteria for the higher child disability addition to include children on the middle rate of the Disability Living Allowance (DLA) care component and children on the high rate mobility component (and the equivalent rates of Personal Independence Payment (PIP)).
- Allow parents to continue to receive Universal Credit payments in respect of a disabled child who is living away from home solely due to their disability. Parents should be entitled to continue to receive Universal Credit payments in respect of that child regardless of whether they have looked after status.
- Automatically place a parent in the 'no conditionality' group if they provide at least 35 hours a week care to a severely disabled child and the only reason they are not eligible for Carer's Allowance is because their partner already claims it.
- Automatically place a full-time carer looking after someone waiting for a Disability Living Allowance (DLA) or Personal Independence Payment (PIP) decision in the 'no conditionality' group for up to 26 weeks (or until a decision has been made on the claim).
- Allow a parent carer who is disabled to receive both the carer addition and an adult disability addition in their Universal Credit award.
- Amend Schedule 8 of the Universal Credit Regulations (which is a list of the circumstances where someone is treated as having a limited capability for work) to add "the claimant is undertaking a course of education and is entitled to Disability Living Allowance, Personal Independence Payment or Armed Forces independence payment". This would bring the Universal Credit rules for students into line with the corresponding rules for students under Employment and Support Allowance.
- Extend transition protection families with disabled children worse off as a result of a change of circumstances via natural migration.

I enclosed further information that explains in more detail the points.

### **Section 4: Impact of natural migration on families with disabled children**

A family can be asked to claim Universal Credit if they have a change of circumstances that would have formerly led them to make a new claim for a legacy benefit. As a result changes such as a parent losing their job (often more likely with caring responsibilities), moving to a new rented property in a different council area (perhaps to access a specialist school for a disabled child) or a couple separating (again more likely with households with a disabled child) can lead to a family asked to claim Universal Credit.

Even parents of a child whose Disability Living Allowance (DLA) award is reduced or lost on renewal can also end up on Universal Credit, even if they are subsequently successful in appealing and overturning that DLA decision.

Consider the situation of an out of work parent on income based job seekers allowance (JSA) who is relatively new to caring. Their child has been awarded DLA middle rate for first time. Unable to continue juggling job-seeking, under legacy benefits they would have commonly chosen to move from JSA and onto Income Support. Now they would need to claim Universal Credit instead. What would once have been seen as a positive move to benefit from reduced conditionality, can now lead to a parent carer ending up £1800 a year worse off than if they had instead remained on JSA and child tax credit.

Research from Contact shows of those families with disabled children now claiming Universal Credit 71% are worse off.

## **Section 5: Aligning child and adult disability payments**

Contact has received correspondence from the Minister for Disabled People that the reduction to the lower child disability addition is based on aligning adult and children additions to make it fairer. However, we do not believe that this policy genuinely aligns the treatment of disabled adults and disabled children.

This is because eligibility criteria for the disability addition are different for adults and for children, with the criteria applied to children being significantly harder to meet.

An adult qualifies for the higher disability addition if they are assessed as having a limited capability for work and for work related activity. However, for a disabled child under 16 they must either have a severe visual impairment or qualify for the highest rate of the DLA care component. This means that they must be so severely disabled that they require not only care during the day but also at night. This is a much more stringent test than that applied to adults. It is difficult to equate an adult's limitations in the workplace with a child's need for care or supervision by both day and night.

There are many children with complex needs such as cerebral palsy, rare conditions and severe autism, who need high levels of care through the day but who mostly sleep at night and so do not qualify for highest rate of the care component. Nevertheless, these children have severe disabilities requiring high levels of care and support. As a result of this difference in the eligibility criteria, many children who only get the lower addition will become eligible for the higher addition as soon as they start to be treated as adults. The lower payments they get as a child are solely a consequence of their age rather than any reflection of the severity of their disability or their care needs.

Furthermore, the rationale for setting the lower child disability addition at £126.11 per month no longer exists. This figure was equivalent to the amount paid to disabled adults who were found to have a limited capability for work. However, since April 2017 that payment for disabled adults was scrapped for new claims. In the absence of equivalent payment for adults, the lower child

disability addition has in effect become an arbitrary amount and one that has been frozen since 2015 rather than uprated with inflation.

Families bringing up a disabled child have always faced financial challenges, but the impact of the lower disabled child addition under Universal Credit are only likely to exacerbate those problems. Contact is hearing from more and more families caring for a disabled child and claiming Universal Credit who are finding it impossible to cope with the reduced financial support, and are being forced to make difficult choices, like visiting foodbanks, missing mortgage or rent payments and going into debt management programmes.

### **Section 6: Numbers affected by the lower child disability addition**

The government hasn't carried out an assessment of how Universal Credit will impact on families with disabled children as a distinct group. Therefore details of the numbers of families likely to lose out are sketchy. In 2011 the government estimated that 100,000 disabled children would qualify for lower payments under Universal Credit. However, the true figure for those affected is likely to be higher.

### **Section 7: Won't families who are worse off be transitionally protected?**

Transitional protection means that if you are entitled to less money under Universal Credit than you were paid before, you receive a top-up, to make sure you are no worse off. However, it is important to realise that if you are someone who has to claim Universal Credit because your circumstances change (via natural migration), or if you are someone who chooses to claim, there is no transitional protection.

Transitional protection will only apply to those who have no change of circumstances and who are moved onto Universal Credit under the process of 'managed migration'.

### **Section 8: Stopping payments for disabled children with looked after status who are in residential care**

Under the tax credits system a parent continues to receive payments for a child in a residential setting, so long as they are being accommodated because of their disability. This remains the case even if that child is treated as 'looked after' by the local authority.

New rules under Universal Credit Under Universal Credit no payments will be made for any child who is treated as 'looked after' by the local authority under section 22 of the Children Act or section 17(6) of the Children (Scotland) Act. The only exception will be where a child is only 'looked after' during a planned short break. A child can have 'looked after' status even if they are being accommodated on a voluntary basis, and this may apply to some children in residential schools, as well as those in residential care.

### Cost to parents

Most parents of a disabled child with 'looked after' status continue to incur significant costs, still paying for their child's clothing, personal belongings, as well as the costs of leisure or social activities. In many cases, 'looked after' children will also return home frequently, not only during school holidays but also during term times. However if, as seems likely, they retain 'looked after' status during temporary returns home, no Universal Credit payments will be made, even during those periods at home. This means a loss of up to £660 per month (or £7,900 per year) for each 'looked after' child.

### Impact on other benefits

To make matters worse, once a child has had 'looked after' status for six months, they will no longer be included as part of the household when calculating the number of bedrooms a family needs under the size criteria rules. These size criteria rules, better known as 'the bedroom tax,' are a feature of calculating how much help a family will get with rent under Universal Credit, in the same way as they currently apply to Housing Benefit. As a result, some families will see the loss of Universal Credit payments for their 'looked after' child being followed six months later by a cut in the help they receive towards rent. It also appears that families in this situation could lose protection from the household benefit cap, as they will no longer count as being responsible for a disabled child.

### **Section 9: Suspending all universal credit payments for children who are away from home for more than 6 months, such as children in hospital**

Even if a child doesn't have 'looked after' status, Universal Credit payments stop if a child is expected to be temporarily absent from home for more than six months. This will include where a child is in hospital for six months or more – children whose payments continue indefinitely under the existing tax credits system. Like the parents of 'looked after' children, parents of children who are temporarily away from home for six months will also be at risk of cuts in their payments towards rent, and the loss of protection from the household benefits cap.

### **Section 10: Expecting a full time carer to look for work where they share the care of a severely disabled child with a partner**

Under Universal Credit, a carer who provides at least 35 hours a week care to a child getting certain disability benefits is normally exempt from 'conditionality'. This means they can claim Universal Credit without having to look for work, or meet any other work-related conditions. However, where two parents both provide at least 35 hours or more care to the same severely disabled child, only one of them will be automatically exempt from conditionality. The other parent will be expected to look for some work, unless Jobcentre staff agree to use their discretionary power to exempt that carer from having to meet work-related conditions.

## **Section 11: Expecting a full time carer to look for work while they are waiting for a decision to be made on their child's claim for DLA**

Under the current system you can claim Income Support as a carer while looking after someone who is awaiting a decision on a DLA/PIP claim. By allowing carers to claim Income Support rather than Jobseeker's Allowance, carers are exempt from having to look for work. This provides an important safety net for carers who, through no fault of their own, often face lengthy delays waiting for a decision on a disability benefit.

Unfortunately, there is no similar rule within Universal Credit. This means that a full-time carer waiting for a DLA/PIP decision will not be exempt from having to look for some work. They will also not be able to benefit from the discretionary power mentioned in the section above, as this power can only be used where the cared for person is already on DLA (or PIP) at certain rates.

## **Section 12: Cuts to payments for disabled carers**

Under the existing means-tested benefits system, a parent who cares for a disabled child and who is severely disabled themselves, can receive an extra carer element payment because of their caring responsibilities. This is as well as an extra payment because of their own limited capability for work. Under Universal Credit, a claimant can either qualify for a carer element payment, or an extra payment because of their limited capability for work, but not both.

### Impact on lone parents

This cut will have a particular impact on lone parents. If a couple includes a carer who is disabled, there will be scope for the non-disabled partner to qualify for the carer element. This allows that household to retain both a carer and an incapacity payment. In contrast a disabled lone parent who is also a carer will lose out by around £30 per week.

## **Section 13: The difficulties for disabled young people in education**

The general rule is that people who are 'receiving education' cannot get Universal Credit. However there are some exceptions to this rule. For example a disabled student is able to claim Universal Credit so long as they meet two tests:

- A. They get DLA or PIP; and
- B. They have a limited capability for work.

The second test is proving problematic for the families we support. Payments can only be made once the young person has been put through a medical assessment by the DWP. Not only can this take several months to do (during which time the young person is not entitled to Universal Credit) but in some cases parents report that the DWP are refusing to carry out the assessment.

If tax credits and child benefit payments for a young person stop due to their age and no replacement income is available in the form of Universal Credit, this

leads to some families with disabled young people experiencing a sudden and unexpected cut in their monthly income of up to £758. This is causing huge economic hardship as well as stress and anxiety to families already under enormous financial, emotional and physical pressures.

Some parents report being advised by DWP staff that they will need to take their child out of education in order for their young person to get Universal Credit. This goes against the government's stated intentions to help young disabled people reach their full potential and close the disability employment gap. Many feel the system is set up to make them fail and goes against the ethos of the SEND reforms.

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