VIVID HOMES – WRITTEN EVIDENCE (EUC0119)

The economics of Universal Credit

1. We are a Housing Association based in Hampshire with over 30,000 properties. We have a tenancy support team who assist customers with their Universal Credit claims and problems. This submission is based on our experience.

   How well has Universal Credit met its original objectives?
2. The architects of Universal Credit said that it would simplify the system and make work pay. We do not think this has been the outcome.

3. *Simpler system*
   We are a divided nation, between those who have an Alexa, smart TV, and numerous gadgets, and those who have no IT skills, Wifi or equipment, and struggle with getting online. This makes maintaining a Universal Credit claim for those with low skills very difficult, and those who are IT literate are sometimes puzzled by this; claimants are advised to go to their local Job Centre or library, but many are closing in smaller towns, and when they get there, they struggle to get online. We frequently come across customers who have lost or forgotten their Universal Credit account username and password, email address and password, and their security questions. We help them update their details so that they can access their claim, although the security questions cannot be changed without closing the existing claim and starting a new one (not recommended!) but for some people this is all too much; they find it very frustrating and overwhelming. Whilst it is now possible for claimants to make a phone claim - although we have found that this is sometimes discouraged - claimants are sometimes helped to make their claim online, but they do not have the skills to maintain the claim. It is not possible to switch between a digital and a phone claim, although the DWP have a work around, but it is not a straight forward process and the claim may close for lack of engagement.

4. Although the payment screens have improved over time, customers find it very difficult, if not impossible, to understand how their award has been calculated, and we have to translate it for them. As advisers, we must be familiar with the rules relating to both legacy benefits and Universal Credit and advise customers on entitlement to both. Once they claim Universal Credit in most cases they can't go back to legacy benefits. Unfortunately, if they claim the wrong benefit, they may be many hundreds of pounds worse off. As an example, the rules relating to Mixed Age Couples are extremely complex, making it difficult to explain, and fraught with danger when advising. Further information may need to be gathered in order to give our customers the best advice, and this can take time and delay the claim. Backdating is very difficult to get on behalf of customers, even where they have relied on incorrect advice from the DWP or their Local Authority.

5. *Make work pay*
   See below re wage cycles, but in addition, when someone has a claim for Universal Credit that ends - because in that month the claimant has earned

too much – they have to reclaim. This was not how it was initially designed to work; we do not understand why this has changed, it was supposed to come back into payment automatically when the information from the Real Time Information system was received. If the claimant makes a rapid reclaim, they maintain their monthly assessment period, but they have to actively reclaim. If they don't do this promptly, they will be financially disadvantaged.

6. Universal Credit has reduced the need to stop or start claims when moving in and out of work, provided the claimant doesn't earn too much to come off Universal Credit (see point above). The fact that the payments increase and decrease in response to the claimant's wages going up or down, is an improvement on Housing Benefit. Previously claimants who had variable wages had to keep the Housing Benefit department updated to avoid overpayments/underpayments.

Were the original objectives and assumptions the right ones? How should they change?

7. *Wage cycles*
One of the biggest problems with Universal Credit is the assumption that people are monthly paid. It can work well for those that are paid monthly, provided their pay date doesn't coincide with the end of their Monthly Assessment Period. But most of the customers we work with get paid weekly, fortnightly or four weekly. Their Universal Credit will increase and decrease because of their wage payment cycle, even though their wages may be static. If they are paid 4 weekly – as many who work in retail are - they will have one month when they get two wages, and their Universal Credit will be substantially reduced, if not ended altogether. Similarly, those paid weekly will have four months in which their Universal Credit is reduced because they have 5 weekly wages. This makes it very difficult to budget. When we explain this to customers, they find it difficult to understand or they feel that it is overly complicated. If the claimant receives other benefits eg Carers Allowance they are averaged over the year. Thought should be given to allowing claimants to average their earnings over a four weekly basis instead of a calendar month depending on their circumstances.

What have been the positive and negative economic effects of Universal Credit?

8. When they claim, customers have to wait a month and 7 days before they receive their first payment. If they have no money, they can get an advance of up to 100% of what they are likely to receive, but this has to be paid back in 12 monthly instalments. This can be suspended for up to three months, but it cannot be reduced or spread over a longer period however much financial hardship the customer is in. The DWP have also used Universal Credit to recover outstanding overpayments of benefits. Up to 30% of the customer's standard allowance can be deducted to repay eg benefit overpayments, rent arrears, or an advance. Universal Credit is already set at a very low level (£317.82 per month for a single person), if 30% is deducted

on an on-going basis this leaves customers in destitution (£222.48 per month). Customers are often shocked at the low level of benefit that they will get. We regularly complete financial statements where Universal Credit recipients do not get enough money to meet the basics of life; this is mainly due to the deductions imposed.

9. As a result of the low amount of benefit that customers get, they sometimes do not pay all that they receive for their housing costs to their rent account. As a landlord we can ask for a managed payment to landlord, to allow us to receive the housing element. However, this is currently paid for 12 out of 13 four weekly periods, which makes it difficult for us and the customer to manage their rent account. This is due to change but we don't know when. Deductions for rent arrears will continue to be paid at this frequency. We can currently ask for an amount direct from the customer's Universal Credit towards arrears of rent, but this is set at either 10 or 20% of the standard allowance depending on what other deductions are being made. This can be too high; but if we don't ask for it, another creditor may get the money and we won't, so we often have no choice but to ask for this. This does not help customers to sustain their tenancy.

What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?

10. *Removal of work allowance*
Originally every claimant was going to be entitled to a Work Allowance on Universal Credit; a work allowance is the amount that someone can earn before their Universal Credit is affected. Work allowances for people who do not have children, or a Limited Capability for Work were removed in November 2015. So now, a single person who works 16 hours per week on minimum wage, paying £100 per week in rent is about £180 per month worse off than they would have been. For some people without a work allowance, it is hardly worth working after travel costs, and other work expenses are taken into account, particularly if they have on-going deductions too. In fact they may be worse off than if they stayed on legacy benefits.

11. *Welfare reform changes*
The impact of the bedroom tax and the benefit cap also reduce the amount that our customers have to live on. Under legacy benefits only the claimant's housing costs are affected; under Universal Credit the money that they are supposed to use to heat and eat can also be reduced, pushing them into poverty and impacting on their ability to pay their rent. The benefit freeze has seen the income of our customers stagnate, whilst their costs have risen.

Which claimants have benefited most from the Universal Credit reforms and which have lost out?

12. *Benefitted*
    Those that are paid monthly and are already used to budgeting on a monthly basis and have good IT skills find the transition much easier and like Universal Credit – providing they don't have many deductions.

13. The system of Housing Cost Contribution for non-dependants is easier to understand and set at a reasonable level under Universal Credit; the rules regarding lodgers is also more straightforward.

14. *Lost out*
    Those who have difficulty maintaining their claim due to the rigid demands of the system, for example they fail to make an appointment in time or they discuss and verbally accept their claimant commitments at the JCP, but then fail to accept it online, thinking that they have already done this; many claims failed at that stage.

15. Young parents, under the age of 25 receive a lower standard allowance; there is no logic to this – they have the same costs as parents over the age of 25.

16. Claimants who lose a partner whether through death or separation; if they have previously been on legacy benefits, they are forced on to Universal Credit at what could be the worse possible time; their income stops and they then have to wait for one month and seven days for their first payment, or get a loan that they have to repay over 12 months.

17. Mixed age couples – as discussed below

18. All overpayments are recoverable whatever the cause; previously overpayments were not recoverable in certain circumstances – this is not the case under Universal Credit. The DWP Minister Will Quince stated in a written answer on 23rd January 2020 that £19.3 million in Universal Credit overpayments caused by official error have been recovered in 2018/19. The Minister also confirmed in a written answer that only 10 UC claimants have had their debts waived due to hardship. This means that the only people who pay the price for the DWP's mistakes are the claimants.

19. We often find it very difficult to help customers with a learning disability, low levels of literacy or a disability that impacts on their ability to communicate. We have issues with explicit consent, even where the customer has included permission in their journal or where they can't answer their security questions. On one occasion we had a problem discussing the customer's claim because he couldn't give his verbal permission on the phone – he is profoundly deaf and couldn't hear what the person was saying!

How has the world of work changed since the introduction of Universal Credit? Does Universal Credit's design adequately reflect the reality of low-paid work?

20. Zero-hour contracts have been around for a few years so their impact could have been foreseen when designing Universal Credit. If the claimant has some savings and can keep their earnings for the month, supplemented by their Universal Credit, and then pay their bills for the following month, they will be able to manage. But most people live hand to mouth; few of our customers have savings to allow them to do this forward planning.

If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?

21. Claimants with the severe disability premium (SDP) in their legacy benefits who transitioned onto Universal Credit, initially lost this extra money. They now receive ongoing compensation. Those recipients still on legacy benefits with a severe disability premium are currently prevented from claiming Universal Credit, but they will eventually be moved onto Universal Credit with transitional protection. There is no equivalent recognition in Universal Credit for those in similar circumstances who are newly disabled and need to make a claim for a qualifying benefit eg Personal Independence Payment. We believe that there should be some equivalent to the SDP in Universal Credit.

22. We are assisting some low paid disabled customers to go through the work capability assessment, because if they are awarded the Limited Capability for Work or the Limited Capability for Work Related Activity, they will be entitled to the work allowance, although they will only get an additional element as well if they are placed in the latter group. We have to argue that customers have a limited capability for work, even though they are working so that if they can do a few hours work they can get the work allowance. We believe that all workers should be entitled to a work allowance.

23. Mixed age couples are now prevented from claiming Pension Credit and have instead to claim Universal Credit. The standard allowance for a couple on Universal Credit is £498 per month; on Pension Credit the equivalent amount for a couple is £1,106 per month. The government makes much of the triple lock, but this change will have an adverse impact on pensioner poverty. The current Universal Credit rules allow the pensioner to be treated as if they have a Limited Capability for Work Related Activity and thus entitled to additional money, but only if they are in receipt of Attendance Allowance or the highest rates of Personal Independence Payments or Disability Living Allowance. We believe that there should be an additional element to reflect that there is a pensioner in the household; there is a pensioner element in all legacy benefits.

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