

Work and Pensions Committee

Oral evidence: Universal Credit: the wait for a first payment, HC 204

Wednesday 17 June 2020

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Members present: Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Steve McCabe; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 42 - 95

Witnesses

I: Anvar Sarygulov, Senior Researcher, Bright Blue; Dr Mandy Cheetham, Postdoctoral Research Associate, Teesside University; Dr Sophie Wickham, Wellcome Trust Research Fellow, Department for Public Health, Policy & Systems, University of Liverpool; and Ben Fell, Head of Analysis, Policy in Practice.

II: Mike Brewer, Chief Economist and Deputy Chief Executive, Resolution Foundation; Nicholas Timmins, Senior Fellow, Institute for Government; Patrick Spencer, Head of Work and Welfare, Centre for Social Justice.

Written evidence from witnesses:

[Bright Blue](#)

[Teesside University](#)



Examination of witnesses

Witnesses: Anvar Sarygulov, Dr Mandy Cheetham, Dr Sophie Wickham and Ben Fell.

Q42 **Chair:** I welcome everybody warmly to this meeting of the Work and Pensions Select Committee. Thank you, everybody, for joining us, and a particularly warm welcome to our four witnesses on this first panel for this morning. Thank you very much indeed for being with us.

What I would like to do first is ask each of you to tell us who you each are, very briefly. Can we start with Anvar, please?

Anvar Sarygulov: I am Anvar Sarygulov, a senior researcher at Bright Blue, which is an independent liberal conservative think tank.

Ben Fell: Thank you very much for bringing this session and inviting us to give evidence. My name is Ben Fell. I am head of analysis at Policy in Practice. For anyone who is not familiar with us, we are a software analytics company that works with local government and frontline organisations to improve welfare support. We provide one of the benefit calculators on gov.uk. We also use the engine behind that to provide policy analysis using administrative benefits data.

Dr Wickham: Thank you for the opportunity to provide evidence this morning. My name is Dr Sophie Wickham. I am a Wellcome Trust research fellow in the Department of Public Health and Policy at the University of Liverpool and I am part of a team that researches the effects of welfare reform and poverty on different aspects of health and health inequalities.

Dr Cheetham: My name is Mandy Cheetham and I am a postdoctoral research associate at the University of Teesside, which is part of Fuse, the Centre for Translational Research in Public Health.

Q43 **Chair:** Thank you again, all of you, for joining us. I am going to ask the first question.

Can each of you tell us what you think the impact of the five-week wait for the first regular benefit payment is for people claiming Universal Credit? Let's do it in the order that you each introduced yourself, so starting with Anvar.

Anvar Sarygulov: Thank you for giving me the opportunity to speak.

On the impact of the five-week wait, and just briefly flashing up our research, we conducted in August 2018 interviews with about 40 Universal Credit claimants, a broadly representative sample that included people who faced a number of issues with the system and also people who broadly were managing, coping and adapting to Universal Credit, so quite a mix.

The most common issue that came across to us during our research suggested that it was not only people who struggled overall who faced issues through the five-week wait, but that people who otherwise were



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managing on Universal Credit also struggled with the five-week wait. The precise, main impact of the five-week wait was the cash flow issue that people encountered both during the five-week wait and as a knock-on effect from the deductions. I will briefly discuss both in turn.

First, the five-week period itself was problematic for the claimants in terms of managing financially. Most interviewees spoke of some kind of stress that they faced during the period with only a handful of interviewees saying they had enough savings to cover the expenses they had during the period.

In addition to that, the impact was worsened for those who already were in debt before claiming Universal Credit. If they were already using overdrafts or bank loans, or had credit card debt, the issues were worsened.

To manage through that, the main impact was forcing interviewees to rely on third parties for financial assistance. This was often family and friends but sometimes also involved taking on further commercial debt or running into rent arrears or being behind on household debts.

Acknowledging the five-week period itself, in addition to that it is also important to note that for those people who took on advances to manage during the five-week wait, there was a longer cash flow impact in terms of the deductions they had to pay.

A number of interviewees simply faced further issues, after they had already received their first payment, from the deductions and often had to rely on further commercial debt or running into further rent arrears due to insufficient income in the months that followed.

Ben Fell: We have done a number of pieces of analysis over the last year or so focusing on this move onto Universal Credit and I guess probably the first caveat I would make is that it is very difficult to isolate just the wait itself without talking about the series of financial pressure points. Anvar mentioned a number of them.

With regard to the measureable impact, one of the biggest effects we have seen is in terms of debt and arrears. We are in the finishing stages of a project with the Welsh Government where we, as part of a wider selection analysis, also did interviews with claimants—about 450—and two-fifths of those, 40% to 45% of them, reported an increase in rental debt as a direct result of moving onto Universal Credit.

We also asked them what they attributed that change in rental debt to, to try to understand what it was about the five-week wait that was creating this issue. About half of those who experienced an increase in debt reported that it was due to that wait for the first payment, that delay. People also talked about changes in eligibility as being a common cause and also difficulties in relation to budgeting with the shift to the monthly payment structure. That was specifically with rent arrears to social landlords, social tenancies. About 30% of respondents reported an increase in council tax arrears, 60% said they had an overall increase in their level of total debt,



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and 73% said that their overall financial situation had worsened as a result of moving onto Universal Credit.

We have also done some analysis based on administrative data. This is non-self-reported data using administrative benefits extracts gathered by local authorities. We have administrative data on arrears. This was the same project with the Welsh Government, so it is across Wales. We did see increases in the proportion of households in arrears but the big thing we saw was over the three-month period in which households moved onto Universal Credit, council tax arrears jumped by an average of £70 a month and social rent arrears jumped by an average of £170 a month, so in the period spanning the move to Universal Credit there was a big jump in arrears.

Obviously we have seen from some other research coming out of the DWP that that specific transition period does not tell the whole story. There is some indication that arrears tend to begin rising as people move towards that migration point but the impact on arrears does seem to be one of the main things.

Dr Wickham: My most recent work has focused on the mental health impact of the introduction of Universal Credit. As Ben described, it is very hard to tease apart aspects of Universal Credit, especially in the large longitudinal quantitative data sets that are currently open source and available. How I looked at it was considering Universal Credit as the whole parcel, of which obviously the five-week wait is a part.

We provided the first nationally representative quantitative study on the mental health impact of Universal Credit. It was published in a peer reviewed medical journal, *The Lancet Public Health*, in March this year. Our study showed a significant negative mental health effect for unemployed people moving onto Universal Credit.

We used an experimental design. We looked at whether mental health changed for unemployed people eligible for Universal Credit when it was introduced in their area. It was a nationally representative data source of over 50,000 people and we linked this with the DWP data on Universal Credit claimants.

My study spanned from 2009 to 2018. Universal Credit entered in 2013 but some people only moved onto Universal Credit in, say, 2017, or 2016, or 2015, or 2018. What we did is a sort of before and after effect, looking at what impact Universal Credit had on those people that were eligible for it.

We found that the introduction of Universal Credit led to an additional seven people experiencing worse mental health for every 100 people affected by the policy. When you put this back out into a population level, so back out at the national level, we estimate that the introduction of Universal Credit led to an additional 64,000 unemployed people experiencing psychological distress and of these individuals, we estimate that around 21,000 reached a diagnostic threshold for anxiety or depression.



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I think it is also important to note that the No. 1 aim of Universal Credit was to move people into employment and we did investigate this as well, looking at those people who were unemployed to see whether they moved into employment. With that data, there was no evidence that Universal Credit moved people from unemployment to employment.

This data covered up until 2018 and at that point it is estimated that 64% of households in the UK receive some kind of welfare benefit and obviously, because of the pandemic, this is probably going to have risen. Changes to the welfare system, especially those that seem small and have individual effects, can have quite major implications for population health. So I guess my highlight would be that health needs to be considered when we are changing national welfare policies and when they are implemented.

Dr Cheetham: Thank you for the opportunity to give evidence today.

I am going to draw on the findings of a study that was commissioned by Gateshead Council, which we undertook in 2018 in collaboration with Dr Suzanne Moffatt, from Newcastle University, and Michelle Addison from Northumbria University, which was published in *BMJ Open* in 2019.

We did a qualitative study. We spoke to 33 Universal Credit claimants in the north-east of England and 37 staff in a combination of monetary organisations, local government and housing organisations supporting those Universal Credit claimants.

I can say more about the sample but it is important to say that the claimants all had a combination of disability, health conditions and learning disabilities, complex lives. One of the most important points from our study was that the five-week wait was rarely five weeks for the claimants that we spoke to. Actually, for a lot of them, particularly those who were struggling with computer access or had digital literacy issues, for about half our sample, the wait for a Universal Credit payment was longer than five weeks. It averaged seven and a half weeks for the people who had a longer wait and for some people it was up to 12 weeks. Even some of those people at 12 weeks were still waiting for a full payment.

For the claimants that we spoke to, the lack of savings that others have already spoken about pushed people into debt and severe hardship and they were unable to pay their essential bills, and, as Ben pointed out, rent arrears increased, and people talked with alarm about the increased risk of homelessness and eviction, particularly for those in social housing.

Some faced very difficult choices between eating and heating. Food and fuel poverty was a feature of their accounts. For those who had particular health issues, the inability to buy nutritious food, for example, affected their health and wellbeing. For some people, including one person with diabetes for example, they were skipping meals because they could not afford to eat.

People also talked about the shame and the stigma of using foodbanks, having to borrow money off friends and relatives who were also in a



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similarly difficult financial position, the difficulties facing people that were cut off from friends and family, so there is an impact on social isolation and loneliness because people were not able to get out and about and maintain everyday social contact.

As Sophie mentioned, the impact on mental and physical health was, I think, extreme. People talked about self-harm. They talked about anxiety and depression. In our study, six participants talked about feeling so low that they had considered suicide.

If I can just read a quote from one of the participants, who said, "I ended up being treated for depression and anxiety as well as the insomnia. Still on medication now. Am a lot better than I was then but I was at really the lowest ebb that I have even been in my life. Universal Credit was the straw that broke the camel's back. It really did drag me to a really, really low position where I don't want to be thrown again". That gives an illustration of some of the impact on mental health.

Chair: Thank you very much. I think Shaun Bailey wants to come in with a follow-up point. Shaun?

Q44 **Shaun Bailey:** Really quickly, just to Sophie and Mandy: looking at the research that you have done, I would be really interested to understand if you had done any sort of comparison between those that were long-term unemployed, that were migrated onto Universal Credit—existing claimants that were migrated on—and new claimants, and in particular the effects that had on mental health, and any differences between the two groups. I am very conscious that particularly long-term unemployment is going to become a big feature, we anticipate, as we carry on through the crisis we are in at the moment. I would be keen to hear, just quickly, what your thoughts were on that.

Dr Wickham: That is a really good point. In our main analysis, the intervention group was anybody that had experienced any length of unemployment but we did do a supplementary analysis where we restricted it to people that were previously employed and previously also had reported good mental health, because we were interested to see what happened to that new exposure to unemployment. These are people that would become eligible for Universal Credit in comparison to the main analysis, where we saw seven in every 100 persons affected by mental health issues. In this new group, it was 12%, so 12 in every 100 persons would be negatively affected by the policy.

So, yes, it is definitely something that needs to be considered, especially with the current pandemic and the number of people moving into unemployment.

Chair: The next question is from Debbie Abrahams.

Q45 **Debbie Abrahams:** My questions are specifically on mental health effects, so particularly for Sophie and Mandy, if that is all right.

Sophie, you spoke in your introduction in terms of the large data sets that you have used but I wonder if you are able to say anything about the



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proportion of claimants who had existing mental health conditions and how you control for this? In other words, I am trying to find out are these people with existing mental health conditions that got worse or whether people with no mental health conditions before they moved onto Universal Credit became ill as a consequence.

Dr Wickham: In our main analysis, at baseline around 35% of people who were eligible for Universal Credit had mental health difficulties. It is important to note that this was stable over time, so it is not that their mental health changed if they were moving in and out of employment or benefits during that time before Universal Credit was introduced for them in their area, until Universal Credit came into effect. The methods take that into account. I should also say that the mental health of those eligible for Universal Credit in the pre-policy period—before Universal Credit—was higher than our comparison sample, those that were not eligible for Universal Credit. The method of analysis takes this into account because what is important is the change for that group, not necessarily between them. But we were interested in the analysis that I had previously mentioned. One of the things that we were interested in was people who had previously reported good mental health and looking at the impact of this Universal Credit on that client group—there were 12 in every 100 people.

Dr Cheetham: The 33 claimants that we spoke to were aged between 21 and 63 years and they, it is fair to say, had a range of different life experiences at the point where we spoke to them and a range of different challenges.

Of those, 28 of the 33 were single and 31 of the 33 were not in paid employment. We found that 20 of those 33 reported that they had mental health problems, two had learning disabilities, and 15 reported long-term health conditions and/or other disabilities. So it was a real mix. All the people we spoke to had contact with advice and support services, because that was how we recruited our participants.

It is fair to say that the increase in stress and anxiety, even where people had a pre-existing mental health condition, was a feature of people's accounts—the difficulties of trying to juggle bills and manage the basic essentials.

I certainly spoke to one care leaver, a young man, who was in and out of hospital during that five-week wait in particular as a result of self-harming because his depression had got worse.

Maybe if I could just make one other important point? One of the findings in our study was not about just the mental health of Universal Credit claimants themselves. We found that staff supporting people with their Universal Credit claims also talked about very high levels of stress, increasing burn out, and they found it very difficult to manage what felt like a very hostile and difficult Universal Credit claims process on behalf of claimants. We know that there are increased visits to GPs, for example.



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Q46 Debbie Abrahams: You are anticipating my next question. What do you think, or do you have any evidence, about the impacts on public services as a whole, particularly our health services, and have you been able to cost it? Mandy, I don't know if you want to continue, and then I will go back to Sophie, if that is okay.

Dr Cheetham: The increased visits to GPs had been noted in the north-east. There is a paper published in the *British Medical Journal* that I can forward if that is of interest.

Debbie Abrahams: Please.

Dr Cheetham: There is also a letter from a group of GPs in Sheffield, who note in particular the increase in workload they are facing as a direct result of Universal Credit.

Q47 Debbie Abrahams: Really? That is significant.

Dr Cheetham: Those are important findings.

The staff that we spoke to talked about increased demands on mental health and crisis services, on accident and emergency services, and on police services. The staff in voluntary organisations and local government talked about their responsibilities, the weight of responsibility, in supporting claimants where they felt that there was no longer a safety net in place. Seeing people managing on what they felt were impossibly low budgets and managing under heavy deductions also increased the stresses, and at a time when voluntary organisations and local government themselves are under increasing pressure and facing increasing demands for services. One of the support workers who works with people with learning disabilities for example, made a comment as part of his interview, that if you were going to design a system that absolutely discriminates against people with learning disabilities, this would be it, because of the levels of difficulty that people are facing managing the online claims process.

Chair: I think Anvar wants to come in.

Q48 Debbie Abrahams: Can Sophie answer that question first, if that is all right?

Dr Wickham: On the basis of our study, we estimated that over 21,000 additional people between 2013 and 2018, who were moving onto Universal Credit, would develop mental health problems that were clinically significant. This is additional people on, as Mandy has pointed out, an already stressed service and a service that is in high demand.

It is going to be hugely costly to society and it is not just the mental health services, it is all the other services that people need to reach out to. Mental health problems are associated with large direct costs, not just for the individual but for society, such as the provision of health and social care, and indirect costs associated with lost employment.

As an example, there was study in 2015 that showed the mental-health related issues led to 18 million sick-days leave, 13% of all total sick days



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taken in the UK, and the cost to society of those problems has been estimated at around £5.5 billion. That was in 2015 and you can see how that is going to increase now.

Anvar Sarygulov: I want to come in briefly to support Dr Cheetham's and Dr Wickham's points focusing especially on mental health. But first, people who had mental health issues were one group of people who were significantly more likely to face issues in the first place, in the five-week wait, particularly around running into delays and with digital literacy, accessing the benefit in the first place. Also, we had a broad range of comments about poor mental health states from claimants themselves, both in terms of anxiety and stress around rent arrears and bills, but also, quite interestingly, about needing to borrow money from friends or family, for example. We had a lot of comments about feeling shameful about, for example, older adults asking their adult children for money, or unemployed adult children asking for money from their elderly parents. That kind of thing also came out in a broader study.

Q49 **Debbie Abrahams:** Very helpful. I have one more question, Chair, but I don't know whether this can be encompassed in any other responses. It is about both what the Department can do to mitigate against these effects but also in terms of what Government need to do in the longer term. I don't know if that can be incorporated into any other responses. I realise I have eaten into a chunk of time.

Chair: Perhaps we can ask the witnesses just to reflect on that and if there is an opportunity to comment on what the Government or the Department can do to help you could come back to us on that. That would be very helpful. Dr Ben Spencer.

Q50 **Dr Ben Spencer:** I particularly want to go into the studies that you have both done, Dr Wickham and Dr Cheetham, so I can understand them a bit better in terms of their conclusions and the impact on policy going forward. I will start with your *Lancet* paper, first, Dr Wickham, which is a very interesting piece of work.

Could you explain to the Committee what you mean when you talk about psychological distress, because although the title of the paper is mental health, what you are measuring is psychological distress, and just explain that to us so we can understand what exactly it is that you are looking at?

Dr Wickham: Of course, yes. Thank you for that question.

Just to clarify, it was in *The Lancet Public Health* not *The Lancet*, although they are from the same branch.

The study measures psychological distress, which is on the scale of mental health difficulties. We used two measures to measure psychological distress and they were the general health questionnaire, which is widely used not just in the observational, longitudinal studies that I have used them in but in practices as well, to measure people's wellbeing as a precursor, or as an understanding of people's level of depression and anxiety. We also used, to check the validity of that, the Short-Form 12 mental capability assessment, which is another scale but it is scaled from



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zero to 100. They both have validated cut-offs. The general health questionnaire has varied cut-offs and we used the most extreme to make sure that we were looking at people with a level of perceived psychological distress that would reach clinical significance.

Q51 Dr Ben Spencer: When you say “extreme” do you mean a very high threshold or a very low threshold in terms of picking up psychological distress?

Dr Wickham: The cut-off score was 4 for that, which is a validated cut-off to identify levels that meet levels of depression.

Q52 Dr Ben Spencer: Unpacking that, what does a GHQ score above 4 mean? What would someone with a GHQ score of above 4 look like in practice? What levels of distress are we talking about, in terms that are meaningful to people?

Dr Wickham: That is a very good question. Obviously it is very varied. These are measures that are used on a daily basis to look at psychological distress. What it would look like is somebody who is experiencing day to day low mood, potentially at levels where they would be diagnosed with depression, so that comes with all the diagnoses that depression comes with and what that is like for people, but we should be aware that depression looks very different for every person.

Q53 Dr Ben Spencer: In terms of when you were looking at the rolling out of Universal Credit, and you partially explained it in answers before this but just to unpack it a bit, is it Universal Credit itself that is having the impact that you found or is it the changes to a benefit system that is having the impact that you found, and how do you differentiate those two in terms of the roll out?

Dr Wickham: That is a really interesting question and a really important one as well.

Just to unpack it a little bit, any change to the welfare benefit system can cause psychological distress, particularly large changes like we are seeing with Universal Credit. What I can say from our study is that in that pre-policy period, there were other changes to the welfare system and the levels of psychological distress reported from our intervention group remained largely parallel, so largely stable, and it was only the introduction of Universal Credit where this change was observed. Does that make sense?

Q54 Dr Ben Spencer: That has explained it well. Thank you.

That change, you said, was seven out of 100 in terms of an effect. How does that compare with other life events, so that we can get an idea in terms of how much impact it is having? Let’s say somebody losing a job. What change would you expect in terms of psychological distress, what prevalence would you have following that sort of life event?

Dr Wickham: Obviously any life event will cause some level of psychological distress. Again, the importance here is those things, any kind of life event, would have occurred in that pre-policy period as well. I think



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that is really important to remember and that level of psychological distress did not change in that pre-policy period. It was only as a result of the Universal Credit introduction that we saw that change.

Q55 Dr Ben Spencer: So the data was specifically able to control for other things that were going on in the pre-policy period?

Dr Wickham: Yes.

Q56 Dr Ben Spencer: What was the length of time? The effect that it had, how long did it last? Was this something that only impacted on people—I realise there is an impact from the research you have done, but is this something that only lasts a few weeks? Is it something that lasted a few months? The question I am asking is was it an ongoing impact as a result of moving to Universal Credit or did the effect dissipate over time?

Dr Wickham: That is not really something that I can say from this particular study. We looked at the impact. Our study spanned from 2009 to 2018. I don't know whether you have the study in front of you, but you can see that rise in psychological distress in figure 2 and it looks like it is reducing after about four years. I should also note that there is a very limited number of local authorities that have had Universal Credit for that length of time, up until that study period, so that is why it has really wide confidence intervals in comparison to the previous years. These questions are really important. We can see an acute effect with our study as the other witnesses may describe as well with their qualitative studies. In terms of when it starts to reduce, we just do not know that yet. I think it is really important that this data is available. If the Government are collecting this kind of information—we know that we are collecting data on Universal Credit and the claimant types and mental health—it would be really good if we could link this data and look at it in the future.

Q57 Dr Ben Spencer: On that, is there any research that looks at the prevalence of diagnosed mental disorder and Universal Credit driving this? I open this up to Dr Cheetham as well. I think you have mentioned that GPs were saying that they have noticed increased workload because of Universal Credit. Is that from empirical data that people have collected or is there any empirical data on this particular area in terms of NHS or other burden due to the impact of Universal Credit?

Dr Wickham: Are you asking whether there is any empirical evidence on the levels of diagnosed depression directly relating it to Universal Credit?

Q58 Dr Ben Spencer: Absolutely, yes. Or anxiety, or any kind of mental disorder.

Dr Cheetham: I can forward you the information that I mentioned that has been published in *BMJ* and *The British Journal of General Practice*. They are not empirical studies.

Our study obviously is a qualitative study that included people with self-reported mental health conditions. Again, I can send you further details, in the report specifically, if that is helpful.



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One of the important points in our study is that the accounts of the staff supporting claimants very much endorsed the claimants' own experiences, that this was specific to the experience of claiming Universal Credit and there are particular features of the process of claiming Universal Credit, including the five-week delay, which added to people's mental health concerns.

Q59 **Dr Ben Spencer:** One final question if I may. Your qualitative study is very interesting but 30 strikes me as a small number of participants. How representative do you think it is in terms of things nationally in different places, different locations, and people's experience?

Dr Cheetham: Yes, we spoke to 33 claimants and 37 staff. As it is a qualitative study, I would never make any claims for it to include a representative sample. Among the claimants that we spoke to—who have disabilities, long-term health conditions, complex lives, and a range of experiences, including people who had worked, who had been self-employed, who had had perhaps a stay in hospital and had had to apply for Universal Credit as a result of having to leave work because of health issues for example—we tried to include people with a broad range of life experiences and we have no reason to believe that they would not be typical of other people with similar life experiences elsewhere in the country. There are obviously particular issues affecting people in the north-east of England where we have high rates of mortality, disability, and child poverty, for example, and there are definitely gaps in the research evidence in terms of the impact of Universal Credit on particular claimant groups, including, for example, lone parents, women, black and minority ethnic communities.

Chair: I can see that Debbie Abrahams wants to come back and I will come to Debbie, but can I first come to Sir Desmond Swayne to put his question?

Q60 **Sir Desmond Swayne:** The collapse in the applications for advances post Covid-19 might suggest that there is a difference between the appropriateness of Universal Credit for those people who are coming in from work, perhaps with savings, and those who are coming from legacy benefits, including legacy debts. Looking specifically at that second category, those who are coming on to the system from legacy benefits, how effective, in your assessment, have the mitigations that have been introduced been? I am thinking in terms of the run-ons for some benefits, and so on.

Ben Fell: The point that I and others made at the top of the Committee, that there are these multiple pressure points that people face throughout the move onto Universal Credit, of which the wait itself is just one, speaks to this. The DWP has done a lot since the roll out of Universal Credit to reduce the impact of individual pressure points, so the proposed expansion of run-ons will certainly help those legacy claimants but obviously will not be assisting new claimants and there is still a major gap relating to run-ons for tax credits, and particularly child tax credits. The piece of work that we did with the Joseph Rowntree Foundation last year found that 40% of, at the point, the expected migration caseload were families with children



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who would not receive any support for those children. The changes that have been made so far have been helpful in reducing specific points along that journey but there are still clearly households and claimants falling through the cracks and not being supported all the way through. Something that was discussed very much in the previous session, last week, was the need for a more targeted approach. This also speaks a little to Debbie Abrahams' question about what can be done to improve the situation for households' finances, but it also ties into the questions about mental and physical health. You have an opportunity when people first have contact with Universal Credit as a system to engage with them and identify their specific areas of vulnerability. As you said, legacy claimants migrating onto Universal Credit are likely to have a different profile of vulnerability and profile of risk than new claimants and potentially even the new cohort that we are seeing in response to Covid-19. If you engage with claimants up front and you identify this suite of vulnerabilities and identify exactly what is needed for each household, not only are you better able to target the support that has already been made available, by the DWP for example through advances, but you can signpost claimants towards other services. You can bring in local health services, collections and income maximisation. You can provide this kind of holistic support for households, if you engage in that identification process, which is not currently happening.

Anvar Sarygulov: I want to make some specific comments about advances, which was the major mitigation system that the DWP introduced.

In our research, the clear majority of claimants were aware of the option and most chose to take up an advance and they were generally positive about the ease and speed of the application process for the advance payments so there are positives there.

In terms of being informed about repayment processes and how they would impact the claimants later, the experience was a lot more mixed. A few interviewees felt they made an informed choice. A number described having applied for an insufficient sum, which left them quite reliant on third party sources of financial support, including credit cards. A couple of interviewees said that they had taken advance payments larger than they necessarily needed. So there were issues around the amount of the advances people had taken that led to issues down the road.

Among the claimants who did not take up an advance, the most common reason for refusing the advance payment was nervousness about the debt rather than lack of need. There were people who would definitely have benefited from an advance but who decided not to take it because of the constraints of debt down the line, which means this support does not effectively reach them because of those concerns about debt. It is important to note that a lot of interviewees found they received very little guidance from work coaches and DWP about the repayment terms for advance payments. Of course claimants sometimes do have great difficulty



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in budgeting in general, but it seems that the work coaches and DWP do not necessarily make it easy for claimants to make those correct choices.

Q61 Sir Desmond Swayne: Specifically on that, Anvar, what would be an acceptable repayment period? What would be an acceptable level of cap to monthly repayments? Is it feasible for the system to accommodate terms tailored to the needs of an individual applicant?

Anvar Sarygulov: I don't think I would be able to talk very specifically about broad levels of repayments or in terms of length. Our research did not exactly examine those questions.

The broad comment I will make from our research is that the recent reductions in both the maximum rate of deductions and the length that have been announced are definitely beneficial, but they are probably coming in too late. The next set of reductions to the maximum rate and advances will come in in 2021 and I think that is something that can be brought forward. Also, from our research we think there is definitely room for giving a more grant-style payment, potentially a kind of helping-out payment that is a fraction—not a whole monthly award but potentially a fraction—at least 25%, to help people rely less on advances and less on repayments down the line.

Ben Fell: To the point about what is an appropriate level of deduction and an appropriate level of repayment, the work we did last year found that 16% of the upcoming Universal Credit caseload is already in a month-to-month financial shortfall. They are already not making ends meet. Their capacity to sustain an advance is zero. It does not matter what level of deduction you are applying and bearing in mind that thanks to the benefit freeze, benefit levels are already quite low, and then with reductions you are lowering them further, there is always going to be a proportion of households that will need support through the five-week wait, who need financial coverage, that do not have those resources, but will not be able to sustain the repayments of an advance structure.

Your second question is the more important one: is this feasible and if we are going to have a targeted system, how do you do it? The point I would make is that it is already being done. Local authorities are already using administrative data. The local authorities we work with use administrative data to identify the specific vulnerability factors for individual households and then to target support to those households that meets their needs. I can send the Committee a case study looking at managed migration and how you target the specific vulnerabilities of a household for that migration process. The data we used for that is the same data that the DWP has available, in fact they have more of it than local authorities do, under Universal Credit. That process of an initial assessment of vulnerability is possible. It is just a question of identifying those vulnerability factors and responding accordingly.

Q62 Selaine Saxby: Thank you all for coming along today. It has been a very interesting session.

I want to ask about solutions and what we might be able to look for in more



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research moving forward. In particular, what do you think is the most effective option for mitigating this effect of waiting for a first payment? That question to all the witnesses, please. I don't know who would like to go first?

Chair: Did everybody catch that. Selaine, can I ask you to put the question again? I think the line was a bit bad there.

Selaine Saxby: I was asking about the solutions. What do you see are potentially the most effective options for mitigating the effect of the wait for first payments?

Dr Cheetham: There is a range of things but the most obvious, I think, is to abolish the five-week wait and bring forward the first non-repayable payment to ensure that claimants receive their full entitlement on the first day of their claim.

I also think there is a range of alternative payment arrangements that could, and would, for the claimants that we spoke to, make a significant difference. They would include things like the option, up front and from the outset, of fortnightly payments and potentially payments direct to landlords and not waiting, for example, until somebody is already in rent arrears and again, potentially, split payments between household members where that might be beneficial, as I think happens in Scotland.

There is a need, given the difficulties people are currently facing, to suspend all deductions with immediate effect. Then, in the longer term, to ensure deductions are manageable and negotiated with claimants because certainly the people that I spoke to did not really have the option of negotiating their levels of repayment at all and in some cases, were left with impossibly low incomes on which to live.

I think there is a need, as others have said, to monitor the impact of the five-week wait on vulnerable claimants in particular, and there are ways to do that, and to undertake independent research on the impact on the wider system of health and social care providers. That would include voluntary organisations, primary health care, and local government. It would also include a health impact assessment on Universal Credit claimants and updating the equality impact assessment that was done by DWP some years ago now, which is very old.

At a local level, there are really good examples of DWP staff working very positively and collaboratively with VCS providers and with local government that we could learn from. I think it would be really helpful to capture the learning from examples where DWP staff are proactively going out, providing outreach services, and we have very good examples of that in the north-east of England, providing training, for example, with third-sector and local government organisations and supporting staff more widely, in particular to better meet the needs of claimants with vulnerabilities, to provide and make sure that that safety net is not undermined as it is at the moment.

Chair: I think all four witnesses want to come in on this. Mr Fell next.



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Ben Fell: Following on from Dr Cheetham and my previous points about the multiple different stages of pressure—we have spoken about this as part of the project with the Joseph Rowntree Foundation, and one of the previous witnesses also spoke about it, that DWP's position as we have heard it is that the five-week wait is a baked-in consequence of the assessment period. I think that point should be critiqued as much as possible. The delay is causing problems. If the five-week wait itself is going to be inviolate, if it has to exist, then the important thing is to get payments earlier to the households that need them. To do that, as I have said before, you first need to identify which households need them. In our report with the JRF we costed up a variety of options in terms of the level of targeting you could apply to a grant rather than an advance using the systems and structures that are already in place for allocating advances and essentially not repaying some of them for some households based on that initial targeting.

Some degree of non-repayable support I think is crucial because that can be applied earlier and it can get money to claimants who are most vulnerable to support them through that period.

I would reiterate my previous point that the advantage, if you go through that process that has already been done of identifying vulnerability at the first point of contact, and identifying the specific kinds of vulnerability that households have, you cannot just put a non-repayable grant to some people and advances to others, but you can, as Dr Cheetham was saying, engage with people around other forms of support, around income maximisation. This point about local services doing this very well and being proactive I think is something that could be scaled out to a national level. With the data that DWP have access to, and their infrastructure, you could make that much more standardised and make it so that the process of moving onto Universal Credit is a step forward for claimants rather than the step back that it currently is for many of them.

Anvar Sarygulov: I am going to argue quite a bit. From our perspective, we do recognise that there are some fiscal constraints about the levels of support that DWP could possibly give out to claimants, but we do believe that some kind of non-repayable grant payment is very important. In our view, it would be something along the lines of at least 25% of the monthly award in the first place and that should be given out to all claimants and be non-repayable. By giving it to all claimants, you get a better buy-in from all new Universal Credit claimants buying into the system and avoid some of the issues about applying the more specific, more targeted, support. That grant could be higher than 25%, depending on the fiscal constraints the DWP is operating with.

In addition, I reiterate Dr Cheetham's point about giving more flexibility and control to claimants, both during the five-week wait and afterwards in terms of the frequency of payments, giving them more control about how frequently they get paid, giving them more control about whether they get the housing payment sent directly to the landlord or not, and whether they have split payments. Those kinds of systems enabling more control will



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help with budgeting and cash flow issues that households face, both during the five-week wait and as a result of taking out advances and the knock-on effects.

Dr Wickham: There are multiple systematic reviews and evidence from other natural policy experiments that show that increasing individual and household income leads to better physical and mental wellbeing in both children and adults. I think we need to ensure that any changes to Universal Credit are maximising the health benefit and minimising any health harms. Robust evaluation of health impacts, including an evaluation of Universal Credit and any welfare change, is really important.

One good thing about the implementation of Universal Credit is that it was piloted, so it would be really beneficial if we see a health impact assessment incorporated in any future changes.

I would also echo the comments of the panel of witnesses here and in the previous panel, last week. Reducing the wait time for the first payment, whether that is through changing the advances to non-repayable payments or otherwise, seems like a good starting point.

From our other work we can say that instability and uncertainty around the welfare change causes distress so having a system that is flexible to the individual circumstances seems really important. Also, we really need to put health and health equity at the heart of all health policy.

Chair: Selaine, did you want to come back on any of that?

Q63 **Selaine Saxby:** To follow on from that—I know in particular that Policy in Practice have done some modelling with the Joseph Rowntree Foundation—and I guess it is understanding again from any of the witnesses that do have detail what are the most cost effective, probably from a fiscal point of view but also recognising that there are health costs that we have spoken about this morning associated with the wait, and understanding what would be that No. 1 cost-effective solution that you would be putting forward?

Chair: Which of those options you looked at strikes you as the most cost effective?

Ben Fell: That is slightly how long is a piece of string because I don't know what the DWP's budget is around these things. The point is that you can tailor the costs.

We costed a non-repayable grant to all claimants as costing £4.3 million by the end of the 2022-23 financial year.

Q64 **Chair:** That is £1 billion, isn't it?

Ben Fell: Billion, sorry. Getting everyone's hopes up. We then took two different exemplar approaches to how you could target a non-repayable grant. Through this report we have identified seven points of vulnerability during the move to Universal Credit, and we costed up targeting grants to households that faced at least one, at least two, or at least three of these



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vulnerabilities, so capturing this idea of combined pressure points. About 70% of households, as I think I mentioned at the beginning, experience at least one of the pressures that we identified, and the costing for that I have in front of me here. The costing for that one was £2.7 million. If you focus it even further on those who experience two or more pressure points it comes down to about £8 million. You have this scaling cost depending on, in one way, the number of vulnerabilities you target.

The other approach we took was in terms of targeting specific vulnerabilities that, let us say, identify those households least able to manage the transition. For example, one of the methods that we use with local authorities to identify vulnerability is to assess households' financial shortfall or financial surplus based not only on their benefits and their earnings, but also their household costs and their housing costs. We estimate household expenditure on a household basis. Using that we could identify the 18% of households that are likely to be in a monthly income shortfall once they move on to Universal Credit. The cost of a grant targeted to those households specifically, who we know are going to be in no position to repay advances, was £300 million. You can narrow that targeting down.

Chair: Very interesting. That is a very, very interesting analysis, thank you. Our time is pretty much up, but I know Debbie Abrahams wanted to come back on one or two of the points that were raised earlier. Debbie, do you want to come in at this point?

Q65 **Debbie Abrahams:** —[inaudible]—for clarity around the instruments that you have used, particularly in relation to qualitative and quantitative analyses, and the different types of evidence that that provides, and in particular the validity of instruments that were used in the quantitative analysis undertaken by the university. I also wondered if either Sophie or Mandy wanted to comment on the differences in causation and association. I think it probably is self-explanatory in relation to some of the proposals that they had to address some of this, but if they wanted to comment on that.

Chair: We lost you there partly. Can you just spell out again your first question to Dr Wickham at Liverpool? What was the point you wanted her to clarify?

Debbie Abrahams: It was about the difference between causation and association. I think that was the gist behind Ben's question around empirical data. This is very important. Also, to clarify there is a distinct difference between qualitative and quantitative evidence. Qualitative evidence is to try to help understand how things affect people; the big data sets that have been used at Liverpool are trying to understand the numbers, the scale involved. They are very distinct types of evidence, and we need to be very clear about that, as well as the validity of the instruments that were used in the quantitative analysis.

Chair: Okay, thank you very much. Dr Wickham first.

Dr Wickham: I think I got all of those points. They are both validated screening tools to measure both recent and active depression levels across



the general population. They are ideal to measure at population level. Like you said, the wonderful thing about looking at both the quantitative study and the qualitative study together is that you have the breadth, and then the depth from the qualitative study. With your question around causation and association, the design of our study—we used what is called a difference in difference analysis. Basically, it is a natural policy experiment. It infers causation within the design. It is not just a correlation study. We can infer that there was a direct impact from Universal Credit using our population-level data. I will let Mandy talk now.

Dr Cheetham: Thanks, Sophie. Just briefly, because I am conscious of time, I echo Sophie's comments about the quantitative and the qualitative study complementing each other and broadly heading in the same direction, as is a robust qualitative study—33 claimants and 37 staff who broadly supported the findings of one another. I can certainly send more information about the analysis that we undertook, and we followed fairly standard practice for a robust qualitative study, and it is all the ethical approval processes and all of that. One thing that I would say in terms of the costs is, going back to the previous point, the importance about measuring the cost to the wider health and social-care system in addition to the cost to DWP, because we certainly found our respondents were talking very much about the cost to the wider system as a direct result of Universal Credit. They were attributing causality. Thank you.

Q66 **Chair:** Dr Wickham is waving, so a very, very quick point from you to conclude, if you can.

Dr Wickham: Sorry, yes, I want to add to Mandy's point around the wider costs beyond just the cost of the DWP, to mental-health services. In our previous paper they looked at transitions into poverty and the effect on child and maternal mental health. We see a huge impact of one movement into poverty on both children and mother's mental health, and then the wider impact that that has on, not just the human cost, but output losses, and health, and social care. A study reported back in 2010 that child and subsequent adolescent mental-health problems were estimated to cost £105 billion in 2009 and 2010. It is really important to recognise the wider costs that we are talking about.

Chair: Thank you very much indeed. Thank you all. On behalf of the Committee, thank you very much for the very interesting work you have all carried out in this area, and thank you for being willing to share your findings so helpfully with us this morning. We are very grateful. Thank you very much.

Examination of witnesses

Witnesses: Mike Brewer, Nicholas Timmins and Patrick Spencer.

Q67 **Chair:** We move on now to our second panel, and thank you very much



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for joining us as well. I am going to ask you, as I did with the first panel, each to briefly introduce yourselves at the start, beginning with Mike Brewer.

Mike Brewer: Thank you, Chairman. I am Mike Brewer. I am Chief Economist at the Resolution Foundation and a professor of economics at the University of Essex. I am looking forward to talking to you today about Universal Credit. We had some research last month looking at the new Universal Credit claims during this crisis and how they were getting on with Universal Credit.

Nicholas Timmins: Hello, I am Nick Timmins. For these purposes I am a senior fellow at the Institute for Government. I try to tell the story of UC since it was originally conceived.

Patrick Spencer: Thank you, Chair. My name is Patrick Spencer. I am the head of Work and Welfare at the CSJ, the Centre for Social Justice, where Universal Credit was first conceived. I have covered the Universal Credit brief at the CSJ for the last four years, but have recently completed a report on Universal Support, the often forgotten about sister to Universal Credit, which I am looking forward to talking about today.

Q68 **Chair:** Thank you very much. Thank you all very much for joining us. Our first question for the second panel is with Debbie Abrahams.

Debbie Abrahams: Thank you very much, and good morning to you all. It is lovely to see you, albeit virtually. We really are picking up from where we left off on the last panel. I was trying to get an understanding of what evidence you know about that suggests that the five-week wait is having a wider economic impact. We have just been talking about the impact potentially on the health service, and I would be grateful if you could expand on that in terms of how it may be affecting other public-sector organisations, housing organisation, local authorities, and so on.

Chair: Who wants to start?

Mike Brewer: I can start, but I am going to start by saying I do not have much to add. I listened to the last session very carefully. At the Resolution Foundation it is not something we have done any work on, and I do not know of any great evidence. You were pressing witnesses on robust, quantitative evidence. I do not know of any myself that shows its wider impact.

Q69 **Chair:** Do either of our other two witnesses have anything to say on this?

Nicholas Timmins: I am afraid not, really.

Patrick Spencer: I agree with the other two. I cannot talk too much to the impact of the five-week wait on public services in a scientific way. But I would like to talk about financial insecurity and the impact that has had on the claimants, and the public services, and Universal Credit Jobcentre work coaches, so on and so forth.

Chair: Go ahead. Go ahead.



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Patrick Spencer: Thank you. I suppose I should start by explaining where our evidence has come from. I know Mike has done a big piece of work on the new claimants, and your previous witnesses have done interesting work in different parts of the country. At the CSJ a large part of our thinking has been informed by our interaction with about 400 small charities who work with the most vulnerable people across society. We have regular interactions with them and talk to them about what they are seeing on the ground. It is very much a qualitative, conversational form of evidence gathering. Like I said, I have just finished this report on Universal Support. We did that in co-ordination with Crisis, Citizen's Advice Bureau, as well as some housing associations. I would also say that one of the more interesting things I have done recently is spend some time with some social workers in Oldham, of all places. That has been very informative.

I want to start by saying that the CSJ's point of view, our findings suggest that the vast majority of people who go through Universal Credit do so relatively seamlessly. Most surveys of claimants say that about four in five people, or about 70% or 80% of people, go through Universal Credit understanding the structure of Universal Credit, the wait, the purpose of the wait, the availability of advances, and the structure at which advances should be repaid. However, that proves that there is a significant minority of people who, to borrow Ben's phrase—the previous witness—are falling through the cracks. That obviously, as we have heard, can manifest itself in terms of increased problems of rent arrears, mental health problems, and becoming more marginalised in the labour market, among other things.

I would like to posit, though, an opinion that the five-week wait is not the primary driver, the root cause, as we would say at the CSJ, of this problem. In fact, the problem of financial insecurity, of people falling through the cracks when they make a Universal Credit claim, is down to a number of other issues combined together to create a serious, serious problem for many of these claimants. First off, I think we have to say that the current entitlement is not generous enough, especially in terms of the cost of housing. When you apply for an advance you are unable to meet your obligations as they stand. We heard earlier, if I heard the statistic right, 16% of Universal Credit claimants are coming on to Universal Credit already in a situation where they cannot meet their monthly obligations. One of the big things we have done a lot of work on, a member of our team has done a lot of work on, is the problem of debt repayments for Universal Credit claimants. This is a huge problem. I think it was Mr Timmins' data that said that 60% of Universal Credit claimants are already paying back debt. There is about £6 billion outstanding in taxpayer debt, £3.5 billion in council tax debt, and there are 3.3 million people who are currently in severe debt problems in the UK. Debt clawbacks are a bigger cause of deductions to your Universal Credit claim than advance repayments.

The third point I would make is that many people are coming on to Universal Credit too late. Anecdotal evidence suggests that people may have been made redundant, are out of work, are drawing down on their savings, and are pushing themselves into rent arrears before they make



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their first Universal Credit claim. There is interesting stuff we could do to perhaps encourage people to make a Universal Credit claim as soon as they are out of a job or know that their hours are being reduced.

Lastly, I would say that a large part of the last evidence session in my opinion proved that there are a lot of things going on with a subgroup of the Universal Credit population. This is a group of people who are already hugely vulnerable, with mental-health problems, chaotic home lives, transitory housing arrangements, at risk of homelessness, and marginalised in the labour market. The five-week wait is the last straw at the end of a long culmination of a lot of problems that needed to be dealt with previously. To summarise, financial insecurity is a real problem. The five-week wait is not the primary driver; there are a lot of other things going on there.

Q70 Debbie Abrahams: Thank you very much to Patrick for that. Can I ask a slightly more roundabout question then, given that the other witnesses were not able to respond? Are we saying that there is no evidence of the wider economic effects of the introduction of Universal Credit to organisations such as housing associations? I know of local stuff where they can quantify rent arrears and how that was affecting the housing association, and in turn, their ability to build new homes. I know, again, anecdotal evidence of how local authorities' bottom lines are being affected, both in terms of council tax arrears and also in terms of discretionary housing payments. I am quite surprised, really, that we are saying we have not quantified the impact on the wider public sector of the social security policy.

Chair: Okay. I should make the point that we are going to hear from local authorities and from housing providers in our next evidence session, so we will get a little bit more detail there. But if there is anything that Michael or Nick want to comment on, then please do. Nothing from Mike. Anything from Nick?

Nicholas Timmins: Clearly there has been some impact on housing associations and, indeed, the housing sector more generally. What I am not aware of is anything very robust that quantifies any of that. We have a sense of an impact without measuring it very well.

Chair: Thank you. Okay. We are grateful. Shaun Bailey.

Q71 Shaun Bailey: I wanted to look briefly at advances. I suppose just as a starter for everyone, how far do you think advances help to mitigate the impact of the five-week-wait?

Mike Brewer: Perhaps I will start. Thank you, Chair. I think advances are the best solution in the short run to the five-week wait. You will find out, very much in line with what DWP are saying, that right now it seems like it is too difficult to make major changes to the system, and so advances should be the way forward. Compared to the situation when Universal Credit started, it is much more transparent and much easier to get an advance than it used to be, and the process of claiming it and getting it happens very quickly. DWP said they were getting the vast majority of



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advanced payments to people within 72 hours of their making it. When people talk about the five-week wait, my response is, “We do not have to have a five-week wait right now. You can ask for an advance, and then the wait could be as little as a week from when you make that first claim”. I would say that is a system that is working well right now.

Nicholas Timmins: They clearly help and right now they are very important. They are repayable, and there is a five-week wait, and I would echo some of the stuff that Patrick was saying; there are many other causes for this. Part of the reason people struggle, as the Committee will well know, is that the relative value of working age benefits has been in decline for some time, and housing payments in particular. The system is appreciably meaner than it used to be, therefore, people do struggle. I think there is more that could be done to tackle the five-week wait. I would simply make the point that the Government have acknowledged this. Originally it was six weeks because an additional seven days were added on purely to save some money. That has been removed.

Since April 2018 those on a housing benefit have been given a two-week run-on of their benefit, which in effect reduces their wait for the housing element to three weeks rather than five weeks and, therefore, reduces the advance that they may need. The Committee has already received evidence that that run-on has helped. From next month there will be run-ons for Jobseeker’s Allowance and for Employment and Support Allowance. I believe there is some tentative evidence where these are being used in the pilots up in Harrogate on managed migration that again these run-ons help. They reduce the need for advances and they get people through the five-week wait. What that does not do is provide any equivalent for entirely new claims and for those moving across from tax credits. The proposition would be that you would introduce something similar for the people who do not currently get that.

Patrick Spencer: Thank you, Chair. Thank you, Mr Bailey. I completely agree with what Mike said. They are the best strategies at the moment for supporting people through the five weeks. It is worth noting, by the way, that when the CSJ first conceived of Universal Credit, the idea was for there to be a four-week wait. Five weeks was an administrative issue attached later on. I would say, though, that our emphasis on the advances, our reliance on the advances, is made redundant if we do not tackle the other things going on. Claimants will still struggle to meet their financial obligations unless we deal with the issue of debt clawbacks. The problem previously—and I thank the Government for taking steps to do this—was that LHA rates were way below where they should have been before the recent increase. People were regularly dipping into their Universal Credit standard allowance to pay for their housing obligations. The advances are great, but there is no point saying, “There is an advance system”, if you do not deal with the other things that are going on at the same time.

Q72 **Shaun Bailey:** Chair, if I can just come in there. That is really interesting to hear and I think the point that has been made by everyone around the issues behind this, particularly around the debt issue that is there, is



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something that leads on. As we know and as you have highlighted, advances are repayable. Assuming that advances are probably going to still exist, if we take that as the premise for now, what amendments and what changes can we bring about? I know we have the extension of the repayment periods that is due to be brought in. Do you think that is going to have an impact in terms of increasing the effectiveness of advances, notwithstanding the fact that ultimately the aim is that the wait is reduced? While this is still there as a concept, to make it more effective do you think that an increase in the repayment period, combined with the proposed reduction in the cap on monthly deductions, is a way that this can perhaps be more effective as a holdover system?

Nicholas Timmins: Clearly it helps. From October 2021 people have 24 months to repay advances rather than 12 months. If someone were to take a 100% advance that reduces their monthly deduction from 8% of their income to 4%. Clearly that helps. There is a trade-off in here. It leaves them repaying back money for longer, but at a lower rate. That clearly helps with the advances. There is the other problem of all this other debt that is in the system for assorted reasons. Again, the Government have begun to address that. Originally you could have 40% of your standard allowance deducted. That is a huge deduction for people on very low incomes. That has come down to 30%, and it is going to come down to 25%. These are all steps that help but I would not say that they entirely solve the problem.

Mike Brewer: Shaun Bailey was talking about the effectiveness of an advance. I have spoken positively about advances but it is clear from your other witnesses, and from experience, that not every Universal Credit recipient sees advances in such a favourable light, and many of them raise the issue of debt. We found that in our survey of new Universal Credit recipients. Although quite a lot did not need an advance because they had other resources to draw on, two in five who did not ask for an advance said they were worried about getting into debt. That is a problem, particularly if they are getting into other debts because they are worried about taking out an advance. I would much prefer people keep borrowing from their own future Universal Credit income than falling behind on utility bills. The key is: can we get around that perception issue? It will help to make advances payable over a longer period, but I do not know whether that is enough.

Q73 **Chair:** Patrick, do you want to comment on this?

Patrick Spencer: If we are going along the theme of things that could be done, I said at the beginning I wanted to talk about Universal Support. Universal Support started as a programme to offer Universal Credit claimants budgeting advice, as well as digital advice. I think a lot can be said for increasing the capacity of DWP work coaches and Jobcentre staff to offer support to claimants, not just in managing their bills, but tackling a whole raft of issues. It comes up over and over again in surveys of claimants where they say, "Yes, the digital system was complicated, but once we got through to a human being it was made much, much easier". A lot can be said for the importance of having that personal relationship



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between a claimant and a Jobcentre staff member, or someone who works for a local council, who can work with them, giving them budgeting advice and setting them up with all the right mechanisms, whether that is an alternative payment arrangement or other mechanisms, so that they know exactly what they have coming and what they are expected to pay going forward.

Q74 Steve McCabe: I will just get my microphone sorted out. Good morning. I will ask the first question of Patrick. You said earlier that the Centre for Social Justice was in on the design of Universal Credit. Can you tell me: is the monthly payment and the monthly assessment cycle fundamental to Universal Credit or is it a political decision?

Patrick Spencer: That is a very good question. The monthly assessment period, and the idea that it is paid monthly in arrears, was conceived as a practical issue not as an ideological issue. This is what I have been told. To clarify, when the first report was conceived in 2009, I was still at university, so I was not involved in it personally. What I have been told is the idea was it was paid monthly in arrears, which would allow for the use of real-time information on people's incomes to inform their entitlement. That reduced problems of fraud, it reduced problems of overpayment, and it would then reduce the problems of overpayment debt for claimants. It was understood more as a practical issue, not as an ideological one.

Q75 Steve McCabe: Thank you. I think, Patrick, you also said earlier that the original intention was for a four-week wait. I really wanted to ask all the panel members: the Government have already come down from six weeks to a five-week wait, is there any problem with reducing that period further and still sticking to the four-week payment cycle, the monthly payment cycle, if that is what the Government desire?

Chair: I can see the other witnesses want to come in as well. Patrick.

Patrick Spencer: I have been told that DWP need time to validate and verify identification as well, that the administrative complexity in making the first claim is one of the drivers of not just the five-week wait, but also late payments as well, people who have to wait more than five weeks. It is an administrative issue that is preventing the DWP from offering anything shorter than five weeks, and obviously anything fewer than four weeks slightly complicates the issue of being paid monthly and in arrears.

Nicholas Timmins: On the history, I think there is a specific element in the design in that Ministers clearly wanted as far as possible for the new benefit system to mirror the world of work more, so there was a desire to try to align assessment periods and payment periods up to what happens more broadly in the economy.

In practice, a lot of it did occur because of a series of practical decisions. You have to have an assessment period. If you go back in history, Family Income Supplement used to have a six-month payment assessment period; for tax credits, it was a year. Whichever period you choose, there will be some trade-offs. For example, if you try to make it fortnightly, how do you then handle people who are, in fact, paid monthly? If I try to assess



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your salary if you are paid monthly two weeks in, in a sense you would not be paid anything, then two weeks later you would be paid the whole lot. There is a real practicality in the monthly period in that it can be made to work for people who are paid weekly and fortnightly and it works for people who are paid monthly or four-weekly. There was a real practical element here.

I do think it is important to stress there is a difference between the assessment period and the payment period. They do not need to be the same. Already it is possible to request fortnightly payments, even though the assessment remains monthly. You do not have to have the assessment period and the payment period precisely the same. It is true that the four-weekly assessment period is baked into Universal Credit.

Chair: I am going to come to Mike Brewer in a moment, but Sir Desmond Swayne just wanted to pick up a point.

Q76 **Sir Desmond Swayne:** I may be exposing my ignorance in respect of your answer, but given the large number of people who are coming on to Universal Credit from legacy benefits, don't we already have all the financial knowledge that we need on those clients? Therefore, is there a need for an assessment period at all?

Nicholas Timmins: The people coming from legacy benefits include people coming from tax credits, who will have varying amounts of income, so that is not true for all the people who are transferring to UC. It is clearly true of the people who have been on what used to be JSA for some time or ESA for some time, but not for those with earned income. The point about UC is it brings together the two extremes of the working age benefit system, support for those who are out of work and support for those who are in work, with the long-term aim of making the transition in and out smoother.

Q77 **Chair:** Okay. Mike Brewer?

Mike Brewer: I think that question from Steve McCabe is really one of the most important questions we have had so far and it is really getting to the heart of this issue. Like Nick, I would urge the Committee to remember that there are differences between the assessment period, the payment frequency, and the other crucial word is whether you make payments in arrears or up front. What is baked into Universal Credit is not just a monthly assessment period but also payment in arrears. You have to wait for that monthly assessment to happen before you get the first payment.

I do not know whether that was for political reasons or not, but I am sure that the designers of Universal Credit were keen to avoid some of the worst instances of what happened under the tax credits regime in the previous decade. Tax credits were not paid in arrears, they were sort of paid in real time and we sorted out afterwards what your true entitlement was. The problem with that is that it led to large amounts of overpayments. Indeed, we are probably going to talk later on in the session about what to do with the legacy of those overpayments. Some people still have overpayments now that they incurred in the first decade.



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Universal Credit's design of paying things in arrears eliminates entirely the idea of overpayments, the idea that the Government could pay you some money and then ask for it back later if it got your circumstances wrong. That is the big gain we get by paying things in arrears. The drawback is the five-week wait.

Q78 Steve McCabe: I wonder if I can just follow on from that, Mike. The criticism that I hear most about Universal Credit is that it is a bit inflexible when it comes to things like backdating or payment periods, although people can be paid fortnightly. What is your judgment? Is it inflexible because of key design features or is it inflexible because of political judgments?

Mike Brewer: I think it is inflexible because DWP has designed a system that is highly automated, highly digital, compared to some of the legacy benefits. Not much manual intervention is needed once somebody has applied for the first time and had their initial claim assessed. From that point on, they are in the computer. We have just seen the fantastic advantage of that. Claims of Universal Credit went through the roof and most people got paid on time. That was because manual intervention was not needed.

To have a system like you are suggesting, with more flexibility, more give and take at the edges, that was easier under the legacy system because DWP had many more staff involved, but that kind of system would not cope. It had other drawbacks.

Q79 Steve McCabe: Nick and Patrick, do you have anything you want to add to that?

Nicholas Timmins: No. I would simply add, and I hate to say this, there are trade-offs in the design of all these things. In a sense, you are less flexible the simpler it is. The more you could automate it, the more it can survive things like this enormous surge of claims for Covid-19, the more efficient it is to run. If you make it more flexible, you introduce more discretion. You give benefit officers more discretion to do things and that can be good. It can also be bad because when you have discretion you get inconsistency. You get inconsistency in decisions made by benefit officers within offices and between offices. There is a trade-off between in a sense your rights and efficiency—you clearly want your rights and clearly to get paid and clearly to get working—and discretion around the way you try to adapt it to very individual circumstances, which makes it more complicated and less consistent.

Q80 Steve McCabe: Patrick, doesn't the idea of universal support suggest that you must have flexibility and discretion?

Patrick Spencer: Absolutely. Universal Support, though, is slightly different from Universal Credit. Universal Support was supposed to be—

Q81 Steve McCabe: Sure, but they are designed to run alongside each other, aren't they?



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Patrick Spencer: Absolutely, and it was 100% around the idea that you would have work coaches or a Universal Support care worker or a key worker who could move flexibly and work with a claimant in a multitude of different ways and tackle the issues that they face specifically, with huge amounts of discretion for key workers, a ton of flexibility in their role. Absolutely, that is where I think Universal Credit is limited in what it can achieve. Universal Support is the unfinished business of welfare reform. It is where you can really support people to make massive changes in their lives.

Chair: Shaun Bailey has another point to raise.

Q82 **Shaun Bailey:** It comes back to the points that have been raised already around flexibility as well. Looking at the monthly assessment cycle and also the monthly payment cycle, I know obviously we have said they are separate things but just looking at the frequency, how well is this working, particularly for people who have not been used to being paid monthly, assessed monthly? I speak a lot to the partners in my constituency, particularly the Citizens Advice Bureau, people like that. When people are moving on to these more monthly, arbitrary cycles, they struggle because suddenly they have gone from a scenario where they are used to a regular feed-in payment system, feed-in assessment system, to suddenly, boom, it is like once a month I will get this pot of money or once a month I have to be assessed. We have had evidence previously about the issues with the monthly assessment cycle, too. How are those two systems working? Can we get your ideas on how they need to become a bit more flexible? That seems to be a running theme that is coming out of the panel today.

Mike Brewer: It would be very good if there were more widespread flexibility about how frequently somebody was paid. As Nick said, you are able to request fortnightly payments, but it would be great if that was signposted as clearly as getting an advance is right now, if that was one of the stages you went through as you were claiming Universal Credit. Do you want an advance? How frequently do you want to be paid? That does seem like a very small change to the IT system, how quickly you bung out the payments.

My other general point is, we have learned from Universal Credit in the last couple of years that what can work well for an in-work population does not always work well for the disadvantaged, largely out-of-work population with other needs. I think that was what you essentially got from your witnesses in the first session this morning. There are some people who find Universal Credit very hard to cope with, and even with the tweaks we are talking about will find Universal Credit hard to cope with. On the other hand, it is possible that the system we have now is working more or less well for most of its recipients. Referring to the survey we did of new UC recipients in the last month, four out of five were very satisfied with the experience of claiming Universal Credit.

Patrick Spencer: In terms of putting a number on the number of claimants who are probably struggling with the monthly cycle, those who apply for an alternative payment arrangement, a direct payment to, say, a



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landlord, might be a good proxy of that. The figure I have is around 20% of housing benefit claimants go on to apply for an APA. People who claim housing support is about three-quarters, I think, of Universal Credit claimants, and a fifth of those apply for some form of alternative payment arrangement. That at least gives us a general idea of the number and percentage of people we are talking about.

Q83 **Chair:** Thank you. Anything from you on this, Nick?

Nicholas Timmins: No, I broadly agree. I think flexibility over the timing of payments should be good, and there are some people for whom it clearly works, especially if they can have their Housing Benefit paid directly to their landlord. That should be made easier.

Q84 **Shaun Bailey:** Chair, if I can just come in quickly on the assessment piece as well, we have heard evidence that the monthly assessments presented real issues with changes in payments and changes in the amount people receive. We manage when we are dealing with taxation; we assess people annually and we manage to do that. Is there no way we can implement a more stable system, a more consistent system, that enables people to know where they are from the get-go? To me, looking into this, it surely seems common sense. If we can do that when we are taxing people, can we not do that when we are providing support to them as well?

Mike Brewer: I think what you are suggesting is whether there is a case for having longer assessment periods for some people rather than shorter. This would be an argument that relates more to people who are in work and on Universal Credit, where the precise timing of your pay cheque or your self-employment income can make a big difference to your entitlements with a monthly assessment period.

If you were to move to a longer assessment period, the fact that UC is paid in arrears would become more of an issue. Then you might start to want to look at that again and instead pay people up front with a reconciliation afterwards, and you have basically reinvented the tax credit system with the whole problem of overpayments and underpayments. As Nick said—and, of course, he is right—there are trade-offs and by picking monthly rather than six-monthly or annually, we have gone for a system where you do not have to wait too long but we are still avoiding the idea of overpayments if your initial assessment of your income is incorrect.

Shaun Bailey: It almost sounds as if there is not really a solution.

Chair: Nick Timmins wanted to come in, I think.

Nicholas Timmins: I was just going to say I agree with that.

Chair: You agree, thank you. We move then on to Chris Stephens to put a question.

Q85 **Chris Stephens:** I am going back to an issue that previous panels have discussed and, Nicholas, I know you have done some work on this, so let me start with you. This is in relation to whether advances should be replaced or whether there is a place in the system for a non-repayable



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grant or, I think as you have put it, Nicholas, an advance as a welcome payment. First, how would that work? Should it be targeted and what size of grant would you think, Nick, would be appropriate?

Nicholas Timmins: In a sense, the reasons I hope I have already set out. What it does is it reduces the time to wait, it reduces the need for advances, and if you were to do that for new claimants and for people transferring to tax credits, you are in a sense just completing steps that the Government have already taken. They set off down this road; they would do well to finish it. Clearly, it is possible to work out roughly what people get a fortnight if they are transferring from tax credits. You can get a number there that you could give them. For new claimants, you can work out what the advance is. Basically, you give them two weeks up front and they do not have to repay that.

I would point out that, particularly for new claims, if you were to do that you would run a risk of fraud. You might need a system where, technically speaking, you get your two weeks' money and it remains an advance, but DWP does not start to reclaim it. Assuming your claim proves to be valid and you are entitled, then three months or six months in you just write it off. That would help overcome the risk that people would just claim advances anyway.

Q86 **Chris Stephens:** Thanks, Nicholas. Obviously, we are aware of some evidence and I think the Department said that it takes a couple of weeks to do the assessment, so we would know at that point whether a claim was valid or not. That could eliminate fraud.

We have evidence of people who are waiting weeks and weeks and weeks for work capability assessments and that is delaying the claims over five weeks. People are waiting more than five weeks. I was going to ask you, Nick, whether a repayable grant should be made to those individuals to tide them over.

Nicholas Timmins: We could certainly consider that. What we have put forward is that you do a two-week upfront payment that is a grant, a welcome, a sort of a hello. I would point out that when UC was originally being designed in Government, Lord Freud, who was the Minister for Welfare Reform, argued very strongly for an initial two-week payment as a sort of welcome grant to get people into the system and up and running. That did not happen because Treasury at the time—we were at the very beginning of austerity—was trying to squeeze down the costs of everything. The idea has been around for a long time. The Government have started down the road on this; they just in a sense need to complete it.

You have had evidence from the Joseph Rowntree Foundation and from Ben earlier that you could attempt a more targeted approach, which would probably cost less. You could try to do that. I would make the point you would get some inconsistency in that and it would be less simple to operate.



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I look at it from the point of view that there are distinct advantages to a lot of the structure of Universal Credit, but it does produce a bunch of problems. You may have to pay a price to tackle those problems to make sure you get the advantages of UC overall.

Q87 Chris Stephens: Thanks, Nicholas. Patrick, I saw you waving and then I saw Mike nodding, so I will go to Patrick first.

Patrick Spencer: Thank you, Mr Stephens. I will tell you why we have not come out in favour of an upfront, unrepayable grant. I do not think it is an outrageous idea. I just think there might be better ways to tackle the problem of financial insecurity and people falling through the cracks.

As I said earlier, the current system of Universal Credit is crippled somewhat by the fact that there are huge debt obligations and clawback responsibilities of people coming on to Universal Credit. A huge number of people coming on to Universal Credit have outstanding debt, whether it is overpaid tax credits, council tax arrears, or third party obligations. In my opinion, unless you deal with the debt obligations and the fact that a lot of people are expected to pay back huge amounts of debt, you are throwing good money after bad.

I also think the issue around an upfront grant is that it is expensive. There is a high risk of fraud and it also can be fairly iniquitous. For an expensive grant, if you offer it only to a small chunk of the population, there might be an argument that it is a bit unfair to people who do not qualify.

A good use of that money would be increasing the general generosity of the standard allowance. If you increase the overall entitlement, make sure that housing entitlements are actually at the 30th percentile of rents in a market, if you reduce the risk that debt just corrodes your housing entitlement, you begin to tackle the problem.

The last thing I would say, and I mentioned this at the beginning, is encouraging people to make a Universal Credit claim when they are unemployed. There is a savings limit, which we think is fair. If people have more than £16,000 in savings, they should probably be expected to use their savings before they ask the taxpayer for support. Generally, a lot of people are waiting a long time between losing their job, losing their income, and making a claim for Universal Credit. I do not have a study to prove this, but I was talking with someone the other day. There should be more outreach between Jobcentre, DWP and businesses that are either furloughing now or letting people go. The P45 slips should include a statement at the top that says, "Do not forget to claim Universal Credit. It is your entitlement".

Before we throw ourselves into making a big restructure of Universal Credit—and I note that every time we have suggested making big changes to Universal Credit, DWP has thrown up its arms and said, "Please, no more, no more, no more"—I think there are smaller, easier things to do that could really make a big difference for claimants.

Q88 Chris Stephens: Before I go to Mike then, Patrick, obviously I was



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listening to you there in terms of not being comfortable with an upfront grant, but is there not a place in the system at some stage for a non-repayable grant? I am particularly thinking about those who are waiting beyond five weeks because they are waiting for their work capability assessment. Is there a space somewhere in the system for a non-repayable grant, if not at the start?

Patrick Spencer: Apologies, I have not done all the reading and all the reminding myself of the complexities of WCA, waiting for incapacity benefits and all the things that come with that, so I won't comment on that. I am very much behind the fact that we need to support people who are going through a health assessment more, but I will keep my comments to the five-week wait for this hearing at least.

Q89 **Chris Stephens:** Thanks, Patrick. Mike, is there a place for a non-repayable grant/welcome payment and how would it work?

Mike Brewer: There could be. On the suggestion that Nick has made, a two-week grant is not a five-week advance, so I think you would still find that even if there were a two-week one-off grant, some people would still need an advance to get them through weeks 3, 4 and 5. That is particularly so when claimants are getting help for their rent as well as their other living costs. You do need to pay your rent in a timely manner.

Going back to this issue of fraud, we are not talking about an increased risk of fraud through misidentification. The risk with introducing one-off grants is that people might claim Universal Credit when they are clearly not entitled to it by virtue of their income. They get that one-off grant before we have assessed their income and then they are away scot-free. That is where you might be wasting your money with such a scheme of one-off grants, and that is what is avoided in part by an advance.

Q90 **Chris Stephens:** After two weeks, say, when the assessment period has been concluded and DWP is satisfied that people qualify: is that a time and a space to look at whether a grant would be better than an advance?

Mike Brewer: Yes. The longer you wait between somebody applying and paying that grant, the more DWP is able not just to check their identity but to verify their current earnings or current employment situation. Of course, the longer you wait, the more financial problems you are giving to claimants. So it is a trade-off. I am very sympathetic to Nick's idea. I just wanted to point out that the two-week payment is not going to obviate the need for a system of advance payments to exist alongside it, but that is fine. Maybe we could have a system where a full advance is partially made as a grant and partially repayable, if that makes sense.

Nicholas Timmins: That is the proposition.

Mike Brewer: Okay, sorry. Apologies for not reading the proposal in full.

Chair: Okay, fine, interesting exchange. Thank you.

Q91 **Selaine Saxby:** We have already talked a bit about fraud and I was interested in finding out perhaps, given the risks around fraud that we have



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already discussed, what in your mind would be the most effective option to mitigate the effect of waiting for that first payment and that first delay to that first payment?

Chair: We have heard about Nick's proposition. Does anyone else want to plump for a particular option?

Patrick Spencer: I would just reiterate what I said; apologies, Ms Saxby. I would just say we should pump more money into the standard allowance. LHA rates should keep up with the 30th percentile of market rent. We can do more to reduce the debt clawback. We can help people get on to Universal Credit sooner, and we can fund Universal Support that would reduce many of the complexities around people who are in quite chaotic situations. Those things need to be done. Changing the five-week wait I think is a bit of a sticking plaster.

Q92 **Chair:** Mike, any thoughts from you about the solution?

Mike Brewer: Just to say I don't really know. It is very hard to answer that sort of question outside of DWP, where they really know what the pinch points are and what takes how long to do and so on. No, I do not have a view.

Q93 **Selaine Saxby:** Following up on that, do you foresee any other drawbacks that we have not already touched on if there were to be changes introduced to the wait?

Mike Brewer: It would depend on what changes. As we have discussed, the risk of making upfront grants is that the Government are spending money that they do not need to, perhaps giving money to families that are not eligible in the first place, so it is purely an Exchequer cost. That is really what it comes down to. This is a problem you can throw money at if you like. Some of the money you throw at it, if you were to go towards grants, would go to people who actually are not entitled to Universal Credit at all.

Nicholas Timmins: Yes, but there are already mechanisms for pursuing such claims. It is not that you just open a drain and pour the money down it. If people falsely claim, they will be pursued. The point I was making is if you treat an up-front grant initially as an advance and then write it off later, it discourages people from trying the fraud in the first place because they will be receiving grants they should not have claimed.

Q94 **Chair:** Okay. I have one final question to Mike Brewer. You told us that you have just published some work looking at the new cohort of Universal Credit claimants that have applied in the last three months and how that compares with the cohort that was there before. Can you tell us the headlines that you have found from that work?

Mike Brewer: Yes. They are, unsurprisingly, rather different from existing Universal Credit recipients. They will have all been in work in February so rather more of them have savings to fall back on or a partner who is in work. They tend not to have children because if you have children you are quite likely to have already been in the system. What we were finding from our survey, as I said, is overall high levels of satisfaction with the way that



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DWP has processed their initial claim. Of those who did not ask for an advance, an equal split between those who already had resources available to them elsewhere—that could be savings or a partner—and those who were worried about debt. Those were equal-sized groups.

Just this morning there was some research from Save the Children and the Joseph Rowntree Foundation about the financial difficulties UC recipients are getting into right now. Yes, the new claimants are reporting some financial difficulties, maybe not too many, but they were certainly very worried about what would happen if the crisis were to continue. For many of these new claimants, being on Universal Credit represents a substantial fall in their income. What was coming out is, "That is fine, we can manage for a month or two or three, but then it is going to get very, very difficult after that".

Q95 **Chair:** Okay, fine. I thank all three of you very much indeed—Nick has put his hand up.

Nicholas Timmins: Can I inject one thing? We have not really talked about debt and Patrick has placed a lot of emphasis on the ongoing impact of debt once people are receiving UC. I do think that is a really important issue and it does need to be addressed at some point. That is all. We do not have time today.

Chair: Thank you, a point well made. Thank you all very much indeed for the work you have done and for being willing to talk to us so helpfully about it this morning. We are grateful to all three of you. That concludes our meeting.