



# Select Committee on Economic Affairs

## Corrected oral evidence: The economics of Universal Credit

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

Evidence Session No. 1

Heard in Public

Questions 1 - 8

### Witnesses

**I:** Dr Ruth Cain, Senior Lecturer, University of Kent; Professor Sir John Hills, Professor of Social Policy, London School of Economics; Giles Elliott, Advice Service Manager, Manchester Mind.

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## Examination of witnesses

Dr Ruth Cain, Professor Sir John Hills and Giles Elliott.

Q1 **The Chair:** Dr Cain, Sir John and Mr Elliott, welcome to the Economic Affairs Committee. We are extremely grateful to you for coming here today. Perhaps I could kick off with a more general question and give everyone a chance to address it. How well do you think universal credit is providing social security for claimants?

**Professor Sir John Hills:** There are some well-documented problems with what one would have thought was one of the fundamental aims of the social security system, which is to protect people against dips in their income when they hit difficult times. The whole process involved in both claiming universal credit and waiting for the first payment to be made is creating much longer periods than we are used to of people having no income coming in. That seems to me to be a major problem for something that is supposed to be part of a social security system.

**The Chair:** The Government claim that that has been fixed because people can get a loan and, therefore, it has been addressed.

**Professor Sir John Hills:** There are two things. What is now a five-week wait cuts in after you have successfully gone through all the process of claiming, which some people do not find straightforward. Even that comes after a period when people delay claiming; I have seen this from evidence on why rent arrears build up, for instance. There are two periods even before the five-week wait starts.

It is true that advance payments are now available, but those payments are a loan. Benefit levels in real terms for many working-age people are less generous than they were in the past, through some of the effects of the austerity policies of the last few years. If you are repaying a loan over 12 months, which will be extended to 15 months, it means you are that much worse off than you would have been under the legacy system.

There are also issues connected with rent arrears. There is some help with that through some partial run-on of housing benefit and so on, but even before one starts thinking about the fundamentals of the level of universal credit and the other benefits, the delay in payment is making many people's lives very hard at the moment.

**The Chair:** When I asked the question, I put an emphasis on the word "security". I do not want to lead the witness, but do you think that the move towards this system has created a degree of insecurity and stress that was not part of the previous system?

**Professor Sir John Hills:** For many people, it will have done. The system is well designed for somebody like me who is monthly paid. I am used to budgeting monthly. If the London School of Economics decides it can do without me at the end of the month, I will have this month's pay cheque to see me through till the end of the next month, or an extra week or two.

Many people's lives are not like that. It is true that quite a lot of people are monthly paid, but many are not. When a couple or people have varying hours, the model of budgeting on a monthly basis is not one they follow. There is a considerable amount of evidence of people budgeting fortnightly or weekly for whom the effect of the wait, unless they decide that they will be 8% worse off for the next year than they would otherwise be, is that they have to run down any savings they have and use up their credit with family and friends. In a way, it means that when people start to receive their payments they are already under water. That leaves them with very little margin for any period while they are on universal credit.

**The Chair:** Dr Cain, do you want to comment on this at all?

**Dr Ruth Cain:** It has been summed up very eloquently. I would like to add a couple of things. There is definite evidence on food bank use. The Trussell Trust reports a very large year-on-year increase in parents in particular turning up to provide food for their children, and a lot of people cite the five-week wait.

Professor Hills mentioned that budgeting is difficult. It is not just advance payments; you can get clawback of fairly ancient debts, such as tax debts. In one case I heard of debts incurred 15 years ago by another member of the household. These are things that the claimant has forgotten about or has no idea that they could come out of their award. Creditors can apply. Since 2018 there is a 30% limit on that, but 30% of an already delayed award, in which period you could have run up debts, could still mean significant hardship for all claimants, but particularly families with children, lone parents and the very vulnerable.

**Giles Elliott:** I will not reiterate the points that colleagues have made or we could go on for ever. One of the other areas that causes us great concern, with worrying impacts on more vulnerable claimants, is the focus on its being an online provision. As Professor Hills said, someone like me, or any of us, prefers doing things online. I like the fact that I can renew my car tax online, but it poses an extra burden if you are someone who is not IT-literate and does not really have access to a computer. They may have a smartphone but that is the limit of it. It makes people afraid of claiming. The whole concept of that system puts them off.

In addition, you need a good organisational approach; you need to know your personal reference number and you need to remember your password. We frequently have people calling in for advice who cannot remember and it is quite hard to get them back on track. At Manchester Mind, we provide a service specifically funded for this. It is a two-year project to help people make and maintain claims for UC online. Obviously, the number of people we can see is limited, and that is fine. It is limited in time and space. My concern is for those who do not have access to anyone who can help.

It has been said by the department, and if you go to the GOV.UK website it will confirm this, that for those who need help and cannot make or

maintain claims themselves help is available via the helpline. I have at least two examples where people have phoned and said they need that help and have been told, "We're not going to give it to you; that's not the sort of thing we do"(or words to that effect). That may be a potential issue of staff training, which is an issue we might come to later, but the fact of the matter is that there is no proactive effort, if you like, by the department to assist people who are not digitally included, so it falls back on charities and other not-for-profit providers.

This is a new problem that technically we are not funded to provide for in general. We are there to provide advice on people's entitlement to benefit and, if they have been refused, to help them challenge those decisions, but we should not be there, and cannot be relied upon to be there, to help people make claims. You should not need an adviser to help you make a claim, but in practice that is what we are doing. That means that there will be people who are excluded because of their inability to claim and the non-availability of assistance.

**Q2 The Chair:** Given the splendid work you do in providing advice to people, do you see any evidence of increased stress and mental health issues arising from people's frustration with the system?

**Giles Elliott:** Yes, we do. It is hard to quantify, but frequently we have people breaking down in our interview rooms because they cannot cope with the situation, or people refuse to engage with us when we want to help them proceed with a claim because they find the process too stressful.

This point goes slightly wider than universal credit, but it is particularly focused on universal credit. We have spoken to somebody who runs a local mental health facility, where she reckons that they spend 90% of their time dealing with the psychological fallout of problems with claiming and maintaining claims to benefit and consequential problems such as debt, leaving only 10% of the time to deal the underlying problem, which is the mental health problem that exists in the first place. We also have more people seeking help from us to provide vouchers for food banks. At the moment I cannot give you statistics, but our impression is that people are getting more stressed.

**Lord Burns:** What proportion of claimants do you estimate are subject to these strains and stresses, and what proportion of people are managing to use the system reasonably well?

**Giles Elliott:** To be fair to the Committee, that is not a question I can answer, because I do not know. It is true to say that my colleagues and I see the people for whom it is not working, so if you ask me what proportion of people who see me are struggling, it is very high; it is certainly more than a majority. There may be many people for whom it is working fine. I do not know. If you are in work, IT-literate and relatively well organised, potentially it could work quite well for you. Compared with the old system, if your earnings go up and down, universal credit tracks that, which is better than having to keep going on and off benefit,

so for those people it can work potentially quite well. Most of our clients—not all of them—are not in work. The short answer is that I do not know.

**Professor Sir John Hills:** You could get some evidence from the study that was carried out for the Trussell Trust on the association between increased use of food banks and the moments when universal credit was being rolled out. That is one indicator of people at the tough end of it. You can get some indicator from evidence on the pattern of rent arrears as people move on to universal credit claims. The department has been collecting more evidence on that, but I do not know whether it has been published yet. For people who are monthly paid, it is more likely to work well, so for individuals that is about half. I would not want to swear to that number of individuals, but of course families can be more complicated than that.

I asked exactly that question of a group of social landlords while universal credit was being rolled out a year ago. Clearly, there was a group who liked the system for precisely the same reasons. They were used to monthly budgeting and online claiming, but the majority of the tenants they were dealing with needed, at least initially, some hand-holding. Another rather important aspect is that social landlords were diverting resources into supporting people, decreasing the patch size—the number of units that people were looking after. For some people, it was just a kick-start, to get them started on it, but there was an important group who needed continual support.

**Lord Burns:** Is this a problem for people, albeit a substantial minority, in certain types of circumstances where the system is failing, but for others it is working reasonably well, or is there something more fundamental with the system as a whole? If one is asking how to tackle this, that seems to me quite an important distinction.

**Professor Sir John Hills:** There is clearly an important issue about a design that works well for one group of people who work on a monthly basis, but it is not designed even for people who are paid on a four-weekly basis, let alone a fortnightly or weekly basis. You can go on to the DWP website and see the advice that is given to you that will warn you that some of your months will have five pay days and some will have four; some will have three ends of fortnights and some two. With that monthly straitjacket, you get a beating effect in the way people receive money in very complicated ways over different kinds of cycles. That is a greater problem for people who are in work than for people who are out of work, obviously.

**Lord Burns:** I have read somewhere that almost anything in a sense is potentially available for change, apart from the fact of the monthly system. Is that true? Is the monthly system incapable of being changed or finessed in some way?

**Giles Elliott:** In Northern Ireland, people are paid more frequently. I have a feeling it is two-weekly. If they can do it in Northern Ireland, they can do it elsewhere. One of the arguments put forward for the monthly

payments is that it reflects and trains people for a world of work where arguably, not indisputably, people are paid monthly, but it occurred to me only the other day that that is not how it works for me. I get paid monthly, but half of it is in advance and half is in arrears. That is how the bulk of people are paid on a monthly basis. If it is to be paid monthly and it is to reflect the world of work, that is how it should be. That would be a true reflection. I would prefer it to be paid two-weekly, but if it has to be paid monthly that is the way it should be.

**The Chair:** Do you take seriously the argument that it is important to reflect the world of work with this monthly pay thing? It strikes me as the sort of thing that could have been dreamed up by people who perhaps are seeing the world from their own experience rather than the experience of people on the receiving end.

**Giles Elliott:** I do not take it seriously, but it is nice to give it the benefit of pretending that it does.

**Professor Sir John Hills:** You have to distinguish two things. One is the rhetoric that this gets people used to the world of work. That is a very bad argument. It does not match the world of work for many people, particularly as we move into a world where more people are on zero-hours contracts, a number of people have multiple jobs and many younger members of the workforce are used to something very different from the monthly pattern that some of us may have been used to.

That is different from the administrative issue where we need to distinguish two different things. One is the payment period. In Scotland, you can opt to be paid fortnightly. That may help you budget, but it is just delaying part of your payment. It interacts with the question you started with, about the advance. If you had a system that was, as it were, half in arrears and half in advance, switching to a fortnightly or half-monthly payment would be easier, and you would not be delaying yet another two weeks in order to get your later bit of budgeting. As I understand it, a lot of this goes back to using the real-time information system from HMRC, which is obviously a huge boon, but I do not think employers do their reporting on a monthly basis. There could be a choice, for instance, to work on a four-weekly rather than a monthly basis. That is something you will have to take up with officials.

Q3 **Lord Burns:** If one compares it with the previous systems, to what extent would you say that some of the problems have been resolved by the new system, albeit by creating others? How does it break down between people in different types of circumstances? Is it possible to have a relatively brief summary of that? Who are the winners and losers in the switch from one system to another?

**Dr Ruth Cain:** Unpleasantly enough, the biggest losers are the most vulnerable. Lone parents and the disabled are losing out the most. The lowest 10% of income recipients under universal credit are losing out more under this system than the legacy system, which I find quite extraordinary. It goes back to the question you asked about social

security. The whole point of a social security system is to protect the most vulnerable, but they are now further exposed.

**Professor Sir John Hills:** One important issue at the heart of that question is that potentially there is a group of very low-income gainers. They are people who under the legacy system may be entitled to a number of different benefits or tax credits, but claim only some of them. In our own modelling work, we show that with universal credit fully rolled out, there is a group of very low-income gainers. That was a little while ago, but IFS and others have done similar things. You could make the assumption that the reason why people are not claiming all the benefits and credits they are entitled to is that dealing with three different institutions for income assessment is too much of a hassle. In that case, you make the assumption that once you claim one, as you go towards universal credit, you will get the equivalent of your housing benefit, child tax credit, jobseeker's allowance, or working tax credit if you are in work.

That may be true, but you have to ask why people do not claim everything they are entitled to. Sometimes it is because of the hassle effect, and maybe dealing with one agency makes it easier, but sometimes it is because of stigma. One of my worries, which is unknowable—when the Office for Budget Responsibility looked at this, it said that it was one of the big uncertainties in the process—is that we do not know whether part of the effect will be to spread the stigma of claiming benefit, being on welfare in popular terms, to what had previously been less stigmatised payments that people got through tax credits and so on. Whereas one potential gain from universal credit is the single claim and, therefore, not having full take-up, for some people it could go the other way. One of the leading signs to look out for on that is people delaying their claims because they have heard bad things about universal credit. The DWP might argue that we should not be raising problems with universal credit because then people will not be so worried about it, but there is a danger that needs careful monitoring. If it leads to people delaying their claim, it pushes them further under water before they even start qualifying for it.

Q4 **Baroness Harding of Winscombe:** I want to follow up on the problems with the legacy system. Mr Elliott, you said that claiming benefits is inherently stressful. Could you take your mind back to the main problems with the legacy benefit system, and how much, if at all, you think universal credit is able to overcome them?

**Giles Elliott:** I do not remember saying that, but it is the sort of thing I might have said. On claiming, our experience of the sub-group of people with whom we are working is that it has undoubtedly made it more stressful, because suddenly they are faced with logging on to this strange system. They do not know what is involved. There is no human-to-human interaction; it is not a simple form they can get their aunts to help them with, or something like that. I am struggling to think of a group it has helped – probably, as I said before, it is people with intermittent variable work; otherwise, it creates more problems.

There is a particular issue that bothers us. Under the legacy system, if you felt you were too unwell to work, you would claim employment support allowance and you would wait to be assessed. That assessment period was stipulated in law to be 13 weeks or three months—I cannot remember which. During that period, provided your doctor had supplied sick notes, you were deemed as, or treated as, having what they called limited capability for work, effectively not being well enough to work.

That “treating as” has been removed from the current structure. If you are not well enough to work by your own assessment and maybe the GP’s assessment—you might be wrong, but that might be your assessment—initially the requirement is that you do everything you would normally do if you were looking for work. The fact of the matter is that work coaches at jobcentres have a degree of discretion. We have had some positive experiences where they have exercised that discretion and said, “We know you have to look for 10 jobs a week, or whatever, and it’s plain you can barely get out of bed, so don’t worry about that too much”, but it is a discretionary power. People say, “I can’t work”, and that puts people off claiming, because they will say, “If I claim, I’m going to have to make myself available for work. I can’t do it”.

The other problem is that legislatively there are no deadlines on the department’s side as to how quickly it should make that assessment. There is a period that acts against the claimant’s interests, which I will not go into; it is too complicated to explain, and it is long and boring anyway. From the department’s point of view it can take as long as it likes. This highlights the fact that there are two kinds of problems with universal credit that often overlap.

One problem is legislative. People are not in this case treated as satisfying the test initially, and there are no time limits built into the system. There is also the practical problem of how that is actually worked through. Probably because the department is overstretched and understaffed, people often wait considerably longer than the previous three-month period. We frequently chase the department to perform assessments because there is no sanction on it if it does not do an assessment quickly enough. We keep asking for what is called a UC50, which is the form someone has to complete to demonstrate their limited capability to work. We send it in and it disappears into a void, and then we wait for an assessment when someone invites them to attend somewhere, and nothing happens. They can be in that looking-for-work category for considerably longer than a quarter of a year. We have people who have been waiting nearly a year for an assessment to be performed.

**Baroness Harding of Winscombe:** If we were having this hearing 10 years ago and you were setting out the problems with the then current system, what would you have been saying were the main problems?

**Professor Sir John Hills:** One of the problems with the system as it evolved after 1999, particularly after 2003, was that the tax credit

system involved giving people amounts based on an old assessment of their income, which could easily have been 18 months or two years before. If people's circumstances deteriorated, they did not get enough, but you could make up for that. There was a big problem of overpayments and then the need to claw them back. That was done in various ways. One expensive way it was dealt with before 2010 was to say it did not matter if your income went up by a lot. That was more expensive, but that limit has been reduced, to save money. You could also say that maybe there is some justice for people who do not have fluctuating incomes from year to year.

The whole rationale for universal credit, as well as the administrative savings from using the real-time system information from employers, was that you could get it right first time. You know what people earned last month; you know what their other circumstances were; you know if they had a new child during the month, and that all kicks in. In theory, that is a big advantage of the system.

I was therefore very struck when I read a paper recently by Professor Jane Millar and Professor Peter Whiteford pointing out that the National Audit Office had reported that, early on, the overpayment rate in universal credit was running at 8% and that was almost as high as tax credit overpayments had run at one point. That is a problem the system was designed to fix. You would not suddenly be told, "Your tax credit has been cut to zero for the rest of the year because we didn't know that your income had improved". That was clearly a problem for people and made the old system unpopular, but it is not obvious that we have got that right yet.

**Dr Ruth Cain:** I can give you a specific example. My research area is lone parents. As you are probably aware, one particular issue in the legacy system was the 16-hour cliff edge. If you were on income support and took on a job over 16 hours a week, say 16.5 hours or 17 hours, it would instantly cut off your entitlement to benefits you would otherwise have been able to claim. You ended up in a situation where it was not worth working the extra hours. Obviously, universal credit was intended to get rid of precisely that disincentive to work. For certain people, including lone parents, who want to go back to work part-time, that is quite useful.

We also have what I think is another very good aspect. The childcare claim can now be done in tandem with your benefit claim. That was a feature of the tax credit system. You can now get all your housing element and everything rolled into one, and you need not worry about putting your child in childcare for three hours a week and potentially having to pay for that. Of course, you pay 15%.

That said, all those various advantages are wiped out by a lot of other features of universal credit, such as the sanctioning regime and the very strict conditionality. In my opinion, the advantages are outweighed by various other aspects that nullify the positive effects of those advantages for lone parents.

**Giles Elliott:** One of the positive things when universal credit came in was the range of work allowances, which are broadly the amounts people can earn before it has any effect on their universal credit. It was disappointing to see those removed almost completely. I cannot remember how many years ago it was.

**Professor Sir John Hills:** It was 2015.

**Giles Elliott:** Thank you.

**Professor Sir John Hills:** But then they came back again.

**Giles Elliott:** There are some work allowances, but they are much more limited than they were. If you are to have an integrated system where that is built in, and it was a positive, it is very regrettable that they were taken away.

**Lord Stern of Brentford:** Maybe we can pick this up later. We have had some very helpful guidance on what kinds of people in what kinds of circumstances are likely to be better or worse off as a result of the transition. At some point, perhaps later in the discussion, it would be very helpful to know how much worse off people have become—not only who has gone plus or minus, but the extent to which they have. Dr Cain, you mentioned that the lowest 10% had been particularly badly hit. Perhaps you could tell us about that as a percentage of their income.

**Dr Ruth Cain:** A lone parent with two children, compared with the legacy benefits regime, would probably be losing under the current universal credit system between £200 and £500 a year, which is quite considerable. I will check those figures, as I am going to make a written submission. It is a fairly considerable amount.

**Lord Stern of Brentford:** On very low pay.

**Dr Ruth Cain:** Exactly. Disabled claimants are losing similar amounts.

**The Chair:** It would be very helpful if you could give the Committee that information.

**Dr Ruth Cain:** I will make a written submission.

Q5 **Lord Fox:** I apologise for being late. I was involved in business in the House. Should the aim of the social security system be to get people back into work and encourage the world of work, or should it be to alleviate in-work poverty? Are the two counterindicative, and which is the priority?

**Professor Sir John Hills:** Could I have first go?

**The Chair:** It is an easy one.

**Professor Sir John Hills:** One could almost set it as an exam question. You have to step back a little because you need to separate the aims of the social security system and the constraints on it. As I understand it, the key aims of any social security system are the prevention and relief

of poverty; insurance against adverse life events—illness, unemployment and so on; and coping with fluctuations in income over the life cycle. That is the majority of what our social security system does, given that most of the social security budget goes on payments to pensioners. Sometimes it is also about horizontal equity: fairness between people who have different needs.

I would see those as the aims, which are then subject to the constraint of whether the system you set up interferes with the economy because of incentive effects. Does it cost a lot to run? Does it cost the beneficiaries a lot in hassle, time or opprobrium to claim it? You end up with what I think has been described as the iron triangle in relation to your specific question about choice. You can have a social security system that does a lot to relieve poverty. You want your social security system to do a lot to relieve poverty out of work. You want there to be incentives for people to work so there is a gain from work, but you also want the cost to be kept down. Those three things are in tension.

The more generous you make benefits out of work relative to benefits in work, the more you have an effect on incentives; and the more ungenerous you make benefits to people who are out of work, the more you may cause hardship. If you hit the first of those two aims, the system may be very expensive, and you cannot escape having to choose between them.

**Lord Fox:** A lot of the narrative around universal credit is about getting people back into work. Is that relatively unusual for social security-style dialogues? Was it any different from other attempts? Where is it the same and where is it different?

**Professor Sir John Hills:** I see that Lord Darling is a member of the Committee. I am sure we could find quotations from the Labour Government when tax credits were introduced that they would make work pay; that the system was about a hand up, not a handout. If you go back to 1948, and probably before that, what was unemployment benefit, now jobseeker's allowance, was always conditional on actively seeking work. People have always been aware of the tension I just described, so from that point of view I do not think any of the rhetoric around it was very different from what we heard in the past; it was a different means to try to achieve that objective.

**Giles Elliott:** I would approach it from a slightly different angle, looking at the client group we work with. It would not be a good thing to say that there are people who will never be able to work, but there are people for whom the journey from where they are to being able to hold down a job is a very long one, and it is not an easy one for them. It is also not an easy journey for the department, if we are being fair.

That is an element that is sometimes forgotten. It is easy to imagine someone who has fallen on hard times but who has all the right equipment to do a job tomorrow. We have clients who since childhood have paranoid schizophrenia that is poorly medicated and controlled.

They can barely function as a member of society; they struggle just to exist. I do not want to say to them that they will never be able to work—I have met people with a continuing paranoid schizophrenia diagnosis who are in quite well-paid work—but you can throw all the sanctions you like at them, and it will not get them into work. If what is quoted as help to increase their employability is provided, ultimately that might be a very good investment, but it is a very long game. That is one of my concerns. People do not just fall into work.

There is another category of people in that situation. I used to work in another job where there was a large group of middle-aged men. One guy had been a scaffolder all his life. He enjoyed the job, but he broke his back. Fortunately, it was not totally disabling; he was still able to move his arms and legs, but he was not able to do the job he used to do. He said, "I want to work, but I can't. I'm useless with a computer and I can't really write". That was a wider issue even before universal credit was rolled out. It is about recognising the journey people have to travel.

**The Chair:** That is really interesting. Does the system provide for those people?

**Giles Elliott:** In my experience, to a very limited extent, but not to the extent necessary.

**Lord Fox:** Did the introduction of universal credit reduce, increase or leave the same the amount of support for people wanting to make that journey to work happen? Did it substantially change it one way or the other?

**Dr Ruth Cain:** On the whole, benefit expenditure has been reduced by £2 billion, leaving aside the issues with the computer system that are going to cost far more than that. On the whole, 14% of claimants gain and 17% lose out, indicating that overall there is a net loss, and the bottom distribution loses far more than the top distribution.

**Lord Fox:** It would be handy if you could set out in a letter that profit and loss in numbers.

**Dr Ruth Cain:** I will do so.

**The Chair:** On Lord Fox's point, whenever there is a question about universal credit in the House of Lords, and I am sure it is the same in the other place, Ministers get up and say that universal credit has resulted in more people being in work than ever before. I think that is at the root of your question, Lord Fox.

**Lord Fox:** Yes.

**The Chair:** That is one of the things the Committee is interested in. Has it really had that effect on the labour market, and, if so, how? Mr Elliott, you made the point that there are people who are, for a variety of reasons, incapable of working. You can send them to interviews and put them on computers, but they will not find a job unless they are given a

load of help and support.

**Giles Elliott:** At this point, they will not.

**The Chair:** Has universal credit actually resulted in more people being in stable employment?

**Professor Sir John Hills:** The people to talk to about that, who have studied it, are at the National Audit Office. As I remember their report, they said that we will never know. There are some employment effects that clearly cannot be due to universal credit, given how slowly it has been rolled out. It now affects more than a third of the people it is eventually intended to serve, but that is quite a recent build-up.

It cannot have been responsible for the growth in employment before that, but we do not live in a world where we have had a nice experiment and the same group of people were treated with universal credit and legacy systems for new sign-ons. The department has an objective for how many people it said it would get into work—tens of thousands—but the NAO assessment is that we will actually never know whether it did. At the NAO, they were not convinced by any of the evidence. Some studies showed the effects going one way; other studies showed the effects going the other way.

**Lord Stern of Brentford:** This point is fundamental. In the technical jargon, it would be called an identification problem. In the recovery from a recession, and with the advance of the digital economy, zero-hours contracts and other things, the idea that you can disentangle this is simply implausible.

Q6 **Viscount Chandos:** As this is our first evidence session, I start by declaring a couple of interests. One is as an independent director of the Credit Services Association; the other is as a trustee of the Esmée Fairbairn Foundation.

Almost following on from Lord Stern, do you think that universal credit adequately reflects the reality of low-paid work and the lived experience of low-paid workers? In particular, how has that evolved during the long-drawn-out period since it was introduced?

**Professor Sir John Hills:** Colleagues will want to add to this. We have covered some of that in describing the difference between an assumed world of work, where people have lifetime jobs, or several-years-at-a-time jobs that are monthly paid, and the reality for a group of people. There has always been job insecurity and people have always been paid variable time, but an increasing number of people are moving in and out of work and their hours are more uncertain than they used to be.

We can exaggerate the number of people on zero-hours contracts, but clearly that is a phenomenon that we would not have been discussing 10 years ago in the way we are now. From that point of view, there are aspects of using online claims and the benefits of the real-time information that you can collect from employers, without people having

to report it themselves, that take advantage of the modern world of work. There are other parts of it where it is hard to say that it is adapted to dealing with people with multiple jobs, let alone people who are self-employed.

**Giles Elliott:** There is a particular quirk in the system that may get resolved, because the department lost a case in the High Court, I think. I take myself as an example. If my pay date falls on a bank holiday, my employer very kindly moves the actual pay moment to before the bank holiday, but that adjustment does not happen with universal credit. For one of our clients, because it was Christmas, two of her monthly salary payments were in one universal credit assessment period, which resulted in her benefit going down massively. You might think naively that the next month, when it was less, it would go up and balance out, but it does not balance out.

That could easily be tweaked; you just tweak the UC in the same way as employers tweak salary payments. It is not a massive amount of money, but if you are on the breadline and suddenly you find that your income from benefits has gone down for that month by perhaps 60%, how do you deal with that?

**Dr Ruth Cain:** That was the case in the High Court of Johnson, Woods and two other claimants. The response of the DWP was to say, "We don't want to have to change this because it will cost us too much to alter the system".

**Viscount Chandos:** I guess one comes back to the question that the world of work is changing and, arguably, is likely to continue to change at least as fast. Would the old system have been better, the same or less good than universal credit in coping with that?

**Professor Sir John Hills:** The interesting dilemma is that the old system, where somebody might have been entitled to three different payments, had problems, but at least you did not have all your eggs in one basket. Your child tax credit or your housing benefit might keep running, even if there was an interruption in another part of your payments. Here, we really have to get it right first time, because it is all your money and your rent, and you are in danger of running into arrears.

Could I add something that has not come up? It would be a shame if we finished without it coming up. It is not just the changing world of work but the changing world of life and relationships. We have not talked about gender and the effect of having single payments. One of the parts of the old structure was that child tax credit would be paid to the parent or prime carer, who would often be the woman. With a single payment, we have lost that advantage. It is not just that the eggs are being divided between a couple some of the time, with the awkwardnesses in that; people adjusted the way they ran their household budgeting for that, and we are disturbing that.

There are other aspects, which you will probably talk about in other evidence sessions, about the single payment and its effect when somebody applies for a split payment, if they think that their partner will not share it equally. If that is happening in a case where there is domestic violence, or a risk of it, that will be very difficult for people. I know that is an issue that a Committee in another place has been looking at.

**Dr Ruth Cain:** Women's Aid reported on that recently, and presumably you will be hearing from them.

**Lord Stern of Brentford:** In your view, have children suffered as a result of the change?

**Professor Sir John Hills:** I do not have direct evidence.

**Giles Elliott:** I can give you a very brief example. We had a client who made a joint claim with her husband. The husband had basically done it all and had all the PRNs and details when they made the claim. She then left him. We tried to help her to amend her claim so that she could claim as a single person. Of course, she did not have any of the details; she did not have any of the reference numbers, and the department did not seem to understand that she could not answer the security questions. I do not know the level of her relationship. She was certainly being financially controlled, but the way the system worked made it hard for her to extract herself from that.

**Lord Burns:** We spent so many years in the Treasury dealing with the question of independent taxation. It is rather anomalous that we have pursued that in one aspect of the system but have gone in the other direction with the social security side of the system.

**Professor Sir John Hills:** Whatever system we have, it will have an anomaly, because we are dealing with a world where people have increased independence within couples. We are a long way from the breadwinner or husband model with various systems for divvying up the money.

If we have a means-tested system, we do not think it appropriate to have one that is run on an independent basis. We run it on a family means-test basis, which means that inevitably at some point we have to put together the affairs of a family. So for part of their lives we will be treating them independently; for other parts we will be treating them jointly; and at the edges there will be an anomaly.

**Lord Burns:** Why do we not take the same view of taxation?

**Professor Sir John Hills:** That is a very good question.

**Dr Ruth Cain:** Sexism.

**The Chair:** Lord Burns is in a good position to answer that question.

**Professor Sir John Hills:** As you know, public attitudes to tax and public spending and benefits are very, very different, even if, in a neat economists' world, we just think about net gains and net losses.

**Giles Elliott:** I think Lord Stern asked about the financial comparison between the two systems. I do not have the figures in my head, but I could send a short submission showing the different financial levels legacy and post legacy. It would be easier for me to send them than to try to remember them now.

**The Chair:** That would be very helpful.

Q7 **Baroness Bowles of Berkhamsted:** Continuing the theme of how it all matches up with the world of work, a senior civil servant, Neil Couling, said that universal credit will "form the bedrock of social security for the next 30 years". Do you think that is realistic, given the various assumptions as to how the labour market could change and some of the things we have already discussed vis-à-vis whether it fits the unit and individuals?

**Professor Sir John Hills:** As a preface to that, perhaps I may quote "Macbeth". I hope your clerk will allow me to correct it afterwards. We may now be in a situation, and it is certainly the view of civil servants, where we are so far stepped in that "Returning were as tedious as go o'er".

**The Chair:** "Stepped in blood".

**Professor Sir John Hills:** I did not want to mention that we were stepped in blood.

**The Chair:** It is the first time we have had reference to the Scottish play.

**Professor Sir John Hills:** I should not have mentioned the name? But we are not on the stage.

The problem is that we are a long way into this system. Some of the legacy systems, the computer systems, are decaying. More and more people will be on it; soon the majority, the eventual target, will be on it. From discussions I have had with advice agencies and people who work with claimants, the idea of having another big reform—maybe in 30 years' time people may be different—and turning things on their head and introducing something new would be extremely disruptive to people who have begun to get used to the new system.

There is a real problem as to what one would do. One could halt the managed migration and let the number of legacy people wither on the vine, as it were, rather than move them across to the new system, but switching gear so that people signed up to the old tax credit system—reverse gear—would be very difficult. This system was announced by the Government in 2010. We are in 2020 and, as ever, we are five years off its complete rollout. Bringing in a whole new system would be a brave

thing to do. Whether or not one would describe it as a bedrock, I think it will be with us for a long time.

**Baroness Bowles of Berkhamsted:** Does that mean that it is not very tweakable, we are stuck with a computer system, and some of the problems we have already explored cannot be ironed out?

**Giles Elliott:** I do not see why it cannot be tweaked, and I think it ought to be. I am a realist. In my little dream world, I want to go back to how things were before because it was easier on our clients and on us. I do not really like things as they are now, because I am working with two different systems simultaneously; I am training new members of staff and volunteers to advise people on two different parallel tracks, leaving aside all the different kinds of transitional issues, which we will not go into. If we are stuck with UC, as may well be the case, it must be tweakable; that is the bottom line.

**The Chair:** What would you tweak?

**Giles Elliott:** There needs to be recognition that help must be provided to, presumably, a proportionally small group of vulnerable claimants who cannot make and manage claims themselves without assistance. That has to be available, funded and publicised, because at the moment people are left without it. If they are vulnerable and do not have an advice agency to go to, which in these current days—

**The Chair:** You have made that point.

**Giles Elliott:** Fine. That is one thing I would go for. I would bring back some of the elements that have been taken away. Without going into too much detail, people were getting extra amounts on their legacy benefits in the form of something called the severe disability premium and the enhanced disability premium. Those are now ruled out; they do not exist in universal credit. There are transitional arrangements that enable people, if they are part of a forced migration, to have those carried with them, so they wither on the vine over time with inflation, but for new claimants they do not exist.

**The Chair:** If you, or any member of the panel, gave us a note on your thoughts, that would help.

**Giles Elliott:** Yes.

**Lord Fox:** For clarity, using the bedrock analogy, are you agreed that if it is to be the bedrock it needs to be more stable? Without going into what seem like tweaks, are there fundamentals that need to be done to make it more stable, or do a lot of tweaks or a small number need to be done? In other words, how profound is the multiplication required to create something that is possibly not stable now and make it stable enough for the future?

**Professor Sir John Hills:** It is covering up some of the sink-holes in that bedrock. We have mentioned some of them. We have talked about

the delays in payment, the frequency of payment and the easier ability to have payments split to cope with different situations for couples.

It is not just support for particularly vulnerable claimants. Many tenants need support through the system, as we move away from housing benefit. That is imposing a cost on social landlords who have diverted resources to that. You asked earlier about particular groups at risk. For private tenants, there is the difficulty in getting payments and the unwillingness of private landlords to take on the risk of the delays that come from the housing benefit now being incorporated into a single payment that comes in a lump later on. They do not get support and do not have access to a system that notifies them when somebody is moving on to universal credit. I believe Amber Rudd announced a pilot to look into that at some point last year and find out what was happening. Support is needed to cope with the fact that the administrative costs of the department have been considerably reduced as its budget has gone down.

**Lord Fox:** Does that level of support affect the future scalability of the programme? Would it fall over itself when it is scaled across the whole service because of all the extra work that needs to be done to support it?

**Giles Elliott:** Given that at the moment, if we phone the helpline, we are waiting for about half an hour on average to get an answer, I would say there is a problem.

**Lord Fox:** Half an hour?

**Giles Elliott:** Yes, and frequently more. One of the problems is that often the staff seem to be quite badly trained. You sometimes get a different answer depending on whom you phone. Sometimes you phone and wait half an hour and are told, "You can't do that", whatever it is. If you have time to phone again and wait another half an hour, you are told, "Oh, yes; no problem", but we do not have the time to make two phone calls of half an hour. That is routine for us. I spend my life listening to music on hold. At least, it has recently changed the Vivaldi that I have been hearing for 25 years.

**Viscount Chandos:** You have identified a number of issues, such as eggs in one basket and stigma. What worries me is that it is very difficult to see how those are addressed by tweaking. While I can see the powerful argument about not having a fundamental redesign, it sounds as though, if you do not redesign it, the consequence is that you are locked for a generation into a system that has fundamental flaws that are not tweakable.

**Professor Sir John Hills:** We have problems in whichever direction we go. One of the things to bear in mind is that people's circumstances change. One of the reasons why the number of people on universal credit had risen to 2.5 million by last summer—a third of the way there—was that people move on and off working-age benefits all the time, and the new cases are moving on to universal credit. Even if managed migration

was never to happen, or did not go beyond the very small numbers that have so far happened, the numbers on universal credit will continue to grow and, therefore, the number of people who need support if they are tenants or are particularly vulnerable must continue to grow.

**The Chair:** Going back to Baroness Bowles's question about Neil Couling, who I think is going to give evidence to us at some stage, when he talks about something being the bedrock for the next 30 years, I find that quite alarming, because I think about my grandchildren and what life will be like for them in the next 30 years. It is quite hard to predict sometimes what things will be like for the next 30 months. With the huge changes in the labour market, patterns of employment, the nature of families and everything else, is it realistic to set down something that will be okay for the next 30 years and does not have built into it the flexibility to change?

**Professor Sir John Hills:** Flexibility is clearly important for exactly the reasons you have given. Even if it would not be realistic to go through the 10-year process we have already been through, and the five years to come, for something entirely different, having a system that can adapt to all kinds of changes, many of which we do not know about and could not have predicted 10 years ago, let alone 30 years ago, is obviously right.

**The Chair:** I do not want to be unkind. I have never met Mr Couling and am looking forward to seeing him, but to my mind it almost reeks of, "This is the project we're going to go ahead with", whereas should we not be looking at it from the point of view of the people who are in receipt of these benefits, and the labour market as it exists, as opposed to what our project is?

**Professor Sir John Hills:** Absolutely. The people you need to talk to or hear from more directly, or indirectly, are those who have experienced the system. For instance, the Trust for London is running a commission on reform of social security made up of experts by experience. If you are trying to think about how we do not get this wrong in the future, listening to those voices, subject to the administrative constraints, costs and all of that, is absolutely crucial. I am not convinced that was done when universal credit was designed and introduced.

Q8 **Lord Burns:** We are going to talk to people and examine it from that point of view. You mentioned earlier some modelling work you had done. Has modelling work been done on different types of claimants on a dynamic basis? In other words, have you projected it over time and looked at the kinds of things that might happen in their lives, to see the groups of people for whom this is working and for whom it is not likely to work, or the people who are particularly adversely affected by some of the changes that have been made?

**Professor Sir John Hills:** The person I would direct that question to is Professor Mike Brewer, who was at Essex University and is on his way to the Resolution Foundation.

**Giles Elliott:** My sadness, and anger, if I am honest, is that the whole project, this massive bedrock, seems to have inadvertently, or whatever, been an experiment inflicted on very vulnerable people. It is a shame that it was not done the other way round, by learning from them before it was rolled out.

**Dr Ruth Cain:** To go back to a previously asked question, it seems very hubristic of Neil Couling to claim that there can be any sort of bedrock of social security given the very peculiar times we are in. We have offshoring and the decline of manufacturing. Who knows what will happen to the semi-skilled and unskilled job market with automation? How in these times can he possibly suggest that any one system will not need significant overhaul in response to all these kinds of global and national crises? The whole concept that work is available to all should they choose to obtain it has always been a difficult problem and will increasingly become so in the light of all these challenges. I find that a very surprising statement.

**Lord Tugendhat:** I apologise for being late. This point may have been raised earlier. Professor Hills mentioned the problems that arise if there is a change in family circumstances—for example, a family breakdown or anything of that nature. That led me to wonder whether or not you feel that the problems bear more heavily on any particular ethnic community.

**Professor Sir John Hills:** I have not seen an analysis. There has been an analysis of the distributional effects of the cuts of one kind or another for the Equality and Human Rights Commission by Professor Portes and Howard Reed, which looked at the effects of the changes in levels of benefits by ethnicity, among other protected characteristics.

**Dr Ruth Cain:** The Institute for Fiscal Studies may have some facts and figures on that. Gingerbread does in the case of lone parents claiming universal credit, and certainly BAME recipients are overrepresented among lone parents. I imagine that in all groups suffering socioeconomic deprivation, people of black and ethnic minority descent tend to be overrepresented. It would be a fairly safe assumption that at the bottom of the income distribution scale there are more than in the general population.

**The Chair:** That links us very neatly to our next witnesses. I am sure that Tom Waters from the IFS will be able to pick up that point.

Thank you very much indeed. It has been a very useful session, and we are extremely grateful to you for coming.