



Select Committee on Economic Affairs

Corrected oral evidence: The economics of universal credit

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Members present: Lord Forsyth of Drumlean (The Chair); Baroness Bowles of Berkhamsted; Lord Burns; Viscount Chandos; Lord Fox; Baroness Harding of Winscombe; Baroness Kingsmill; Lord Livingston of Parkhead; Lord Monks; Lord Skidelsky; Lord Stern of Brentford; Lord Tugendhat.

Evidence Session No. 9

Virtual Proceeding

Questions 79 - 91

Witnesses

I: Michael Royce, Senior Policy Manager, Money and Pensions Service; Minesh Patel, Principal Policy Manager, Citizens Advice; Dr Sharon Wright, Professor of Social Policy, University of Glasgow.

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Examination of witnesses

Michael Royce, Minesh Patel and Professor Sharon Wright.

Q79 **The Chair:** I welcome Michael Royce, Minesh Patel and Sharon Wright to the Committee. Thank you very much for coming to give us your thoughts. Perhaps I could ask the first question of Mr Patel. Where does Help to Claim support begin and end for claimants? What limitations are built into the contract with the Government?

Minesh Patel: Thank you for the opportunity to give evidence this morning. I will start by saying a bit about what Help to Claim is. Then I can talk about the service and the limitations. It is a service that we have been delivering since April 2019. It is free and impartial, and it is designed to support people to make an initial claim for universal credit. Importantly, the support we provide will stop at the point at which somebody receives their first payment.

We are delivering this service across multiple channels. That includes webchat, phone and, pre coronavirus, face to face. We are supporting people across a number of areas—setting up their online account, verifying their ID, gathering the evidence and then preparing for their first payment. As I said, the support will stop at the point at which somebody receives their first universal credit payment.

We are also doing some work to think about what ongoing support looks like for people on universal credit, such as managing your money and housing problems. That is the scope of the service, up until you receive your first payment for universal credit.

The Chair: What sort of take-up has there been for Help to Claim and the services provided by the Money and Pensions Service? How has that been affected by the current Covid-19 outbreak?

Minesh Patel: Help to Claim has supported 250,000 people to date. The coronavirus pandemic has had an impact on our service, as with everything in our day-to-day lives. We have not been able to offer a face-to-face service, but the benefit of having a multichannel approach has meant that we have been able to move quickly. We have moved around 2,500 of our advisers to offer support by webchat and over the phone. We saw similar increases in demand for our service, which mirrored the spikes that were seen with universal credit claims. That has now started to drop.

To give you a sense of the numbers, on our phone chat we saw a 163% increase in claimants compared to the pre-coronavirus period. On webchat over a similar period, we saw an 89% increase. Those levels have started to come back to normal now, but this is something we are keeping an eye on with the ongoing impact of coronavirus, particularly as we start to see the easing off of the job retention scheme and other protections, which could lead to further spikes in claimants applying for universal credit and needing support from our service.

Michael Royce: At the Money and Pensions Service, our services are offered through various channels—online, webchat and a helpline, as well as printed guides. Since mid-March, we have seen a big spike in the numbers accessing our services. Over a million have accessed our guidance on how to deal with the financial implications of the pandemic on their household finances. In addition to that, just under 700,000 people have accessed our self-serve universal credit guidance, where we offer an online budgeting tool to help them understand any financial implications of moving on to universal credit.

Included in that big increase in numbers are those who will be new to the benefits system and those whose household incomes or savings levels prevent them from making a claim to universal credit. We try to support them in other ways when that is the case. Where necessary, where they cannot self-serve and need additional help to make a claim for universal credit, we will refer them through to the Help to Claim service. Where it becomes apparent that the user's financial circumstances are such that they could benefit from accessing debt advice, we will refer them to free-to-client debt advice services, many of which we commission through the Money and Pensions Service.

Q80 Lord Fox: This question concerns the digital predisposition of the DWP and who it might disadvantage. There are groups of people who do not have the digital skills and perhaps will never be able to acquire digital skills, and people who do not have routine access to the digital technology required, but also disabled people. Disability Rights UK pointed out a disparity between the Equality Act 2010 and the DWP's priorities. In other words, the rights of disabled people are not being prioritised by the way in which the digital platform of UC is being delivered. What are your feelings on that?

Professor Sharon Wright: We have interviewed a lot of people who have difficulties accessing digitally. A lot of claimants use their phone and it is very difficult. Even if you have digital literacy, it is difficult for people to afford the basic necessities. We are talking about a group of claimants who are usually living in poverty. Usually, they already have financial difficulties before they start their claim for universal credit, and those are much worsened by the five-week wait. They usually plummet into very severe financial difficulties. People are engaging with the system when they are very anxious, and mental health problems are widespread. When people try to use the system, they struggle.

They often do not have a computer at home and might have to go somewhere to use one. That would usually have been a local library, but as a result of austerity cuts a lot of library services have also been affected. People are often using their phone, but people do not necessarily have a good phone set-up. It might cost you £25 per month for mobile data. That is a huge proportion of your income, because universal credit rates are so low. People do not necessarily have good IT devices. Their tablets or phones might be very limited. Even seeing the tiny writing on the screen to understand their obligations and how many hours per week they have to claim for is incredibly difficult for people.

In multiple studies, I have found that there is a difference. Some people find it very easy to access digitally. They like it. They prefer it to the other system. There is another large group of people who find it incredibly difficult. That can be because of language and literacy difficulties or even just eyesight. We are talking about claimants in their 50s and even 60s trying to look at these tiny things, because everything is done digitally now. Going to a jobcentre 20 years ago meant looking at rows of job vacancy cards. Now, to look for work, most people have to use their device. You look for and apply for jobs on your phone. The usual expectation is 35 hours a week, which is very difficult for many people to manage.

I would certainly recommend a change to open up different routes for access. The system does not allow people to set up their claim in any way other than digitally. There are some limited options for phoning up, but if you do that your claim is not properly on the system and cannot later be accessed digitally. It seems perfectly reasonable to expect DWP to operate in the way many organisations, such as insurance companies, routinely operate so that people can phone up and deal with a claim that exists in a digital system but can get advice over the phone line.

Lord Fox: Would you endorse the point about disabled people and their disadvantage?

Professor Sharon Wright: Yes, absolutely. A lot of people who are disabled or have long-term health problems are claiming universal credit. That is quite different from our usual assumptions about who would be claiming benefits. Because it includes people in and out of work, and because of changes over the last 10 years, more and more disabled people are claiming universal credit. It is really important that people with disability have accessible services.

The Chair: Thank you very much, Professor Wright, for that very helpful and informative answer.

Q81 **Viscount Chandos:** Does the design of universal credit entrench debt among certain claimants? How significant is the debt owed to the Government? Are there mitigations or lessons that the Government could learn from private sector lenders to help manage the debt burden better? Perhaps I will repeat the declaration of interest I have already made as an independent board member of the Credit Services Association.

Michael Royce: I will refer you to the report published by the National Audit Office in 2018 called *Tackling Problem Debt*, which identified the need to improve the quality and availability of our data from both central and local government. The way this data is collected is quite patchy, and the NAO report quite rightly focused on that aspect in its recommendations. The report went on to say that government, both central and local, could learn from the private sector in certain regards in adopting some of its debt management practices. That work is very important, not least in the Cabinet Office's fairness group, as it is called, which reviews how government interacts with people who are in debt.

As for what the private sector can teach government in its debt collection practices, we know that the private sector invests more money. It tends to segment its customers in more meaningful ways in the sense that it seeks to engage them on any debt issues they face through the communication channels it uses. The current response to Covid-19 and the forbearance schemes which the private sector is engaging people on, with payment holidays and so on, show how fleet of foot it has been in proactively engaging its customers who may face financial difficulties. Through the Cabinet Office fairness group, there is an opportunity to learn from that experience and see how it can be adapted and adopted, to whatever degree, by central and local government.

Minesh Patel: At Citizens Advice, we support the principles of universal credit for a simpler system to support people into work, but there are certain design features that we feel risk exacerbating people's debt situation, for instance the five-week wait that is built into universal credit. In research we carried out last year, we saw that two-fifths of universal credit claimants have fallen behind on rent arrears or mortgage payments, compared to around 23% of legacy benefit claimants. There will be a number of factors here, but we think that the five-week wait contributes to this. People are often in precarious financial situations before moving on to the benefit.

Advance payments are available, but this is a debt that has to be repaid. We are seeing that people we support are more likely to borrow in other ways or fall behind on bills. We are calling for advance payments, particularly in this context, to be temporarily turned into grants, or a review of how deductions are taken for advance payments. We have seen pauses on deductions for things such as legacy benefit overpayments and tax credit overpayments. We think that advance payment should be added to this to ease that financial pressure for people, particularly as you are going to have a new group of claimants coming on to the system who will have faced a sudden income shock. Those are some mitigations that would be useful, particularly around debt for people on universal credit.

Professor Sharon Wright: Our research also supports those recommendations. Universal credit design entrenches debt. One of the main problems is the five-week wait. Because five weeks is usually longer than the period when people would have their rent or mortgage payment due, it almost guarantees that people have severe financial difficulties. Advance payments can help some people, but of course those have to be repaid, which is incredibly difficult for people to manage because the basic rate of universal credit is not generous enough to cover the basic necessities of living.

There has been really good research by the Joseph Rowntree Foundation that calculates how much people need for basic necessities. That research could be used as a basis for revising the rates at which universal credit is paid. Because of Covid-19, there has been an increase in the generosity of the benefit rate, but that is still too low. We should not be in a situation where working claimants have to use food banks. I have

interviewed several people in my research where that has been the case. People should not have to use food banks. We should have a social security system that allows people to manage the basic necessities in and out of work.

This is where I would disagree with Professor Brewer in the earlier session, when he argued for greater in-work conditionality. My research has shown that in-work conditionality does not work. Currently, people can be sanctioned when they are already working and can have additional financial problems. They can have income withdrawn for one month or for three months, on top of these inadequate benefits and having to repay their advance and other consumer debts or existing rent arrears.

That is an impossible situation for people to deal with. It is provoking existing mental health problems in people with depression and anxiety. I have interviewed people who have got past breaking point and are suicidal. I have interviewed people who have told me that they considered committing suicide because of the financial difficulties this system has brought into their life.

The Chair: That sounds very distressing.

Q82 **Lord Livingston of Parkhead:** Professor, you mentioned sanctions. The existence of sanctions is one thing, but there is also the rate of sanctions and the deductions that come. A sheriff I know in Scotland told me that he is barred from applying the sort of rate of deductions which the UC system seems to have within it. We could debate whether to have sanctions at all, but it is really important to look at the very least at the rate of sanctions. The justice system should not have a different rate from the UC system.

Professor Sharon Wright: That is absolutely right. It is very strange that the social security system can now impose greater financial penalties than the courts but without the same level of scrutiny or evidence. It is very easy to trigger a sanction by, for example, being late for an appointment or not providing what a work coach considers to be adequate evidence of job search. My point earlier was that if you are trying to look for a job on your phone it can be very difficult to document that evidence in these tiny little boxes on the screen. Sanctions are incredibly problematic.

The system was made much harsher in 2010. It started with what has been described by Dr David Webster as an internal DWP great sanctions drive. Benefit offload targets were introduced to encourage front-line workers to refer claimants for sanctions. That led to a quarter of jobseeker's allowance claimants being sanctioned. It was an incredible increase. The rate of sanctions has fallen since then. There was public outcry about it. The harshest sanction, the three-year sanction, has been abolished, but we still have open-ended sanctions and the penalties are very disproportionate to the transgressions. If you are late for an appointment, you could have no income for 28 days. They ramp up very quickly on the second and third occasions, so you can have no income for

91 days. This is far too harsh. The British system is the second harshest in the world, and it became very harsh very quickly.

In the research I have been conducting with colleagues at the University of York about welfare conditionality, we followed for several years a set of people who claimed universal credit from 2013, and we found that sanctions are counterproductive. In-work conditionality in particular does not work. The DWP's own randomised control trial showed that in-work sanctions and conditionality did not lead to any increases in employment. In fact, in wave 2 of the DWP's own study, there were fewer people in work than there were in wave 1. It did not help people to progress in their careers and it did not lead to greater earnings.

There is a major problem with conditionality in that it is far too punitive. It affects people who are sanctioned and has an enormous effect on the entire claimant group. People are really scared and very anxious, and that shapes their whole interaction with the system. People have told us consistently over the last five years that when they go to the jobcentre they feel criminalised. You arrive there and you cannot get inside the building; you need to be allowed in by a security guard. Immediately, people say that they feel like a criminal; they feel criminalised, they feel like they have done something wrong. Then they are threatened with sanctions, which shapes the whole encounter.

This idea that the system offers so-called individually tailored support is a misnomer. The system makes people feel punished and makes them have a very difficult experience, which is a deterrent. That is a major flaw in the universal credit business case. The business case for universal credit assumes a high take-up and that this high take-up will encourage people to move into work and to get more work. Sanctions that are this hard, very low rates of benefit and a five-week wait put people off from having any engagement with the system because it is so awful. That deterrent effect undermines the potential economic benefits of the policy as a whole.

Q83 Lord Burns: Could I follow up on these issues of assistance? You spoke about digital assistance. Is there any reason why claimants' files cannot be updated when they go on the phone rather than using their device? We would also like to explore whether there are any other areas of support that are lacking. I would be particularly interested to know your views about where the need for support arises. Is it for new claimants? To what extent is it for those with changed circumstances? How much of it is to do with people who are in fact regular claimants of the system?

Professor Sharon Wright: It is important to understand that there is not very much support at all. The UK system is deterrence-based and stick-based. What people have as support is DIY job search. There are very brief appointments at the jobcentre, maybe fortnightly, maybe less frequently, and those are very cursory interactions.

In my most recent research, which was funded by the Joseph Rowntree Foundation, we were able to interview work coaches, who told us that

they have very large case loads and are not able to spend much time with each of their clients. When someone comes in with them, they end up spending a lot of their time talking about financial questions. Claimants have a lot of questions about how they can get their money and whether their money is correct. That dominates the very short interaction. It is usually only a few minutes—maybe two or three, less than five—so there is no time for this idea of coaching or supporting, or they might only be very minimal interventions.

When you compare that with other countries, our system in the UK is very embarrassing. Most other countries' public employment services offer much better forms of support. Norway, for example, has qualified psychologists who are based in jobcentres. They can give people a very high quality of support, psychologically and emotionally, and they might have different tools for assessing or supporting clients. In the UK, the system is self-help based. People are just compelled to look for jobs. That is what the system is. It is empty. If you think of a toolbox that someone might have to go to work, work coaches have an empty toolbox because all the system has given them is the threat of sanctions. Their job is undermined by the complexity involved in the finances of the situation.

People have told us repeatedly over many years in separate studies that, although some work coaches might be empathetic and kind, they do not generally find the jobcentre a very helpful place for getting a job or for getting help. They find it a place that is concerned mainly with financial benefits and where they are likely to feel intimidated or be threatened with a sanction.

The Chair: Have you sent the research you have done, which has been published, to the Committee?

Professor Sharon Wright: I do not think I have. I can send that on.

The Chair: I think we would be very interested to see your work in this area.

Michael Royce: For the last three years, work coaches in jobcentres have routinely referred claimants on to our self-help tools and our helpline if a financial issue has been identified during the claimant commitment processes. By doing this, we are not trying to make work coaches into financial experts; that would be inappropriate. But we think it is important that people know that additional help is there to help them understand how much their financial situation might be impacted by moving on to universal credit after experiencing a shock to their income. Work coaches have a lot to do during the claimant commitment processes, so by necessity it needs to be light touch.

In terms of other support available to claimants, from evidence we and others have gathered, we know that what we call a trusted intermediary or trusted messenger, acting as a financial first aider, not a financial expert, can help particularly vulnerable people to understand the systems they are engaging with and to begin to make sense of their financial

situation. We are testing this model at the moment with offender management services, supported housing services and mental health services, so it could be applied across all health and well-being support services. For those who can self-help, we have those processes in place to quickly get them through to the help they need. For those who need more intensive support, we look to these trusted intermediaries as a key tool in the range of options we have to support people.

Minesh Patel: I agree with the points Professor Wright made earlier. I will not go into detail, but similarly in our research we have seen people not getting adequate time with work coaches or tailored support, particularly for groups of disabled people.

People agree to their claimant commitment at the same time as they are waiting for their universal credit payment. People are often not in the right mindset to be thinking, "What is best for me in looking for work?" People are focused on getting their money. We think there is a case for splitting out the process so that you have that conversation with your work coach about any steps you will take to look for work after you have had your universal credit payment, so you have that secured, as well as a case for continuing to review how conditionality is working.

Similarly, sanctions should only be used as a last resort, because they can cause more detriment to people, rather than help people to move into the labour market.

Q84 **Baroness Harding of Winscombe:** I want to push a bit on how we better serve the currently digitally excluded. Professor Wright, while I hear you that we need to have a multichannel approach and I should be able to ring up as well as access on my phone, I would also argue that being digitally excluded forces you to pay more money for an awful lot of goods. It is one of the awful problems that being digitally excluded often means you are societally excluded as well.

Should we not be doing more to make universal credit genuinely easy to access digitally? There is no excuse for only being able to see a tiny box on my mobile if the access has been designed for mobile first, rather than for expensive Macs and PCs. There is no excuse for not providing training and development for people to learn how to use digital. That will help them for not just universal credit. What is being trialled, if anything, to improve access and the digital skills of those who currently find universal credit impenetrable?

Professor Sharon Wright: Our research shows that the DWP has put a lot of effort in to improving the online offer. A lot of resource and thought has gone into how the digital system operates. That is one part of the system where there have been real improvements, and that is beneficial. For example, being able to use the journal, as it is called, is helpful for claimants who can operate digitally. They can contact their work coach and avoid a sanction by rearranging their appointment, or they can provide evidence of their job search that way. That is much more flexible than the system before.

DWP has put a lot of effort into the design of the computer system. It could be improved for mobile phones. There are two basic problems. The first is a major financial problem. It is difficult to imagine that people really cannot afford computers or tablets, or cannot afford to get to a place where they can use them, but that is the case for a lot of people who are living in poverty. People who are claiming universal credit are almost by definition living in poverty.

The people we saw in our study who struggled the most tended to be people with language difficulties, people with literacy difficulties, or older workers. I talked to one man in his 50s. He had his phone and was with his work coach, who showed him how to open his claimant commitment, and he was looking at it and discussing it. Then he accidentally clicked out of it and it became apparent that he had no idea how to get back into it. That completely undermines any effort to find work or to use that system. That man was a manual worker who had worked in shipbuilding for his entire working life up until that point. It did not seem realistic to expect him to be able to adapt very quickly to a new way of operating.

Similarly, I can think of another interviewee in her 60s who had been a cleaner her whole life. She was managing between three and five cleaning jobs at the times we spoke to her over three waves of interviews. It was just not part of her world to use computers. Just grappling with a phone was hard enough. She had to get help from her son. Several other people in our study were relying on family members, neighbours or friends to help them do the basics. I agree with the idea that it is easier, cheaper and better to do things online, but there is a wide gap between the idea and the reality of people's lives. When they are living in poverty, they do not have the devices or the connectivity; they cannot afford the data or the wi-fi. They are not able to engage in that way.

Baroness Harding of Winscombe: Should we accept a digitally excluded part of the population? If you go to UK online centres, you will find that you can train people for a relatively small amount of money. Quite a lot of providers would like to provide free devices. Should we not be doing that as part of a universal support package?

Professor Sharon Wright: It would be useful to increase the availability of devices and it is useful to increase training. Some people will be able to respond in that way, but in reality it will not be possible for everybody to operate in that way. I am based in Scotland. There are parts of Scotland where you cannot even get a phone signal, never mind wi-fi.

The Chair: Speaking from Scotland, where I cannot get a mobile phone signal, I entirely agree.

Michael Royce: I will just mention two organisations in the digital inclusion space. The Good Things Foundation operates thousands of online centres in community settings across the country. These are based in libraries, churches and many other community centres. Alongside job search training through digital means, it offers support to people on their

finances, such as claiming UC, equipping them to make financial transactions online, and broader money management and budgeting.

The other organisation is called We Are Digital, which focuses on helping to combat the poverty premium. At the moment it is funded by a foundation called Fair By Design and is testing ways of bringing people who currently are digitally excluded into digital inclusion, to help them make better use of their finances and overcome the poverty premium they have faced to date.

Minesh Patel: On phone claims, while it is not a perfect option, we are seeing that claimants often have little or no understanding that this option is available. There is a case in the short term for better awareness and promotion of these options, particularly in the context of coronavirus, where that face-to-face support has gone. I completely agree with the points about looking more broadly at digital access in terms of equipment, skills and channels, not only across universal credit but to access a range of services. And thinking about Help to Claim and universal support, we are thinking about what support beyond that initial first claim looks like to capture the range of support needs claimants might have when applying for the benefit.

Q85 **Lord Tugendhat:** Returning to Baroness Harding's question, is there a gap here that could be filled to some extent by charities? I am thinking perhaps of charities being able to organise helpers to accompany these individuals who have digital difficulties to the interviews. I quite see that the shipbuilder and the cleaner Sharon Wright referred to are not going to be working on their computer skills in their homes when they do not have to, but it might be very helpful for such people to be accompanied to their meetings over universal credit. I wonder to what extent that happens and to what extent charities are seeking to fill this gap.

Professor Sharon Wright: The main issue is not the face-to-face meetings but in establishing a claim in the first place. To make a claim for universal credit, you have to use a digital system. That is the default. The problem people have is in making their initial claim in the first place. A lot of charities and local authorities are offering support to people. In Glasgow, for example, we had universal credit hubs that were supported by the city council. They helped people with the basics, but there are certainly people falling through the net. Not everybody who needs to establish a claim can do that easily. There are basic problems in establishing identification and having a bank account, which create barriers for people.

Minesh Patel: With our local offices at Citizens Advice, we can offer that face-to-face support and support people with making a claim on a computer, over an online system. There are lots of other charities locally providing this support. Any move to increase support for people to make a digital claim needs to be properly funded so we have enough support and charities can deliver that at scale and can make sure that people are not falling through the gaps, as Dr Wright said there.

Q86 **Lord Fox:** There was mention of trusted third-party intermediaries some time ago. Assuming that they really are offering a beneficial effect and given, presumably, that there are not enough of them, what could the Government reasonably do to nurture the availability of those trusted third-party groups?

Professor Sharon Wright: Invest money.

Lord Fox: Yes, but in whom and how? Throwing money on to the street may be one thing, but who would we encourage? I am assuming Mr Royce and Mr Patel would say it is them. I do not know.

Professor Sharon Wright: Austerity cuts have made an enormous difference to the availability of charitable or third-party support. We need to acknowledge that some services that previously existed have closed and others have been really challenged by austerity cuts in local areas, which have undermined independent advice and support services in some regions of the UK.

The Chair: Mr Patel, I think that was a cue for you.

Minesh Patel: One of the arguments for setting up Help to Claim was to have a national service where you would not have disparities across local areas. One of the benefits of Citizens Advice covering lots of issues is that we can signpost to different areas beyond the support we are providing across Help to Claim. We work closely to signpost to other organisations. It comes down to thinking about the range of support needs that somebody might have, such as budgeting, digital, immigration and housing, and making sure that you have the right organisations, that they are adequately funded, and that they are joining up appropriately, rather than duplicating efforts or having disparities in local areas. It is something that we are keen to think about, particularly in the context of coronavirus, where we are going to see the huge shifts in our economy and the state of the job market.

Q87 **Baroness Bowles of Berkhamsted:** Is the department doing anything to identify vulnerable claimants, including those struggling with long-term debt, to ensure universal credit can accommodate their circumstances? Having heard evidence from Professor Wright, I am tempted also to ask whether we are doing better than a debtors' prison.

Professor Sharon Wright: I do not know exactly what DWP is doing to identify vulnerable groups. There is a lot of scope to do better in this field, because people are really struggling financially. A lot of people are struggling very badly financially. Whatever DWP is currently doing, there is scope for it to do better.

There are some examples in Glasgow, where I have recently been doing research about universal credit, which have set up a safeguarding system between support organisations and DWP to give advanced warning of people who are particularly vulnerable—people who find it very difficult to deal with the digital system, for example—in order to try to avoid sanctions. That is useful as part of a solution, but the fundamental

problems here are with the adequacy of the benefit rates and the five-week wait.

Minesh Patel: From the perspective of Citizens Advice, the simplification of the benefits system in universal credit has led to cases where those vulnerabilities are not always being picked up on.

To touch upon debt and deductions under universal credit, for things like advance payment, rent arrears and energy debt, even though government has made welcome moves to reduce the cap on deductions and increase the time to repay these, within that there needs to be a better understanding of how much claimants can pay.

There was discussion earlier about good practice in other sectors. When we support debt clients, we use something called a standard financial statement, which works out how much somebody can feasibly afford to pay and still have enough to live on. In the universal credit space, we are seeing that can often be a bit of a blunt instrument. We think there needs to be greater discretion so that those deductions are taken at a rate that is appropriate for the individual.

Baroness Bowles of Berkhamsted: Could anything else be done? Does anybody else have any thoughts?

Michael Royce: Before the pandemic struck, we were actively collaborating with the Department for Work and Pensions on three workstreams. We were trying to identify pinch points in the claims journey, particularly for vulnerable claimants, and how, collectively, not only between DWP and Money and Pensions Service but with other advice agencies such as Citizens Advice, we could work to support those claimants at those touchpoints during their claim and as they were accessing payments and managing their money.

We had to pause that work, because the team we were working with was pushed to the front line to help with the surge in claims and to make payments. Once circumstances allow, we will look to resume that piece of work with DWP, Citizens Advice and other agencies.

We were looking at three areas. The first was better alignment between the Help to Claim service and the services we commission for money guidance and debt advice. The second area was engaging people as early as possible to make a claim for UC. Evidence suggests that many who could claim wait several weeks before doing so, by which time they may already have built up several weeks of arrears. We were looking at a way of working through lawyers, housing providers and others, collaboratively, to educate people as early as possible to make a claim if they are eligible to do so.

The third area had a particular focus on vulnerable claimants. We identified local Jobcentre Plus areas where we could bring together the agencies to better align support services, so that when we identified a claimant as in a particularly vulnerable situation, whether in a financial or

a more holistic well-being sense, we could refer them to the support that would meet their needs along that claimant journey.

As I said, those three work streams will resume once we can resume them. I hope that will go some way towards meeting the needs of particular groups of vulnerable claimants.

Q88 Lord Tugendhat: In my time as chairman of Abbey National many years ago, Citizens Advice helped people who were suffering from mortgage arrears. In the light of that, I wonder whether Mr Patel and Professor Wright think that more could be done to make it clearer to claimants where they should go to access different types of support, not just from Citizens Advice, as important as that is, but other people who provide advice of this kind. Is the system too diffuse? Could more be done to direct people to where they can get help?

Minesh Patel: From our perspective, when we are supporting claimants to make a universal credit claim, if we pick up on other support needs we can direct them within our service or we have local partnerships. Offices will run the service according to local needs in their area. We work closely to signpost to other organisations. Raising awareness is one thing, but that needs to come alongside making sure that we have the right investment in the system and the right protections for how things such as debt are taken from payments. Yes, signposting and better awareness are useful tools to make sure people know the full ecosystem of different types of support in a local area or beyond.

Lord Tugendhat: Do people come to you in significant numbers seeking help of this sort, or are you the ones who have to go out, if I can put it that way?

Minesh Patel: We are seeing a lot of people through the Help to Claim service, but to date we have supported around 600,000 on universal credit. It is our biggest advice issue at the moment with benefits, so it is a big area where we are seeing people with problems. Often, we see people with a multitude of hardships and detriment. We work to triage that to support them in the best way, but we are conscious that we are one of a number of organisations operating in this space, so our role is to direct people to other support services where we might not be able to provide really detailed, tailored support.¹

Q89 Lord Stern of Brentford: We have discussed and learned a great deal about the difficulties faced by claimants. I would like to ask a question about work coaches, who are presumably under a lot of pressure with their case loads and have rules that they are accountable for operating. Could we spend a moment or two on that side of the relationship?

How well are the work coaches doing? How could one make their job better, in terms of time, training, help or opportunities, particularly in the likely context of facing rather high levels of unemployment for quite a

¹ With the breadth of advice areas Citizens Advice covers, this puts us in a strong position to direct clients to other types of support across our advice service

long time, with case loads that would be even bigger than in the past?

Professor Sharon Wright: Jobcentre Plus has been under a huge amount of pressure. In the last 10 years, it has also had several rounds of cost cutting, large-scale redundancies and office closures. Part of that was justified because of the shift to digital design in universal credit. It was thought that there would be less need for so many work coaches on the ground dealing directly with claimants. In fact, with the increase in claimant numbers now and the complexity of their case load, there is a huge demand for work coaches.

The work coaches I spoke to in my recent research project with the Joseph Rowntree Foundation told us that they would like to spend more time with claimants, have longer appointments and have better knowledge of how to deal with very complex health and disability issues. A lot of the people there are trying to help but have huge barriers. The idea of looking for work seems very unrealistic for a lot of the people who are called in to speak to them. Investment in Jobcentre Plus to increase the number of work coaches would be very welcome during Covid and as we come out of and try to recover from the pandemic.

In terms of the interviews, longer appointments would be welcomed by some people who find them very quick and cursory. A few years ago there used to be employment advisers who were specialists in disability and ill health. Those advisers no longer work directly with claimants. They advise work coaches. That means that work coaches do not know very much about health conditions, and their training on that is very limited. They also do not know very much about mental health but are required to make very quick decisions and push people towards employment, even when that does not seem very realistic.

They could also be helped by a change in design of the system that lifts conditionality, eases up on people and reduces the weight of the penalties to make them more proportionate to the sort of issues we are talking about. For example, being late for an appointment should not result in having no income for a month. The system could be redesigned to help work coaches be more supportive and less focused on punishing people.

Lord Stern of Brentford: Might I ask one quick follow-up? You have mentioned time, training, structure and the kind of instruments and sanctions that they are required to operate. Do you think the allocation of their time across clients needs extra attention? Are the people who need the most time getting the least, or is the allocation of what time they have functioning reasonably?

Professor Wright: It is quite hard for me to assess that, because I do not have the insider view of the detail of each person's workload. Some work coaches told me that they had 500 people on their case load. That seems completely unmanageable to me. The problem is one of resource—having more front-line advisers who are available. That might involve speaking to people on the phone rather than in person, or as well as in person, so they can offer some kind of support.

Q90 **Lord Skidelsky:** This question is for Professor Wright primarily, but for the other witnesses as well. We have been told that work conditionality is an essential component of universal credit. Two questions arise. First, how appropriate and successful is the policy to extend work requirements to more people? One has to judge that by outcomes to some extent. That is a criterion of success: the success in finding work. How does one evaluate that claim in the light of all the counterfactuals, the state of the business cycle and other reforms that might occur in the labour market? What is the criterion of success in this programme?

Secondly, how does the UK's conditionality regime compare with that in other countries? I think it was Professor Wright who said that it was the second harshest in the world. Which is the harshest? Do these different degrees of harshness correlate with success in people finding work? All that seems to be very important evidence, but it seems to be very difficult to get hold of that kind of evidence, so we are making our models without any real evidence.

Professor Wright: They are interesting questions. The harshest system in the world is the US.

Lord Skidelsky: I thought so.

Professor Wright: You could probably have guessed. This question is about what sort of society we want. If we want our society to be like US society, that would involve having very high rates of poverty, homelessness and ill health. I am not sure that is the society we want for ourselves in Britain. Our system compares harshly with most other countries. On the support side of it, there are different forms of support that can be offered.

Most countries offer quite a wide range of support types. In the UK, we only really have one form of support: self-help and self-directed job search. That is it. There is a bit of training. There are some support services, but compared with other countries it really is a bargain basement. We spend very little. It is the Ryanair or Poundland of employment services. In other countries, there is subsidised employment, employment placements and training in much more meaningful ways. In Denmark, for example, the employment services work very closely with local employers. They establish what the employer needs and then have very generous training, which works specifically with employers to train the available workforce according to what the business needs. There are lots of different examples of support that we could be offering in the UK that we are not currently offering.

If you want to assess how successful conditionality is, we need to look at outcomes, but we also need to consider processes. When it comes to outcomes, we did not need to introduce this very harsh, punitive system of sanctions, because we already had very high rates of employment. We know that people are often working at a lower rate than their rate of qualification. There is a lot of underemployment and in-work poverty. In the UK, our problem is not that people are not working enough. Almost

everybody who can work already has a job, notwithstanding the current situation.

The problem is not a lack of will. We know that people want to work because people are working. Employment rates are exceptionally high and have been for a long time. This punitive effort is not needed to force people to work, because people already have a very strong intrinsic motivation to work. That is a really valuable thing. The research into motivation talks about extrinsic or intrinsic motivation. Intrinsic is just what you would want to do anyway. You want to work. You want to raise your children well. You want to be happy. Intrinsic motivation is the best type of motivation.

Conditionality and sanctions assume that people are not well motivated to work and have to be forced to take a job. Our research shows that when you ask people, "Do you want to work?", they say, "Yes, I would love to work, but I can't because of this". There are lots of very legitimate reasons why people cannot work. It could be their ill health, their disability, because they are looking after children, or because they are combining all sorts of demands on their life.

When we think about conditionality, we need to think about real people's lives, not a synthetic or androgynous idea of an unemployed person who is able bodied. A lot of people claiming universal credit are constrained in their ability to work because of disability or very substantial caring responsibilities. People want to work, and almost everybody who can work already does, so we do not need to be this harsh on people.

Minesh Patel: I have a super quick point about disabled people. There used to be two work programmes. One was called the Work Programme, which was a generalist programme and had conditionality built into it. Another was called work choice, I believe, which was a voluntary programme for disabled people and people with long-term health conditions. We saw that there were much better outcomes with work choice, where the support was targeted and, importantly, voluntary, compared to the mandated support.

That comparison of two previous employment work programmes gives weight to Professor Wright's point about a conditionality system versus a more targeted system where more trust is built in. You do not have that punitive approach whereby, if you do not do X, you will see a drop in your benefits or be sanctioned.

- Q91 **The Chair:** I wonder if I might ask Professor Wright to comment briefly on something that was said at an earlier session, with some of the architects of universal credit giving evidence. Someone said that everyone is able to work. It worries me that the system is so driven in getting people into work. Some people, perhaps because of mental health or for other reasons, will not be able to hold down a job. Am I mistaken in that belief? Does the system take enough account of the fact that there are people like that? It seems to be entirely driven by the belief that we have to get people into work and work will be a positive thing for them.

Professor Wright: You are entirely right that not everyone is able to work. The system operates on the assumption that work is good for you and that everyone must work. The reality for many people's lives is that there may be some work that they could do, but those jobs do not necessarily exist in their local areas. In the system as it operates now for universal credit, as a default position you have to look for work for 35 hours a week. That is incredibly difficult to do. It might be reduced. You might be able to negotiate a reduction to 16 hours a week, but it is still very substantial job-seeking behaviour.

We have found that a lot of that activity is unnecessary and actually futile. We interviewed people, for example, who were being pressurised to apply for jobs even though they had very little chance of getting them. Multiple people, for example, were required by their work coach to apply for driving jobs when they did not have a driving licence. There were people with health conditions such as skin disorders being told that they had to apply for jobs in kitchens. They felt very angry about that situation. That is just a futile circle going round and round. They have to be seen to be applying for jobs, even when there is no realistic job outcome available.

There is also research by Katy Jones at Manchester Metropolitan University in which she interviewed employers, who also found it incredibly time consuming and unproductive to be overloaded by job applications from unsuitable applicants. This whole process is very dysfunctional. The job search market is dysfunctional, because universal credit is pushing people towards jobs that are not suitable for them when they may be unable to work at all, or maybe are just not well matched towards that particular job. One thing that could be done in this system is reducing those job search expectations so that people are no longer forced to apply for things that are really not useful to them.

The Chair: Thank you very much for that answer, and thank you to all the witnesses for your answers in this session. This has been a really useful session for the Committee. It is really good to have evidence that comes straight from the chalk face, as it were. The Committee is very appreciative of that. That concludes this meeting of the Economic Affairs Committee.