



HOUSE OF LORDS

Economic Affairs Committee

2nd Report of Session 2019–21

Universal Credit isn't working: proposals for reform

Ordered to be printed 14 July 2020 and published 31 July 2020

Published by the Authority of the House of Lords

Economic Affairs Committee

The Economic Affairs Committee was appointed by the House of Lords in this session to “consider economic affairs”.

Membership

The Members of the Economic Affairs Committee are:

[Baroness Bowles of Berkhamsted](#)

[Lord Burns GCB](#)

[Viscount Chandos](#)

[Lord Cunningham of Felling](#)

[Lord Forsyth of Drumlean](#) (Chair)

[Lord Fox](#)

[Baroness Harding of Winscombe](#)

[Baroness Kingsmill CBE](#)

[Lord Livingston of Parkhead](#)

[Lord Monks of Blackley](#)

[Lord Skidelsky](#)

[Lord Stern of Brentford](#)

[Lord Tugendhat](#)

Declaration of Interests

See Appendix 1.

A full list of Members’ interests can be found in the Register of Lords’ Interests:

<https://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

Publications

All publications of the Committee are available at:

<https://committees.parliament.uk/committee/175/economic-affairs-committee/publications/>

Parliament Live

Live coverage of debates and public sessions of the Committee’s meetings are available at:

<http://www.parliamentlive.tv>

Further information

Further information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is available at:

<https://www.parliament.uk/business/lords/>

Committee staff

The staff who worked on this inquiry were Adrian Hitchins (Clerk), Dr William Harvey (Policy Analyst) and Mithula Parayoganathan (Committee Assistant). Fran Bennett and Jane Millar were the Committee’s specialist advisers for this inquiry.

Contact details

All correspondence should be addressed to the Economic Affairs Committee, Committee Office, House of Lords, SW1A 0PW. Telephone: 0208 7219 5358. Email: economicaffairs@parliament.uk

Twitter

You can follow the Committee on Twitter: [@LordsEconCom](https://twitter.com/LordsEconCom).

CONTENTS

	<i>Page</i>
Summary	3
Chapter 1: Introduction	7
Universal Credit and social security	7
Our approach to reform	8
COVID-19 pandemic	9
Witnesses and advisers	10
Chapter 2: Universal Credit design	11
Box 1: What is Universal Credit?	11
Design and the claimant experience	11
Monthly assessment period	13
Length of the assessment period	13
Parameters of the assessment	14
Income and needs	14
Figure 1: Mismatches between an assessment period and pay dates	15
Box 2: Case studies provided by Citizens Advice Leicestershire	16
Whole-month approach to changes in circumstances	17
Assessment period: alternatives	17
Monthly payment frequency	18
Alternative payment frequencies	20
Real time information	20
Five-week wait	22
Box 3: Case studies on the five-week wait provided by Refuge	23
Single household payment	25
Self-employed claimants	27
Box 4: Minimum income floor	27
Housing support	29
Box 5: Case study on rent arrears provided by the Welcome Centre	30
Alternative Payment Arrangements	30
Childcare support	31
Chapter 3: Managing on Universal Credit	33
Social security: spending cuts	33
Adequacy of awards	35
Table 1: Monthly standard allowance rates for Universal Credit	35
Table 2: Planned uprating in additional monthly payments	36
Who gains and who loses?	36
Figure 2: Impact of Universal Credit on adults in households entitled to means-tested benefits, by family type per year (share of all entitled adults in brackets)	37
Food poverty	38
Box 6: Case studies provided by Karbon Homes	38
Standard allowance increase	38
Disabled claimants	39
Mixed-age couples	42
Deductions	43
Box 7: Case study on deductions provided by Mind	45

Benefit cap	45
Two-child limit	47
Work incentives	48
Financial incentives to enter work	48
Incentives to progress in work	48
Improving work incentives	49
Chapter 4: Employment, sanctions and support	52
Conditionality	52
Table 3: Universal Credit conditionality regime	52
Sanctions	53
Figure 3: Percentage of Universal Credit claimants (live and full service) subject to conditionality with a sanction deduction, August 2015 to November 2019	54
Table 4: Universal Credit sanctions regime	55
Suspension of conditionality and sanctions	55
Conditionality and the labour market	56
Claimant Commitments	58
Box 8: Claimant Commitment case study provided by the National Association of Welfare Rights Advisers	59
Efficacy of conditionality and sanctions	60
Sanctions and mental health	62
In-work progression	64
Personalised support and work coaches	66
Work coaches	67
Working with employers	68
Support: claiming and managing Universal Credit	71
Support: vulnerable claimants	72
Support: digital skills	73
Table 5: Ownership/use of internet and smartphone, by broad age and socio-economic group	75
Box 9: Case study provided by The Welcome Centre	76
Summary of conclusions and recommendations	77
Appendix 1: List of Members and declarations of interest	86
Appendix 2: List of witnesses	88
Appendix 3: Glossary	95

Evidence is published online at <https://committees.parliament.uk/work/31/the-economics-of-universal-credit/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence.

SUMMARY

When the Government announced plans to introduce Universal Credit in 2010 the scale of its ambition was greeted largely with approval in Parliament and amongst stakeholder groups. However, support is seeping away as Universal Credit is rolled out to more people.

The way that Universal Credit has been designed and implemented appears to be based around an idealised claimant and it has features that are harming many, particularly the most vulnerable. Universal Credit can disadvantage women, disabled people and BAME people. It is also linked to soaring food bank usage. Housing providers have reported dramatic increases in rent arrears. Many claimants report finding the system incomprehensible. Universal Credit's reputation has nosedived.

Nevertheless, we received overwhelming evidence that Universal Credit should not be replaced with a new system, not least because of the severe disruption that this would cause for millions of people. Instead, substantial reform of the benefit is needed to make it fit for purpose. Change cannot come soon enough. The economic effects of the COVID-19 pandemic have resulted in many more people claiming Universal Credit and millions more are expected in the months ahead.

In our inquiry, we identified three main aspects of Universal Credit that require substantial reform: its design and implementation, the adequacy of its awards, and how it supports claimants to navigate the system and find work. We believe the original aims and objectives of Universal Credit remain broadly correct but without reform it will fail to deliver upon its promise. Moreover, without reform, we are concerned that it will fail to meet the basic requirement of a social security system: the provision of a dependable safety net.

Universal Credit design

The five-week wait for the first Universal Credit payment is the main cause of insecurity for claimants. Many people have nothing to fall back on during this period when their needs are most acute. The wait entrenches debt, increases extreme poverty and harms vulnerable groups disproportionately. The Department for Work and Pensions (DWP) has introduced some measures to mitigate the most harmful effects but these fall far short of what is needed. The DWP should introduce a non-repayable, two-week initial grant for all claimants. This would provide some security to claimants, mitigate the timing problems in relation to housing costs and would make repayments of advances more manageable.

The way that Universal Credit payments are calculated is based on a 'monthly assessment period'¹ and is designed to mimic the world of work. However, it can result in substantial fluctuations in income month-to-month, which makes it extremely difficult for claimants to budget. This is impractical, fundamentally unfair and must be resolved. We recommend that the DWP fix the level of awards at the same level for three months. If claimants experience significant falls in income or experience disadvantageous changes in circumstances during this time, then a mechanism should be introduced to enable them to have an early reassessment.

1 For a definition of this term and others, see Appendix 3: Glossary.

Paying awards on a monthly basis does not reflect the lived experiences of many claimants. It forces them to fit the rigid requirements of the system and causes unnecessary budget and cashflow problems both for those out of work and for those who are used to receiving wages more frequently. All claimants should be able to choose whether to have Universal Credit paid monthly or twice monthly. Moreover, the way in which Universal Credit is paid as a single household payment should be revisited. For many, the current practice does not reflect the reality of family life. Access to an individual income is important for maintaining balanced and equal relationships and, in more distressing cases, for reducing the risk of financial coercion and domestic abuse. The DWP should review the option of a separate payment by default, drawing on the current review in Scotland.

Adequacy of awards

A catch-up increase in the funding of Universal Credit is needed urgently following the substantial cuts to social security over the last decade.

The temporary increase in the standard allowance in response to the COVID-19 pandemic is welcome, considering the evidence that we received which set out the inadequacy of Universal Credit and its impacts on poverty levels. The Government should commit immediately to making the increase in the standard allowance permanent. Universal Credit should be set at a level that provides claimants with dignity and security.

Deductions from Universal Credit awards have left some claimants with an income that is substantially lower than their essential needs. The DWP should conduct affordability assessments before making deductions from awards.

Universal Credit is being used by the Government as a vehicle through which to recover debt. Most of this is comprised of around £6 billion of historic tax credit debt. Many people who owe this money are unaware of it and the original receipt of an overpayment may have been outside of their control. The recovery of this money is leaving many households with an income well below what is needed to get by on. We call upon the Government to write off historic tax credit debt that is owed by Universal Credit claimants. It should be treated as a sunk cost as it is highly unlikely to ever be repaid in full. The Government should not jeopardise the financial security of claimants by seeking its recovery.

Given the potential level of unemployment that may result from the COVID-19 pandemic, the DWP must prioritise helping people into work. All claimants should have a work allowance, set at a higher rate than now, to allow them to keep more of their award as they move into work, including short-term or low-hours employment. Furthermore, the DWP should also consider a reduction in the taper rate to reduce the unfairness that is inherent in a situation in which the poorest in society are paying significantly higher marginal effective tax rates than the richest in society.

Support

The conditionality requirements on claimants who can look for, or prepare for work should be rebalanced. The extent of conditionality has been increased significantly over recent years and too often to the detriment of claimants. Less emphasis should be placed on obligations and sanctions. Instead, there should be more support to help coach and train claimants to find jobs or to

progress in their current roles. We believe that a more balanced combination of responsibilities and entitlements would better reflect the relationship between employer and employee that the DWP wishes to emulate. In addition, conditionality should be adapted so that it is able to accommodate dynamically changing labour market conditions, including at the local level, particularly in the light of the economic impact of the COVID-19 pandemic.

The UK has some of the most punitive sanctions in the world, but there is limited evidence that they have a positive effect. Removing people's main source of support for extended periods risks pushing them into extreme poverty, indebtedness and reliance on foodbanks. Furthermore, there is a great deal of evidence that sanctions, and the threat of sanctions, are harmful to claimants' mental health. We recommend that the Government publish an evaluation of the impact of conditionality and sanctions on mental health and wellbeing. Furthermore, we recommend that the DWP evaluate how the current length and level of sanctions facilitate positive behaviour change and how they lead to sustainable work outcomes. The DWP should also expedite its work on introducing a written warning system before the application of a sanction. Sanctions must be a last resort.

We note that conditionality and sanctions were suspended briefly in response to the COVID-19 pandemic. We regret that the suspension was lifted so soon. Threatening claimants with long and severe sanctions at this stage, so far from a labour market recovery, is unfair and counterproductive.

The Government has said that it will double the number of work coaches in response to potential levels of high unemployment. We are concerned that this will not be enough to support people to find work in what may be a stagnant labour market with high levels of competition for jobs. We recommend that the DWP introduce a cap on the number of cases for which each work coach can be responsible.

We are particularly concerned that the coming jobs crisis will disproportionately affect young people at the start of their careers. The Government will have to continue to act quickly and boldly to protect their employment prospects. The DWP should build stronger links with employers, local authorities and local education providers to match claimants who can work with jobs.

While the DWP has provided funding for support through the Help to Claim service, this stops after the first successful claim. Some Universal Credit claimants require support on an ongoing basis. This is particularly true for helping claimants to manage the predominantly digital approach to making and managing claims with which many people struggle. It is essential that trusted organisations are funded to guide people through the process. An impressive array of local networks are performing vital work in helping the hardest to reach claimants, but this is conducted at great expense to the organisations involved, draining already limited budgets. The Government should do more to recognise and fund the support networks that are ensuring vulnerable people are able to receive the help that is needed to navigate the Universal Credit system.

Universal Credit isn't working: proposals for reform

CHAPTER 1: INTRODUCTION

Universal Credit and social security

1. The introduction of Universal Credit was the most significant reform to the social security system for a generation. It integrates six means-tested, working-age benefits into a single monthly payment, which tapers off as claimants move into work or increase their income.²
2. Its objectives are highly ambitious. It aims to simplify the benefits system, make any amount of work 'pay', and to "combat worklessness and poverty".³ It is also designed with money-saving objectives. These include reducing fraud and error and bringing down administrative costs through automation. Behind these objectives sit the principles that the experience of claiming Universal Credit should be as much 'like work' as possible, that most claimants must fulfil work requirements and that claimants should exercise greater personal responsibility.
3. Universal Credit was rolled out from 2013, after the recession that followed the 2007–08 financial crisis. The fiscal and economic context at that time included substantial reductions in public spending, weak GDP growth and rising unemployment. Some of Universal Credit's original proponents told us that spending constraints on the Department for Work and Pensions ('the DWP') curtailed the policy's effectiveness from the start.
4. During our inquiry we heard of sadness and anger over how the benefit has harmed many claimants who rely on it most. We were told that problems with Universal Credit's design and implementation have damaged its reputation and have contributed to a failure to meet its objectives. These problems can be divided into three main categories.
5. First, Universal Credit does not provide adequate security to claimants. We heard evidence that the level of support is simply not enough to live on. We were told that the five-week wait for the first payment, which is a consequence of the monthly assessment period, drives many people into rent arrears, reliance on foodbanks and debt. The operation of the monthly assessment period itself, combined with the consolidation of multiple benefits into a means-tested single award, can result in large variations in payments, making it nearly impossible for some claimants to budget reliably. We also heard that the rate at which Universal Credit is withdrawn from claimants can act as a disincentive to working or earning more.
6. Second, Universal Credit fails to accommodate the reality of claimants' lives. It is designed around the idealised claimant; someone with one job who is paid monthly, has stable personal circumstances and can budget intuitively.

2 The six benefits are income-related Employment and Support Allowance, income-based Jobseeker's Allowance, and Income Support; Child Tax Credit and Working Tax Credit; and Housing Benefit.

3 DWP, *Universal Credit: welfare that works*, Cm 7957, 11 November 2010: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf [accessed 14 July 2020]

However, the requirements that are placed on individuals when making and managing claims are often too rigid for those with different personal circumstances or more complex needs. More flexibility in the system is needed to ensure that Universal Credit can support all claimants sufficiently. The claimant experience is also designed to reflect a one-dimensional vision of the world of work, in which people are paid monthly in arrears for a 35-hour week. This ignores the significant minority who work part time or who are paid at intervals other than monthly and are used to budgeting accordingly. Those out of work also tend to budget on a shorter-term basis. In addition, the predominantly digital nature of Universal Credit requires most claimants to have access to, and be able to use, technology. This is least likely to be true for those in the lowest income groups.

7. Third, Universal Credit takes an overly punitive approach to enforcing simplistic behavioural requirements rather than providing holistic and lasting support. Benefit payments are conditional on claimants fulfilling work-related tasks that are sometimes poorly suited to their personal circumstances. Although their use has declined in recent years, financial sanctions for non-compliance are some of the most punitive in the world but evidence of their efficacy is mixed. Work coaches are largely responsible for helping and coaching claimants, but their time is too stretched for the lasting and tailored support that we heard is necessary to help people navigate the system and find work.

Our approach to reform

8. When Universal Credit was introduced, its principles were met broadly with approval in Parliament and by stakeholder groups. We found that support remains, including among organisations dedicated to eradicating poverty and campaigning on behalf of the most vulnerable and marginalised people. We were told that simplifying the system, making work always pay and ensuring that the benefits system is cost effective remain laudable goals. We heard that the DWP is now listening more to valid criticism and is learning from its mistakes.
9. The social security system is integral to the UK's social fabric. Any change to it must be considered carefully or risk creating more harm than good. The risks of radical change have been revealed in the roll out of Universal Credit, which has caused significant disruption to claimants' lives. At the time that this report was published, the latest figures showed that nearly 5.5 million people were claiming Universal Credit.⁴ The impact of the COVID-19 pandemic on the labour market means that this number will increase in the coming months. In addition, more people will move from legacy benefits to Universal Credit over the coming years under the 'managed migration' programme. Any change to the system will inevitably create complex trade-offs, affecting large numbers of people in different and unpredictable ways.
10. **We launched this inquiry with the intention of examining how well Universal Credit's original aims and objectives were being achieved. We started with no preconceptions on whether Universal Credit was working as it should, whether it required reform or whether it should be replaced with something new. We received overwhelming evidence that Universal Credit is not broken irredeemably and that replacing**

4 DWP, 'Stat-Xplore: people on Universal Credit': available at: <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml> [accessed 20 July 2020]

it with a new system would cause significant upheaval and disruption to claimants. However, it requires substantial reform. Based on the evidence we received, it is our view that the original aims and objectives of Universal Credit are broadly correct. However, there are substantial problems with its design and implementation that have undermined the security and wellbeing of the poorest in our society.

11. We are sensitive to the impact of change on a large group of very diverse people. We therefore formulated the conclusions and recommendations in this report against a set of principles. We believe that these should be used to protect claimants, guide the reforms proposed in this report and shape the design of Universal Credit in future. They are derived from the evidence received in this inquiry.

Universal Credit must:

- **be grounded on dignity and respect—people from all backgrounds must feel comfortable and supported when interacting with public services.**
- **provide claimants with adequate income—and the system must be a safety net for avoiding extreme poverty and hardship.**
- **provide security and stability—income must be predictable;**
- **reflect the lived experience of claimants—they must be at the heart of its design and involved in devising solutions to problems;**
- **be flexible—it must accommodate a diverse range of personal circumstances and provide strong support to the most vulnerable;**
- **be fair to all claimants—policy design must be sensitive to its effects on people of different genders, disabilities, ages, black and minority ethnic groups, and those with other protected characteristics;**
- **use public money to meet objectives that are achievable—effective policy must be based on strong evidence to ensure that it is not counterproductive; and**
- **be understandable—but where necessary, free and intelligible advice must be available to all.**

COVID-19 pandemic

12. Public health ‘lockdown’ measures to suppress COVID-19 were introduced in March 2020. These measures inevitably affected the labour market and led to record numbers of new applications for Universal Credit. Between 16 March 2020, when the lockdown came into effect, and 16 June 2020, the DWP received 3.2 million new applications for Universal Credit.⁵ In May 2020 the Chancellor of the Exchequer told us, “No doubt there will be more hardship to come. This lockdown is having a very significant impact on our

5 DWP, ‘Universal Credit declarations (claims) and advances: management information’ (23 June 2020): available at: <https://www.gov.uk/government/publications/universal-credit-declarations-claims-and-advances-management-information> [accessed 20 July 2020]

economy. We are likely to face a severe recession, the likes of which we have not seen, and that will have an impact on employment.”⁶

13. The DWP acted quickly to prioritise processing new claims. It redeployed 10,000 staff.⁷ It turned all local jobcentres into ‘virtual processing teams’ focused on the payment of new claims. The IT system that supports Universal Credit remained operational during the unprecedented demand, although some claimants experienced long waiting times. The DWP achieved all this while taking steps to safeguard the health of claimants and staff by ending the routine requirement on claimants to attend jobcentres and facilitating huge numbers of staff to work from home.⁸
14. The hardest challenges for the DWP lie ahead. Unemployment could increase substantially over the coming months. The shape of the labour market may change forever. Business and labour groups have warned that young people in particular are vulnerable.⁹ The social security system alone should not be expected to solve these systemic problems, which we were told would require large-scale and cross-Whitehall intervention. Nevertheless, Universal Credit will be an important part of a wide-ranging policy response to the crisis and the Government has already changed how the benefit operates to strengthen the safety net. This report sets out how Universal Credit must change further.
15. **We congratulate the Department for Work and Pensions on its response to the spike in claims for Universal Credit since lockdown measures were introduced. The efficient management of an unprecedented number of new claims over such a short period would not have been possible without the digitalisation of the Universal Credit application process. Furthermore, the DWP was able to process the large number of applications using automation, a rapid reorganisation of resources and by changing policies and processes. It also took steps to safeguard claimants and staff. We commend the DWP, and particularly frontline staff, for responding with decisiveness and dedication.**
16. **However, longstanding problems with Universal Credit remain. The problems identified in this report will affect many more people within a more difficult economic context if they are not addressed urgently.**

Witnesses and advisers

17. We thank everyone who provided us with written and oral evidence. We express our gratitude especially to those witnesses with direct experience of claiming Universal Credit, who were willing to answer our questions in person, albeit virtually; and to those who wrote to us to explain how Universal Credit had affected them and their families. We also thank our Specialist Advisers for this inquiry, Professor Jane Millar from the University of Bath and Fran Bennett from the University of Oxford.

6 Oral evidence taken on 19 May 2020, [Q 1](#) (Rishi Sunak MP)

7 DWP, ‘Claimants are asked to apply online as jobcentres limit access’ (23 March 2020): <https://www.gov.uk/government/news/claimants-are-asked-to-apply-online-as-jobcentres-limit-access> [accessed 16 July 2020]

8 HC Deb, 4 May 2020, [col 421](#)

9 TUC, ‘A new plan for jobs: Why we need a jobs guarantee’: <https://www.tuc.org.uk/research-analysis/reports/new-plan-jobs-why-we-need-new-jobs-guarantee> [accessed 16 July 2020] and letter from CBI to the Prime Minister (11 June 2020): <https://www.cbi.org.uk/media/4860/11-june-2020-letter-to-the-prime-minister-from-carolyn-fairbairn.pdf> [accessed 16 July 2020]

CHAPTER 2: UNIVERSAL CREDIT DESIGN

18. Box 1 sets out a summary of the main features of Universal Credit.

Box 1: What is Universal Credit?

- Universal Credit integrates six so-called ‘legacy benefits’ into one benefit that is paid monthly to claimants.¹⁰
- It combines in- and out-of-work benefits into a single benefit. It is a safety net for the unemployed and those unable to work, and an in-work benefit for people on low-incomes.
- Claims are made digitally through an online application form. For those who need help with their application, claims can be made through the Universal Credit helpline or via the Help to Claim service delivered by Citizens Advice or Citizens Advice Scotland.
- Claimants are expected to use an online work journal to manage their claims and to communicate with work coaches.
- Universal Credit is paid once a month, in arrears. The first payment is made after five weeks.
- Awards are made up of a standard allowance, plus any extra amounts that apply to the household depending on circumstances.
- In-work claimants are subject to a taper rate (currently 63%) which reduces the amount of benefit support received as claimants’ earnings rise. This means that for every £1 earned (after tax and national insurance contributions if applicable) the Universal Credit award is reduced by 63p.
- Households responsible for a child, and/or with limited capability for work have a work allowance. A work allowance is the amount that can be earned before Universal Credit payment is subject to the taper rate.
- Universal Credit contains ‘capital rules’. A claimant’s assets over £6,000 steadily reduce their Universal Credit award; if they have assets over £16,000, they are not entitled to any Universal Credit.¹¹

Design and the claimant experience

19. Universal Credit’s design aims to simplify the benefits system through integrating six benefits into one and by paying awards monthly in arrears as a single payment. We heard that this design, which relies upon a monthly assessment period, has added a significant level of complexity to the process of making and managing claims for a significant number of people, including

10 Council Tax Support, Free School Meals given on the grounds of low income (for those in Year 3 and above), and free prescriptions fall outside of Universal Credit. Under legacy benefits, the last two of these were previously accessed through a ‘passporting system’. Universal Credit was initially a passport to Free School Meals, but this was withdrawn in April 2018, and entitlement was then only for those below a set earnings threshold. In some cases, this has reproduced a ‘cliff-edge’ (which cuts out all entitlement to free school meals at a threshold).

11 Capital or joint capital over £6,000 is treated as providing income, known as ‘tariff income’, of £4.35 per month for each additional £250 (or part thereof). For example, capital of £6,250 gives monthly tariff income of £4.35. Capital of £6,250.01 gives a monthly tariff income of £8.70. The lower limit is £6000, so any capital below £6000 is disregarded. The upper limit is £16,000, so anyone with savings over £16,000 cannot receive Universal Credit. See, Revenue benefits, ‘Universal credit: Capital rules’: <https://revenuebenefits.org.uk/universal-credit/guidance/entitlement-to-uc/capital-rules/> [accessed 16 July 2020].

the most vulnerable. Furthermore, we were told that this was the result of Universal Credit's failure to reflect how claimants are used to being paid and therefore how they manage household budgets. We examine these issues below.

20. The DWP said in its 2010 Universal Credit White Paper that the 'simplification' of six working age, means tested benefits into a single monthly payment would lead to "increased transparency of the financial benefits of work, reduced administrative burden on entering work, and reduced risk associated with an initially unsuccessful attempt at entering work." It said that combining benefits would increase the take-up rate of benefits to which people were entitled but did not claim under the legacy system.¹² In evidence to us, Policy in Practice said the legacy system needed simplifying because claimants and advisers were required to "split their administrative efforts across three separate [benefit] agencies, each with different entitlement provisions and claim processes."¹³
21. Some simplification has been achieved. The Joseph Rowntree Foundation said claimants have access to a range of previously separate streams of support through one claim and that it is now administratively simpler for claimants to move between unemployment and work.¹⁴ However, we received evidence that simplification had benefited administrators most and this came at the expense of complicating claimants' lives. The Welcome Centre, a food bank, said:

"By consolidating six benefits into one, making the benefit online, reducing payment frequency, and paying the full benefit straight to the claimant, the system is simplified for those administering it. However, it is not simpler for the claimants relying on the system, many of whom do not have online access, cannot manage their budget on a monthly payment cycle, and have challenges managing the housing element of their payment."¹⁵
22. The single monthly assessment and monthly approach to paying awards is the cornerstone of Universal Credit's design, but it has caused significant problems for many claimants. Universal Credit is paid monthly to mimic work and the receipt of a salary. How much a person or household receives is calculated each month by assessing their earnings and other income with reference to a fixed monthly assessment period. We heard that this way of calculating and paying awards does not match the reality of many claimants' lives, particularly those in work on low incomes who may be paid at irregular intervals. Paul Spicker, Emeritus Professor of Public Policy at Robert Gordon University, said:

"Claimants cannot be certain, even a week before the due date, how much money they will receive in benefit. Incomes fluctuate; they come from multiple sources; they are commonly dependent on the behaviour of third parties, which makes them unpredictable. Liabilities (such

12 DWP, *Universal Credit: welfare that works*, Cm 7957, 11 November 2010, pp 57–58: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf [accessed 14 July 2020]

13 Written evidence from Policy in Practice (EUC0056)

14 Written evidence from Joseph Rowntree Foundation (EUC0017)

15 Written evidence from The Welcome Centre (EUC0030)

as rent) do not necessarily square with the DWP monthly assessment period.”¹⁶

We explore these issues in more detail in the next section.

23. Witnesses told us that the multiple benefit payments that were available under the legacy system provided greater security to claimants. Dr Rita Griffiths, Research Fellow at the University of Bath, said that several sources of income helped some households to budget more effectively and that the legacy system allowed each partner in a couple to have an income, whereas Universal Credit is paid as a single household payment.¹⁷
24. Professor Sir John Hills, Professor of Social Policy at the London School of Economics, told us that Universal Credit’s simplified design made administrative errors by the DWP riskier for claimants. He said that under legacy benefits, “Your child tax credit or your housing benefit might keep running, even if there was an interruption in another part of your payments.” He said the integration of benefits into a single payment under Universal Credit has increased the importance of minimising errors, as they can lead to a reduction in income and can potentially lead to rent arrears.¹⁸
25. **Simplification of the benefits system was a driving principle behind the design of Universal Credit. It has made it administratively easier for claimants to move in and out of work. There are also advantages to claimants to having a single point of contact for support. However, simplification has introduced inflexibilities which do not accommodate the reality of claimants’ lives, particularly those on low incomes who are often paid at more frequent intervals. For many, payments have become unpredictable, which undermines the security and stability of their lives. Error or interruptions caused by the DWP can have significant consequences for claimants who may have nothing on which to fall back.**

Monthly assessment period

26. In this section we consider two main design features of the monthly assessment. First, we examine the length of the assessment period. Second, we examine how income is taken into account and how changes in circumstances are assessed.

Length of the assessment period

27. According to the DWP, the rationale for the monthly assessment period is as follows:

“In the economy as a whole, around 75% of people are paid monthly, a proportion that has been growing steadily over time as the economy shifts away from typical weekly or fortnightly paid jobs. A weekly assessment period would work for the minority of weekly-paid people, for anyone else such a system could result in significant fluctuations and overpayments. Anyone paid fortnightly, 4-weekly, or monthly could be paid Universal Credit for the weeks in which they did not receive their salary. For this and other reasons, (e.g. the HMRC real-time earnings feed, which is a

16 Written evidence from Paul Spicker ([EUC0001](#))

17 Written evidence from Dr Rita Griffiths ([EUC0015](#))

18 [Q 6](#) (Prof Sir John Hills)

monthly feed from employers) Universal Credit was designed around a monthly payment cycle. We accepted that the minority of claimants on non-monthly cycles might face a bigger budgeting challenge than the majority, and we would therefore need to support them through our jobcentres and delivery partners, including budgeting support.”¹⁹

28. Many witnesses thought that the monthly assessment period was a rigid design feature that the Government would be reluctant to change. Paul Gray, former Chair of the Social Security Advisory Committee, told us that it was difficult for the DWP to decide what length the assessment period should be because, “Universal Credit is seeking to bring claimants together from very different circumstances—and, critically, people in work as well as out of work, which was one of the key changes—by reintegrating tax credits into a single system.”²⁰

Parameters of the assessment

29. Neil Couling, Change Director and Senior Responsible Owner for Universal Credit at the DWP, explained that the monthly assessment period had been set because it is possible to fit weekly payment frequencies into a monthly assessment period but not the other way around. He also said that because Universal Credit is a household benefit there is an additional complication in deciding the parameters of the assessment period, due to different payment frequencies in households. For instance, one person in a household may be paid weekly and the other person in the same household may be paid monthly. Mr Couling said:

“what would your assessment period be for that group? It is just too complicated to [have separate assessment periods within the same household] ... You can have an annual assessment period ...; you go for a weekly assessment period, which means you cannot cope with the frequency of earnings; or you plump, as we did in 2011, for a monthly assessment period.”²¹

Income and needs

30. The monthly assessment period can create an arbitrary relationship between income and needs. Pay dates for in-work claimants do not always match their Universal Credit monthly assessment period:
- People paid every four weeks will have one assessment period a year into which two pay dates fall;
 - for those paid weekly there could be four or five pay days in the assessment period; and
 - for those paid monthly there could be two pay dates in an assessment period—for instance, if they are paid early due to the usual pay day being a non-banking day or a holiday such as Christmas.

¹⁹ Written evidence from the DWP ([EUC0115](#))

²⁰ [Q 46](#) (Paul Gray)

²¹ [Q 123](#) (Neil Couling)

For couples with two earners the number of potential scenarios is multiplied. Figure 1 sets out how a person paid monthly can receive one, two or no paydays in an assessment period:

Figure 1: Mismatches between an assessment period and pay dates

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Paydays in 2018 (last working day of month)		31st	28th	29th	30th	31st	29th	31st	31st	28th	31st	30th	31st
Paydays in each assessment period (30th - 29th)		1	2	0	1	2	0	1	2	0	1	1	1

Source: Child Poverty Action Group, *Rough Justice: Problems with the monthly assessment of pay and circumstance in universal credit, and what can be done about it* (August 2018): <https://cpag.org.uk/sites/default/files/files/policypost/CPAG-2018-Rough-justice.pdf> [accessed 21 July 2020]

31. The Low Incomes Tax Reform Group set out how people can lose out as a result:

“One might assume that the claimant should not be any worse off overall because although they will receive a lower [Universal Credit] payment in one assessment period, where two pays are taken into account, they will correspondingly receive a higher [Universal Credit] payment in the next, where there is no reported pay information. However, the claimant could lose out due to: losing out on the work allowance in the months where the [real time information system] indicates no earnings; hardship caused by an unexpected missed payment of [Universal Credit]; extra pay might end the [Universal Credit] claim, meaning that the claimant will have to claim again, potentially triggering the benefit cap and surplus earnings rules.”²²

32. Iain Porter, Policy and Partnerships Manager at the Joseph Rowntree Foundation, told us that the rigid design of the monthly assessment period created complexity for claimants:

“If their earnings go up in one period, it results in a cut in their Universal Credit a month later, so there is a built-in lag, in that sense. Because of the rigid structure, their payments are all over the place. Claimants tell us all the time that they value predictability and certainty in payments, and that seems to be something that has got worse under the Universal Credit design. It is simplified in some ways but complex in others.”²³

33. Gareth Morgan, Managing Director at Ferret Information Systems, told us that, “far from making irregular earnings smoother, Universal Credit takes regular earnings, and outgoings, and turns them into irregular income.”²⁴
34. The timing of earnings and how they fit into the monthly assessment period was subject to a High Court Case in 2019, brought on behalf of four single parents, who challenged the rigidity of the assessment period. The High Court ruled that the DWP had wrongly interpreted the Universal Credit

22 Written evidence from the Low Incomes Tax Reform Group ([EUC0010](#))

23 [Q 17](#) (Iain Porter)

24 Written evidence from Gareth Morgan, Ferret Information Systems ([EUC0012](#))

Regulations 2013 on how earned income should be calculated. It held that the amount of earned income in respect of an assessment period is based on, but is not necessarily the same as, income actually received in that period.²⁵

35. The Department appealed the decision but lost its appeal on 22 June 2020. The Court of Appeal ruled in favour of the single parents on the grounds that the variations in their Universal Credit awards and the loss of their work allowance as a result of their pay dates not matching the assessment period were irrational:

“they lead to significant variations not only in the benefit award but in the income for the household from benefits and salary in a particular assessment period. They cause considerable hardship and they create perverse incentives affecting a claimant’s employment choices, cutting across the policy of the overall scheme.”²⁶

36. The judgment requires the Department to make adjustments to the way that the Universal Credit system assesses earnings when claimants’ regular monthly pay dates fall close to the end of their assessment period, in order to avoid the situation in which two paydays fall in one assessment period.²⁷ The DWP has confirmed its intention not to appeal the decision and it has said that it will begin the process of considering possible solutions.²⁸

Box 2: Case studies provided by Citizens Advice Leicestershire

Provided by an adviser in Leicestershire:

“The client receives 4 weekly pay, and therefore sometimes receives 2 salaries in an assessment period. This means Universal Credit is greatly reduced or not paid at all. The impact is that the client is unable to afford her rent and other priorities in a month where she receives no Universal Credit. The client has already faced possession proceedings and has a suspended order, which may be breached if she does not have the funds to pay. This could result in her eviction.”

Source: Written evidence from Citizens Advice Leicestershire ([EUC0085](#))

37. **Far from simplifying the system for claimants, Universal Credit has created complexity. Claimants’ benefit awards should be predictable. They should know the support they will have from month to month, so that they can plan and budget accordingly. However, under Universal Credit the way that income is assessed does not provide predictability. It creates arbitrary fluctuations in income depending on the assessment date and the claimant’s pay date. This is unfair and impractical.**

25 Summary of the judgment of the Divisional Court, *R v Secretary of State for Work and Pensions* (11 January 2019): <https://www.judiciary.uk/wp-content/uploads/2019/01/johnson-ors-dwp-summary-1.pdf> [accessed 20 July 2020]

26 *R (oao Johnson) v Secretary of State for Work and Pensions* (2020) EWCA Civ 778

27 Child Poverty Action Group, ‘Court of Appeal finds DWP’s treatment of earnings under universal credit irrational in further victory for four single mothers’ (22 June 2020): <https://cpag.org.uk/news-blogs/news-listings/court-appeal-finds-dwps-treatment-earnings-under-universal-credit> [accessed 16 July 2020]

28 HC Deb, 25 June 2020, [col 1456](#)

Whole-month approach to changes in circumstances

38. The calculation of Universal Credit in each monthly assessment period is based on the circumstances that apply on one day in each month. When a claimant's circumstances change, such as changes to their housing costs or to the number of people in their household, these circumstances are treated as though they applied to the previous month as a whole. This design can leave families with arbitrary financial shortfalls, or unexpected bonuses, because of the date on which an event occurs.
39. Swansea Council and GIPSIL, a Cooperative and Community Benefit Society, gave an example of the arbitrary relationship between housing costs and Universal Credit awards if claimants move to a new house in the middle of the month. Claimants will have a higher award if they move to a property with higher rent in the middle of an assessment period because the change is backdated to the beginning of the period, which results in a higher assessment of the housing cost element.²⁹ The opposite can also occur, which can have serious consequences for those on low incomes.
40. This design does not reflect the reality of life in many low-income households. In 2011 Professor Jane Millar,³⁰ Professor of Social Policy at the University of Bath, and Professor Tess Ridge, an Honorary Professor at the University of Bath, told the House of Commons Work and Pensions Committee that low-income families tend to experience frequent changes in circumstances. Moreover, they said that many people do not report these changes immediately for a range of reasons, and that many changes are inherently short-term or unstable.³¹
41. **The benefits system should not cause claimants significant shortfalls in income. The DWP's whole-month approach to changes in circumstances does not reflect the lives of many low-income households, some of whom undergo frequent, short-term changes of circumstances. Universal Credit needs to be flexible enough to adapt to these circumstances. The DWP must adapt the design of the whole-month approach to changes in circumstances.**

Assessment period: alternatives

42. We heard that the design of the monthly assessment period was too rigid and requires reform but there was no consensus on how this should be achieved. Dr Stephen Brien, a former adviser to the DWP at the time that Universal Credit was introduced, told us that it is possible to move to a fortnightly assessment period to offset some of the problems with the monthly assessment period. He said that he had provided the DWP with a proposal for such a system and that it would have mitigated the fluctuations of payments and would address the discrepancies between those who are paid monthly and those who are paid weekly.³²
43. Gareth Morgan provided us with another proposal for changing how Universal Credit awards are assessed, which he said could be based on the current monthly assessment period. Under his proposal, the DWP would

29 Written evidence from Housing Service, Swansea Council ([EUC0047](#)) and GIPSIL ([EUC0032](#))

30 Professor Jane Millar is a Specialist Adviser to this inquiry.

31 Written evidence from Jane Millar and Tess Ridge to the Work and Pensions Committee ([Ev 60, HC 743, Session 2010-12](#)), para 8

32 [Q 33](#) (Dr Stephen Brien)

base its assessment only on earnings related to that month, rather than taking into account all the money that was received during that period regardless of when it was earned. He said that this could be done using earnings data that the DWP already accesses and that it would overcome the fluctuations that occur when different numbers of pay days are included within a single assessment period.³³

44. Another approach would be to provide claimants with longer-term fixed awards in order to provide greater predictability of income. Fixing awards for three months could be better than the current system, in which awards can change every month. There is a precedent for a longer-period fixed award; for instance, Family Credit was paid at the same rate for six months.
45. This fixed award period should start after the initial month, so that it is not fixed in relation to any final earnings for people becoming unemployed. Fixed awards need not take into account claimants' increases in income immediately. Any increase could be taken into account after the fixed period has ended and income is reassessed. However, if a claimant's income falls during the fixed-award period, that claimant may struggle financially until the award is increased accordingly at the next reassessment. This could be addressed by allowing claimants to report to the DWP falls in income or changes in circumstance in order to have a reassessment sooner than the next scheduled reassessment point.
46. This proposal has two main benefits. First, a fixed award for three months provides security and predictability of income for claimants. This would give claimants a secure platform on which to build their employment prospects. Second, it would mean that claimants were not subject to a poverty trap—whereby benefits are reduced as wages rise—with immediate effect. Instead people would have time to adjust.
47. **Claimants would have greater certainty and security of income if awards were fixed at the same level for at least three months. This may encourage claimants to increase the number of hours that they work as they would not face an immediate fall in benefit. We believe that this can be done using the current process of assessment but using it to reassess levels of award once every three months only.**
48. **One downside of this proposal is that if income falls significantly during the award period, claimants may struggle financially until their payments are increased at the next assessment. This could be managed by allowing claimants to report falls in income or disadvantageous changes in circumstances and have an earlier reassessment.**
49. *We recommend that the DWP assess this proposal, taking account of how this would work for out-of-work claimants as well as those in work.*

Monthly payment frequency

50. Universal Credit is paid in a single monthly sum, in arrears, to households who are expected to manage their own budget. For claimants who cannot manage their single monthly payment there is a risk of financial hardship.

33 [Q 47](#) (Gareth Morgan) and supplementary written evidence from Gareth Morgan ([EUC0124](#))

The DWP can provide Alternative Payment Arrangements in these circumstances. There are three types:

- Paying Universal Credit housing awards as a Managed Payment directly to the landlord;
- More frequent than monthly payments; and
- Split payment of an award between partners.³⁴

51. While the number of low-paid workers who are paid weekly has declined, there are many who still have no experience of monthly pay cycles.³⁵ In the lowest decile of weekly earnings, the share of employees who are paid weekly is now 17% (compared to 44% in 2000), while over three quarters are now paid monthly (up from just over 50% in 2000).³⁶ Payment frequency data for people who migrate to, or start a new claim for, Universal Credit is less clear cut. Data from a joint research project between the Resolution Foundation and Lloyds Banking Group, published in 2017, show that 58% of new claimants moving onto Universal Credit as a result of moving from employment were paid fortnightly or weekly in their previous job.³⁷ Neil Couling said that analysis of tax credit data reveals a different pattern compared with the data reported by the Resolution Foundation and Lloyds Banking Group. He said:

“When you look at the tax credit data, which are basically for the people who will be on Universal Credit, and you look at Universal Credit data, you see a very similar pattern: 28% of people are paid weekly under both tax credits and Universal Credit. The majority, 57%, are paid monthly, with about 12% being paid four-weekly and about 3% fortnightly. That has been mirrored between tax credits.”³⁸

52. **Many new claimants have no experience of monthly pay. The DWP’s desire to make Universal Credit ‘like work’ does not reflect the work that the majority of low-income workers experience. The monthly payment has caused unnecessary budget and cashflow problems for claimants who are used to receiving more frequent wages and those who are out of work.**

34 DWP, ‘Alternative Payment Arrangements’ (13 May 2020): <https://www.gov.uk/government/publications/universal-credit-alternative-payment-arrangements/alternative-payment-arrangements> [accessed 17 July 2020]

35 The latest data from the ONS—from April 2019—show 12.6% of all employee jobs are paid weekly, compared with 76.4% which are paid monthly; 28.9% of temporary and casual jobs in the UK are paid weekly, compared with 63% which are paid monthly. See, ONS, ‘Annual Survey of Hours and Earnings (ASHE)-Estimates of the proportion of employee jobs for pay period length by job contract type, UK, April 2019’: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/11548annualsurveyofhoursandearningsasheestimatesoftheproportionofemployeejobsforpayperiodlengthbyjobcontracttypeukapril2019> [accessed 23 June 2020]. These data are for the whole workforce and will include many workers who are not on Universal Credit.

36 Resolution Foundation, *A new settlement for the low paid: Beyond the minimum wage to dignity and respect* (June 2020) p 19: <https://www.resolutionfoundation.org/app/uploads/2020/06/A-new-settlement-for-the-low-paid.pdf> [accessed 17 July 2020]

37 Resolution Foundation, *Universal Remedy: Ensuring Universal Credit is fit for purpose* (October 2017) p 6: <https://www.resolutionfoundation.org/app/uploads/2017/10/Universal-Credit.pdf> [accessed 17 July 2020]. The data are not a representative sample of the Universal Credit case load and are drawn from a sample of Universal Credit claimants who had Lloyds bank accounts.

38 [Q 123](#) (Neil Couling)

Alternative payment frequencies

53. Policy in Practice called for a “claimant centred approach” to payment arrangements, consisting of twice-monthly payments of Universal Credit, starting with an initial payment at two weeks based on the estimated monthly award amount.³⁹ Citizens Advice told us that people should be given more choice about when and how they are paid. It said people should be allowed to choose a payment schedule that best matches the way their household budgets or aligns their assessment period with their wages and rental/mortgage payments.⁴⁰ Dr Ruth Patrick, Lecturer in Social Policy and Social Work at the University of York, and Dr Mark Simpson, Lecturer in Law at Ulster University, told us that evidence from their participatory study of the experiences of early Universal Credit claimants in Northern Ireland had found that dividing awards into two monthly payments made it easier to stretch a low income across the month.⁴¹ They said, “Twice-monthly payments were a better fit with what some individuals had been accustomed to in previous jobs or when on the legacy benefits, or simply helped with budgeting”.⁴² Evidence from NHS Health Scotland also drew attention to twice monthly payments. It said that claimants in England and Wales should be given the choice of twice monthly payments, as is the case in Scotland.^{43 44}
54. **Paying Universal Credit awards on a monthly basis is a policy choice; it is not an integral part of the design. However, this approach is not working for many claimants who are forced to fit the rigid requirements of the system. We believe instead that the system should accommodate the circumstances of a wide range of people. At the beginning of their claim all claimants should be allowed to choose whether to have their Universal Credit awards paid monthly or twice monthly. It should be possible for claimants to review this decision on an ongoing basis with their work coach.**

Real time information

55. The monthly approach to Universal Credit depends on receiving accurate and timely data from HMRC’s real time information system. Dr Stephen Brien told us that there is a problem with poor-quality real-time information data, which will become a bigger problem as more people migrate to Universal Credit.⁴⁵
56. If an employer pays an employee who is a Universal Credit claimant and the earnings are not included in that month’s award because the employer is late reporting it to HMRC, the claimant will receive too much Universal Credit award in the current claim period but too little the next. This is because

39 Written evidence from Policy in Practice (EUC0056); also see Policy in Practice, ‘Financial resilience and the transition to Universal Credit’ (September 2019): <http://policyinpractice.co.uk/wp-content/uploads/Universal-Credit-and-Financial-Resilience-190919-Full-report.pdf> [accessed 17 July 2020].

40 Written evidence from Citizens Advice (EUC0051)

41 In Northern Ireland Universal Credit is paid in two monthly payments by default; the assessment period remains the same.

42 Written evidence from Ruth Patrick, Mark Simpson and UC:Us (EUC0054)

43 Written evidence from NHS Health Scotland (EUC0005)

44 There is a risk that arrears could increase in some cases when claimants opt for twice monthly payments. For instance, claimants who have twice monthly payments face the possibility that they will not be able to pay their bills and rent out of the half award, depending on when they fall. For those who accept twice monthly payments, but do not have payments of housing costs direct to the landlord, they must make sure they are able to pay rent at the end of each month out of the payments they receive.

45 Q 35 (Dr Stephen Brien)

the late reported earnings counted in the next claim period leading to a reduction in that period's award. This makes it hard for claimants to budget and can undermine the perception that work always pays as Universal Credit awards can appear random.

57. The Low Incomes Tax Reform Group told us that the objective of streamlining the system using real time information "broadly makes sense" but that mismatches in the data supplied cause problems:

"For employees, the key to streamlining UC claims was to build the system around HMRC's PAYE [real-time information] data. This idea broadly makes sense, and has the potential to alleviate burdens from claimants by capitalising on opportunities created by the digital age. However, mismatches in the definition of earned income for UC and the data supplied by HMRC via [real time information] create problems."⁴⁶

58. HMRC have issued guidance to employers which explains the data aspects of PAYE and the real time information system. However, the Low Incomes Tax Reform Group said that this guidance is non-statutory and therefore not enforceable by the employee or HMRC.⁴⁷ Dr Stephen Brien said,

"At the moment employers are not required to validate their payments, and there are still plenty of records coming through without national insurance numbers or the hashing system that was originally set up for [real time information]. So a bit of work needs to be done with HMRC to make sure that employers are recording on time and the right values."⁴⁸

59. Neil Couling told us that, despite some issues, he was happy with how the real time information system was performing. He said:

"we did 23 million [Universal Credit] calculations up to January 2020. Of those, there were 20,000 disputes, which indicates 0.09% inaccuracy coming through [Real Time Information]. There are issues there. I fund a team inside HMRC to try to help employers understand how to record their [Real Time Information] correctly so that these things do not happen, but I am very happy with the way [Real Time Information] is performing for us, and where the [Real Time Information] is wrong we correct somebody's claim on that basis."⁴⁹

60. Problems with the real time information system can disrupt claimants' incomes even after a claimant has flagged the issue by raising a dispute. Claimants who have received an incorrect Universal Credit payment must contact the DWP.⁵⁰ The claimant must then wait for HMRC and the DWP to resolve the dispute and can be left without the disputed income in the meantime.⁵¹

46 Written evidence from the Low Incomes Tax Reform Group ([EUC0010](#))

47 *Ibid.*

48 [Q 35](#) (Dr Stephen Brien)

49 [Q 122](#) (Neil Couling)

50 DWP, 'Universal Credit and employers: frequently asked questions' (12 August 2016): <https://www.gov.uk/government/publications/universal-credit-and-employers-frequently-asked-questions/universal-credit-and-employers-frequently-asked-questions#how-is-the-information-employers-supply-to-her-majestys-revenue-and-customs-hmrc-linked-to-the-department-for-work-and-pensions-dwp> [accessed 17 July 2020]

51 CPAG, 'Universal credit claimants blocked from challenging DWP decisions' (19 July 2019): <https://cpag.org.uk/news-blogs/news-listings/universal-credit-claimants-blocked-challenging-dwp-decisions> [accessed 17 July 2020]

61. **The accuracy of Universal Credit depends on timely and accurate real time information. Some claimants have been unfairly penalised because of reporting errors and mismatches in the data. This is beyond the control of claimants and often they will be unaware of the issue. Poor-quality real time information creates income insecurity for claimants, making it harder for them to budget and manage their income. While the error rate is low it has nevertheless affected tens of thousands of people. *The DWP must work swiftly with HMRC to reduce the real time information error rate.***

Five-week wait

62. The monthly assessment means that there is a five-week wait for the first payment of Universal Credit. We heard that the five-week wait is entrenching debt among claimants, is increasing reliance on food banks and is causing severe hardship amongst vulnerable claimant groups. Dr Matthew Sowemimo, Head of Public Affairs and Social Policy at the Salvation Army, said:
- “the minimum five-week period creates a poverty trap. Why does it do that? We know that 67% of people in the bottom fifth income group in the population have no savings,⁵² so, intrinsically, they have vulnerability in the waiting period”.⁵³
63. Research by the Riverside Group, a housing association, found that claimants face “destitution and financial hardship” as a result of the waiting period for the first payment.⁵⁴ The Poverty Alliance, an anti-poverty network, also told us that the five-week wait is contributing to poverty amongst Universal Credit claimants.⁵⁵
64. The five-week wait has had a disproportionate impact on the most vulnerable groups in society. Research by Disability Rights UK, a charity, found that 30% of disabled claimants could not eat regular meals during the five-week wait, 30% could not heat their homes, and 40% went into significant rent arrears.⁵⁶ The five-week wait takes no account of higher costs that disabled people face. Scope, a disability charity, told us that disabled people face higher costs of £583 per month on average, meaning that the five-week wait can leave them in a perilous financial situation.⁵⁷
65. The five-week wait can make it difficult for an individual to leave an abusive relationship and can entrench poverty amongst those who have suffered from financial and domestic abuse. Refuge, a charity, said that the five-week wait typically coincides with the point at which people flee from abuse.⁵⁸ The waiting period can push people, including children, into poverty at a traumatic and expensive time.

52 Data from March 2020 show that 12.8 million households in the UK have no savings or less than £1,500 of savings. See The Money Charity, *The Money Statistics (March 2020)* p. 3: <https://themoneycharity.org.uk/media/March-2020-Money-Statistics.pdf> [accessed 17 July 2020].

53 Q 17 (Dr Matthew Sowemimo)

54 Written evidence from the Riverside Group Ltd. (EUC0064)

55 Written evidence from the Poverty Alliance (EUC0077)

56 Written evidence from Disability Rights UK (EUC0037)

57 Written evidence from Scope (EUC0079)

58 Written evidence from Refuge (EUC0094)

Box 3: Case studies on the five-week wait provided by Refuge

A refuge worker told us:

“The changeover to Universal Credit has caused a significant delay in accessing benefits when women arrive at the refuge. The five-week waiting time means women have to survive with their children with no income, and only a few food bank vouchers. This means that many struggle with whether they’ve made the right decision to leave if they can’t even feed their children on their own.”

A survivor told us:

“I don’t know if they understand the impact that it has when you have to wait so long. Especially in that period when you’re fleeing. I think if they understood the additional stress that it causes you, for something mundane when you’re trying to cope with all these massive issues, I think if they realised the additional pressure that it puts on women who are fleeing, I think maybe they would try and do something to try and quicken the process, or something to help access funds quicker in that first space of time.”

Source: Written evidence from Refuge ([EUC0094](#))

66. The DWP offers advances to offset some of the effects of the five-week wait. Under the current rules, claimants have 12 months in which deductions will be taken from their monthly awards to repay an advance payment. From October 2021 this will be extended to 24 months. For those who take a 100% advance, this will reduce the loan repayment rate from 8% to 4% of their monthly income. The maximum amount taken to repay an advance, and other forms of debt, will be reduced from 30% to 25% of the standard allowance. We explore the effect of deductions more generally on the adequacy of Universal Credit awards in the next chapter.
67. Housing benefit ‘run-ons’ were introduced in April 2018 for qualifying claimants migrating from legacy benefits to Universal Credit. These claimants receive an additional two weeks’ Housing Benefit to support them as they move to Universal Credit.⁵⁹ It is not repayable. The average payment for a Housing Benefit run-on is around £230 and the cost to the DWP is around £550 million per year.⁶⁰
68. We received evidence calling for an end to the five-week wait. The Joseph Rowntree Foundation said that the DWP must end the minimum five-week wait before the first payment in order to help Universal Credit “live up to its original objectives and potential to loosen the grip of poverty”.⁶¹ It recommended that upfront non-repayable grants should be targeted at those

59 DWP, ‘New to Universal Credit: Housing’: <https://www.understandinguniversalcredit.gov.uk/new-to-universal-credit/housing/> [accessed 16 April 2020]

60 IFG, *Universal Credit: Getting it to work better* (March 2020) p 11: https://www.instituteforgovernment.org.uk/sites/default/files/publications/universal-credit-getting-it-to-work-better_1.pdf [accessed 17 July 2020]. From July 2020 similar non-repayable, two-week run-ons for those already on JSA, income support and ESA will take effect. This is expected to cost around £250 million a year. See HM Treasury, *Budget 2018*, HC 1629, October 2018, Table 2.1, Item 14): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752202/Budget_2018_red_web.pdf [accessed 17 July 2020].

61 Written evidence from the Joseph Rowntree Foundation ([EUC0017](#))

most in need, estimating that this would cost between £300 million and £1.3 billion over four years, depending on the level of targeting.⁶²

69. Bright Blue, a think tank, recommended that all new Universal Credit claimants be offered a one-off grant of at least 25% of their estimated Universal Credit award. Bright Blue said this would help to alleviate the financial impact of the delay of the initial Universal Credit award.⁶³
70. Nicholas Timmins, Senior Fellow at the Institute for Government and the King's Fund, proposed a two-week, "silver hello" as he described it, for entirely new claims and those transferring to Universal Credit from tax credits.⁶⁴ The two-week grant would match the two-week run-ons of some legacy benefits for claimants migrating to Universal Credit. He told us that such a grant would reduce the problem of paying back large advances, meaning that the overall adequacy of awards was increased.⁶⁵ We were told that this would cost the DWP around £1 billion to £2 billion per year.⁶⁶
71. Nicholas Timmins told us that an initial grant introduced the possibility of fraud as the monthly assessment means that anyone would be able to apply even if they earned too much to qualify. However, he said that there are ways to mitigate that risk. He said that one solution would be for the initial payment to remain an advance but to use existing deferral powers not to reclaim the advance straightaway. After a set period when the DWP could confirm that the claim was genuine the advance would be turned into a grant. If the claim turned out not to be genuine the person would be pursued for repayment using the existing mechanisms.⁶⁷
72. **The five-week wait is the primary cause of insecurity in Universal Credit. It entrenches debt, increases poverty and harms vulnerable groups disproportionately. The DWP has introduced some measures to mitigate its worst effects but these fall short of what is needed.**
73. *The DWP should introduce a non-repayable, two-week initial grant to all claimants. For claimants moving from certain legacy benefits to Universal Credit, this grant could replace the existing system of run-ons. This would provide some security to claimants and would make repayments of advances more manageable. We were told that this would cost the DWP between £1 billion and £2 billion per year.*
74. *To reduce the risk of fraud, the DWP should initially administer the grant as an advance payment. The two-week payment should then be written off after two months once the DWP knows that the claim is genuine.*

62 *Ibid.*

63 Written evidence from Bright Blue (EUC0070)

64 IFG, *Universal Credit: Getting it to work better* (March 2020) p 11: https://www.instituteforgovernment.org.uk/sites/default/files/publications/universal-credit-getting-it-to-work-better_1.pdf [accessed 17 July 2020]

65 Q 74 (Nicholas Timmins)

66 Q 74 (Nicholas Timmins); also see Letter from the Institute for Fiscal Studies to the Economic Affairs Committee (27 February 2020): <https://committees.parliament.uk/publications/578/documents/2304/default/> [accessed 20 July 2020].

67 Q 74 (Nicholas Timmins)

Single household payment

75. Universal Credit is paid as a single household payment. While many couples have different sources of income, Universal Credit is paid into one account. This can be an individual account of either partner or a joint account depending on the choice of the couple. The DWP has recently altered the online claim process to 'nudge' couples with children to name the 'lead carer' as the recipient of Universal Credit.⁶⁸
76. Baroness Stroud, a former special adviser at the DWP, told us that Universal Credit was intended to be neutral on which member of a household would receive the benefit. She said, "The couple have to work out together... how they want to manage their money. The goal was to be gender-neutral and carer-neutral."⁶⁹
77. Surviving Economic Abuse, a charity, said Universal Credit is "based on the assumption that couples make financial decisions together and that resources (and debts) are shared, but this does not reflect the complex realities of many families."⁷⁰ We were told that when the woman receives the full Universal Credit award this can also increase the pressure on them to be solely responsible for managing the household budget in financially constrained circumstances.⁷¹
78. Engender, a feminist policy and advocacy organisation based in Scotland, said that rather than being gender-neutral, Universal Credit is "gender-blind" to pre-existing power inequalities that are reproduced in its design.⁷²
79. Marilyn Howard said that the single household payment ignores the potential unequal sharing of resources in the household.⁷³ As a single payment, Universal Credit does not allow for different streams of income to be shared between the adults in a household. Engender said this entrenches inequality between partners in a relationship and ignores gendered dynamics in the household.⁷⁴
80. We were told that in more severe cases the single household payment can risk the safety of women, particularly those who have suffered domestic abuse, by paying all the money to one individual or to a joint account which one partner manages. The single payment may exacerbate the risk of financial control and coercion, and in cases of abuse can mean that people have no access to income with which to escape. Surviving Economic Abuse told us:

"Even in situations where there was no existing economic abuse, the single payment can exacerbate gender inequalities and create the potential for abuse. Research shows that women are three and a half times more likely to be subject to domestic abuse if they find it impossible to find £100 at short notice."⁷⁵

68 See DWP, 'Universal Credit: personal welfare' (11 January 2019): <https://www.gov.uk/government/speeches/universal-credit-personal-welfare> [accessed 17 July 2020] and oral evidence taken before the Work and Pensions Committee, 16 October 2019 (Session 2019), [Q 292](#) (Dr Thérèse Coffey MP).

69 [Q 38](#) (Lady Stroud)

70 Written evidence from Surviving Economic Abuse ([EUC0040](#))

71 [Q 25](#) (Dr Rita Griffiths)

72 Written evidence from Engender ([EUC0078](#))

73 Written evidence from Marilyn Howard ([EUC0018](#))

74 Written evidence from Engender ([EUC0078](#))

75 Written evidence from Surviving Economic Abuse ([EUC0040](#))

81. Partners not in receipt of the Universal Credit award have fewer opportunities to gain financial capability skills. Surviving Economic Abuse set out how the single payment encourages financial dependence:

“Denying an independent income to both parties through the single payment is regressive in that it encourages financial dependence, reinforcing the traditional ‘male breadwinner’ model and overlooking women’s right to an independent income.”⁷⁶

82. Split payments can be arranged if abuse is disclosed directly to a work coach through an online Universal Credit account or over the telephone.⁷⁷ However, evidence from Women’s Aid in a report written for the TUC found that such disclosure can exacerbate abuse.⁷⁸ Surviving Economic Abuse said:

“This is not a realistic or safe solution for victims, as challenging the abuser’s control by making such a request could make the abuse worse. Research shows that, when women experience economic abuse within a context of coercive control, they are at increased risk of domestic homicide.”⁷⁹

83. The Women’s Budget Group told us that split payments must be administered manually as Universal Credit’s IT system is not able to split an award automatically.⁸⁰ As of February 2020 there were only 115 split payments out of 2,571,795 households on Universal Credit.⁸¹ The DWP does not provide data on why such split payments are made.

84. Neil Couling, Change Director General and Senior Responsible Owner for Universal Credit at the DWP said he had doubts over the usefulness of split payments to help reduce abuse:

“They live in the same household, and if it is a “he”—and it normally is—he will know that she gets money on the same day as he does. How is splitting the payment going to help the situation? It is a gross simplification to suggest that somehow it is a magic bullet for domestic violence, which is a criminal act and needs to be dealt with by the criminal justice system. A benefit system cannot fix that problem”.⁸²

85. We note the difference between joint payments of Universal Credit and individual tax assessments. The Scottish Government is exploring the option of ‘separate payments’, which differ from ‘split payments’ in that they would not depend on the exceptional circumstances under which split payments are arranged currently. The objective of a separate payment is to provide Universal Credit claimants with access to an individual income. Options under consideration include splitting the standard allowance between the individuals in a couple and paying specific elements of an award to the

76 *Ibid.*

77 DWP, ‘Alternative Payment Arrangements’ (13 May 2020): <https://www.gov.uk/government/publications/universal-credit-alternative-payment-arrangements/alternative-payment-arrangements#split-payments> [accessed 17 July 2020]

78 TUC, *Unequal, trapped & controlled: Women’s experience of financial abuse and implications for Universal Credit* (March 2015): <https://www.tuc.org.uk/sites/default/files/UnequalTrappedControlled.pdf> [accessed 17 July 2020]

79 Written evidence from Surviving Economic Abuse (EUC0040)

80 Written evidence from Women’s Budget Group (EUC0016)

81 DWP, ‘Stat-explore: Split payment’, available at: <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml> [accessed 22 June 2020]

82 Q 127 (Neil Couling)

qualifying person, for example paying the child element to the main carer. These separate payments would have to be delivered using the IT system that supports Universal Credit and as such they could be administered UK-wide if successful.⁸³

86. **The benefits system cannot be expected to provide solutions to domestic abuse. These acts are criminal and only the abuser is responsible for their actions. That said, the design of the single household payment can, in certain circumstances, exacerbate the risk that financial coercion may take place and make it more difficult for people who have suffered from any form of abuse to escape.**
87. **The current practice of paying Universal Credit into one account does not reflect reality for many families today, who are used to both partners having their own income. This is important both for reducing the risks of financial coercion and domestic abuse more widely and for encouraging more balanced and equal relationships. *The Department should review the option of separate payments by default, drawing on the current review in Scotland.***

Self-employed claimants

88. We were told that the treatment of the self-employed in the social security system has always been a “huge challenge”.⁸⁴ Under Universal Credit, self-employed claimants have the same work allowance and taper rate as employed people. However, the self-employed are subject to a ‘minimum income floor’.⁸⁵ Box 4 explains the minimum income floor.

Box 4: Minimum income floor

The minimum income floor means that self-employed claimants are treated as earning a certain amount. That amount is set at the equivalent of someone working 35 hours per week (unless they have other responsibilities) at the National Minimum Wage. If an individual earns below this level in any given month they are treated as if they had earned the minimum income floor regardless. If they earn more than the minimum income floor their actual earnings are taken into account. There is no conditionality applied to self-employed people, as long as they are gainfully self-employed (which is tested before the minimum income is applied).

The minimum income floor applies to those making a claim for Universal Credit who have been gainfully self-employed for more than 12 months. After becoming self-employed, an initial assessment is carried out at the claimant’s ‘Gateway Interview’ by Jobcentre Plus work coaches, which seeks to establish that the work is regular, organised, developed and is making a profit as the claimant’s main job.

89. Self-employed claimants must provide monthly ‘cash-in cash-out’ figures. The DWP has made clear that if an individual’s earnings exceed their set minimum income floor, they receive less Universal Credit, with a taper

83 Women’s Budget Group, *Benefits or barriers? Making social security work for survivors of violence and abuse across the UK’s four nations* (June 2019) p 17: <https://wbg.org.uk/wp-content/uploads/2019/06/Benefits-or-barriers-4-nations-report.pdf> [accessed 17 July 2020]

84 [Q 50](#) (Paul Gray)

85 The minimum income floor is currently suspended in the wake of the COVID-19 pandemic. This change applies to all Universal Credit claimants and will last for the duration of the pandemic.

rate of 63%.⁸⁶ If they earn less than their minimum income floor, payments are not increased accordingly but remain on the level commensurate to the minimum income floor.

90. There is a tension between providing security to the self-employed and ensuring that the taxpayer does not support businesses that are not viable. Policy in Practice said that the “rationale behind the Minimum Income Floor is that the objective of a benefits system is not to support businesses, and to reinforce the minimum wage”.⁸⁷ The minimum income floor seeks to overcome this by encouraging self-employed claimants to grow their business or spend more hours on other forms of employment if their business is financially non-viable. However, Bright Blue said that the 12-month exemption period was too short to establish a profitable business.⁸⁸
91. Citizens Advice Sheffield said that while the design of the minimum income floor can deter “bogus” self-employment, the current arrangements are too harsh and do not account for people who choose self-employment for health or caring reasons.⁸⁹
92. The minimum income floor does not recognise the full range of disparate forms of self-employment. This creates inequalities. Cornwall Housing Ltd drew attention to the disparity between seasonal workers—for whom Universal Credit payments account for fluctuations in income—and self-employed seasonal workers who struggle to meet the minimum income floor during their ‘off-season’.⁹⁰ Caridon Landlord Solutions, an advice service, said that the minimum income floor is not realistic for certain types of self-employed people who have fluctuating incomes such as cleaners and taxi drivers.⁹¹
93. The minimum income floor can create inequalities between men and women. Gingerbread said that single parents, who are overwhelmingly women, are more likely to be self-employed and 11% of single parents in employment are self-employed. The minimum income floor makes it difficult to balance childcare responsibilities alongside starting a business.⁹² In some cases it can discourage people from becoming self-employed, which the TUC said can sometimes be the only option for single parents, carers and others who find traditional employment difficult to access.⁹³
94. **The social security system should not support unproductive and unprofitable businesses in the long-term. However, treating disparate forms of self-employment similarly creates inequalities in the support that they receive. Self-employed claimants who have fluctuating earnings, seasonal patterns, and varying costs and expenses suffer disproportionately from the minimum income floor. *The DWP must address this problem to ensure adequate and fair support for those in disparate forms of self-employment.* When the temporary**

86 DWP, *Universal Credit: Impact Assessment* (December 2012), p 35: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf [accessed 17 July 2020]

87 Written evidence from Policy in Practice (EUC0056)

88 Written evidence from Bright Blue (EUC0070)

89 Written evidence from Citizens Advice Sheffield (EUC0076)

90 Written evidence from Cornwall Housing Ltd (EUC0038)

91 Written evidence from Caridon Landlord Solutions (EUC0066)

92 Written evidence from Gingerbread (EUC0013)

93 Written evidence from the Trades Union Congress (EUC0082)

suspension of the minimum income floor is lifted these problems will be magnified by the arrival of many more self-employed claimants as a result of the COVID-19 pandemic.

95. *Given that the minimum income floor is currently suspended in response to the COVID-19 pandemic, the DWP should measure the impact of its suspension on self-employed claimants and publish the results.*

Housing support

96. The housing element of Universal Credit is normally paid in arrears as part of the overall monthly award. It is paid directly to the claimant who is expected to budget accordingly and make rent payments to the landlord.⁹⁴ This contrasts with Housing Benefit, which for council tenants and housing association tenants is paid directly to a claimant's rent account. There is evidence of an increase in rent arrears among people claiming Universal Credit compared with those still receiving Housing Benefit.⁹⁵ A recent quantitative study by Iain Hardie, a doctoral researcher at the University of Glasgow, found a statistically significant relationship between the rollout of Universal Credit in local authority areas across England and the increase in repossession orders from landlords.⁹⁶
97. In evidence, the five-week wait was cited as a significant cause of rent arrears. Peabody, a housing association, found that rent arrears increased by 28% on average after tenants claim Universal Credit.⁹⁷ Research by the National Residential Landlords Association for October–December 2019 found 79% of landlords with tenants claiming Universal Credit had experienced tenants going into rent arrears in the previous 12 months. The average amount owed by Universal Credit claimants was £3,149, compared with average debt of £1,973 for all tenants in arrears.⁹⁸

94 Universal Credit also supports claimants with mortgages and may provide help towards the cost of a mortgage. Help with mortgage payments is provided as a loan. In other words, the claimant will be required to pay back the loan if the property it was claimed for is sold or transferred to someone else. Claimants can get help with mortgage payments only if they have been claiming Universal Credit for 39 weeks or more, with no breaks or earned income in that time. At the point the claimant begins to earn income, help with mortgage support ceases. Any break in the Universal Credit claim, or newly earned income, means that the claimant must claim Universal Credit for a further 39 weeks with no breaks or earned income before they can receive help with mortgage payments again. See DWP, 'New to Universal Credit: Housing': <https://www.understandinguniversalcredit.gov.uk/new-to-universal-credit/housing/> [accessed 23 June 2020].

95 See The Trussell Trust, *#5WeeksTooLong: Why we need to end the wait for Universal Credit* (September 2019) pp 22–23: https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf [accessed 17 July 2020]; Peabody, *The Impact of Universal Credit: Examining the risk of debt and hardship among social housing residents* (2019): https://www.peabody.org.uk/media/13678/universal_credit_report-lr.pdf [accessed 17 July 2020] and House of Commons Library, Housing costs in Universal Credit, Briefing paper, [Number 6547](#), 8 May 2019, p 4.

96 Iain Hardie, 'The Impact of Universal Credit Rollout on Housing Security: An Analysis of Landlord Repossession Rates in English Local Authorities', *Journal of Social Policy*, 2020, pp 1–22 available at: <https://www.cambridge.org/core/journals/journal-of-social-policy/article/impact-of-universal-credit-rollout-on-housing-security-an-analysis-of-landlord-repossession-rates-in-english-local-authorities/49F7BA2E66C953C18386D721C63210CE> [accessed 20 July 2020]

97 Written evidence from Peabody (EUC0091)

98 Written evidence from the Residential Landlords Association and National Landlords Association (EUC0050)

Box 5: Case study on rent arrears provided by the Welcome Centre

“Jackie lived in a private rental property and had never been in rent arrears. Jackie had always had a good relationship with her landlord. Jackie had to open a Universal Credit claim and did not have any savings to cover her rent during the five week wait period for her first Universal Credit payment, meaning that even if her claim had been straight forward she would have had to go into rent arrears. Unfortunately, there was an issue with her Universal Credit claim, which meant that she did not receive her housing element. Because she was already five weeks behind with her rent, her landlord notified her that he could not wait any longer for her rent payment, and threatened to start the eviction process. Jackie was very worried about being evicted, and felt her only option was to take out a payday loan of more than £600 so she could pay her rent. This saved Jackie from eviction, but means that she now has high interest debt, which will take her years to pay off. During this period, Jackie had to rely on the food bank to help her with food and other essential items.”

Source: Written evidence from The Welcome Centre ([EUC0030](#))

Alternative Payment Arrangements

98. Alternative Payment Arrangements enable the housing element of Universal Credit to be paid directly to landlords. These are intended to be used only in particular circumstances and are supposed to be temporary. For an Alternative Payment Arrangement to be made, the claimant must be two months or more behind on rent, after which the landlord can apply to have the housing element paid to them directly.⁹⁹
99. The National Residential Landlords Association said that the average waiting time for a direct payment to a landlord under an Alternative Payments Arrangement was eight and a half weeks. As a result, the National Residential Landlords Association said that “it is not difficult to understand why landlords are so concerned about the financial impact of [Universal Credit].”¹⁰⁰ It said that between October and December 2018, 18% of landlords who had tenants in receipt of Universal Credit had applied for an Alternative Payment Arrangement. Of those, 61% had experienced delays in receiving payment.
100. In December 2019, the DWP opened a ‘Landlord Portal’ and ‘Trusted Partner Scheme’ for social landlords. Both schemes have made it easier for social landlords to share data with the DWP and identify tenants who

99 DWP, ‘New to Universal Credit: Housing’: <https://www.understandinguniversalcredit.gov.uk/new-to-universal-credit/housing/> [accessed 16 April 2020]

100 Written evidence from the Residential Landlords Association and National Landlords Association ([EUC0050](#))

are at risk of rent arrears.¹⁰¹ The average waiting time for an Alternative Payment Arrangement may reduce with the launch in May 2020 of a new online form, which is to be extended to private landlords as well as social landlords. According to reports, in some cases the revised system could cut the processing time down from in excess of three weeks to two hours.¹⁰²

101. **The design of the housing element has led to increased rent arrears and left many claimants feeling vulnerable and at risk of eviction from their home. *All claimants should be given the choice, at the beginning of their claim and not when significant arrears have accrued, of having an Alternative Payment Arrangement. If implemented alongside our recommendation to introduce a two-week non-repayable grant at the beginning of a claim, this would help prevent unmanageable rent arrears and provide greater security of housing for all claimants.***

Childcare support

102. Universal Credit can include a payment of up to 85% of childcare costs to claimants who work. Claimants can receive a maximum of £646.35 per month for one child or of £1,108.04 per month for two or more children.¹⁰³ This was intended to provide more generous childcare support than working tax credit, which has capped support at 70% since 2011.¹⁰⁴ In addition, childcare support under Universal Credit is also available for those working less than 16 hours per week, which was not the case previously. However, the maximum amounts that is reimbursed under Universal Credit for childcare costs were set in 2005 and have not been increased since.
103. The Child Poverty Action Group said that the monthly cap on support means that it is not always worth parents working full time, especially in parts of the country that have high childcare costs such as London.¹⁰⁵ Childcare support is paid in arrears but the costs must usually be paid by the claimant in advance. Leeds City Council told us this is a barrier to parents moving into or remaining in work. It said, “Universal Credit ... assumes that the claimant is in a position to find often substantial childcare fees upfront.”¹⁰⁶ Gingerbread, a charity for single-parent families, said the payment of

101 The Landlord Portal allows social landlords who are registered users to verify rent and submit managed payment requests for an APA through the Landlord Portal, rather than through the established email processes. A Trusted Partner is a social landlord appointed to identify tenants who are unlikely to pay their rent. They assess the need for a Managed Payment to landlord where appropriate, and arrange for support so that the tenant, in time, takes responsibility for paying their rent. The Landlord Portal and the Trusted Partner Scheme are aligned: once a landlord takes on Trusted Partner status, they will be given access to the Landlord Portal. The Universal Credit Landlord Portal is available to registered social landlords only and not to private landlords. It is currently available only to tenants making a new claim for Universal Credit, or to established claimants who declare a change of circumstances and require a rent verification. See DWP, ‘Guidance: Landlord Portal and Trusted Partner Scheme for social landlords’ (30 December 2019): <https://www.gov.uk/government/publications/universal-credit-landlord-portal-and-trusted-partner-scheme-for-social-landlords/landlord-portal-and-trusted-partner-scheme-for-social-landlords> [accessed 17 July 2020].

102 Marc Da Silva, ‘Universal Credit: New online form allows landlords to apply for direct rent payment’, *Landlord Today* (27 May 2020): <https://www.landlordtoday.co.uk/breaking-news/2020/5/universal-credit-new-online-form-allows-landlords-to-apply-for-direct-rent-payment> [accessed 17 July 2020]

103 DWP, ‘New to Universal Credit: Childcare and Children’: <https://www.understandinguniversalcredit.gov.uk/new-to-universal-credit/children-and-childcare> [accessed 15 April 2020]

104 Before 2011, childcare support was capped at 80% under working tax credits.

105 Written evidence from Child Poverty Action Group (EUC0075)

106 Written evidence from Leeds City Council (EUC0106)

childcare costs in arrears was particularly difficult for single parents during the summer holidays as it made it harder for them to maintain employment.¹⁰⁷

104. Neil Couling told us that there is an issue with fraud and error when childcare support is paid upfront, as is the case under HMRC-administered tax credits. He said HMRC had advised the DWP to pay childcare costs after receipts are provided. He said the 'Flexible Support Fund', which was introduced in 2011, can help parents going into employment when they are unable to afford the first month of childcare costs in advance.¹⁰⁸
105. The Flexible Support Fund is a grant offered at the discretion of local jobcentres. In certain circumstances, it can be used to claim expenses, such as the first month of childcare costs. The fund is not available to parents already in work who face upfront childcare costs. Save the Children, a charity, said that parents are not able to claim support for childcare through Universal Credit in the same month as receiving support from the Flexible Support Fund. As a result, the problem of affording childcare in advance is moved forward by a month, "as parents will have to pay the next month's costs upfront without having received support through the childcare element of [Universal Credit]."¹⁰⁹
106. **While the childcare element of Universal Credit is designed to be more generous than the previous system its inclusion in a single benefit was a mistake. Including childcare support in Universal Credit speaks to our central concern with the drive for simplification: it has benefited administrators at the expense of making claimants' lives more complicated.**
107. **Including childcare support in Universal Credit has also created further complexity for claimants. Paying costs in arrears has been a barrier to in-work progression. In some cases, it has been a disincentive to work.**
108. *We recommend that the Department remove childcare support from Universal Credit entirely. This would require exploring options for a separate benefit and for a range of measures to support the supply side—more free hours of care, subsidies for providers, and reduced fees for parents with low incomes. This new benefit could still be delivered via a digital platform.*

107 Written evidence from Gingerbread ([EUC0013](#))

108 [Q 127](#) (Neil Couling)

109 Written evidence from Save the Children ([EUC0072](#))

CHAPTER 3: MANAGING ON UNIVERSAL CREDIT

109. This chapter examines the adequacy of Universal Credit awards and how well the benefit incentivises claimants into work or to increase their hours. It examines wider spending reductions in the social security system which have affected the security of benefit claimants, including those on Universal Credit.

Social security: spending cuts

110. Universal Credit was intended to be more generous to claimants than legacy benefits. We were told that the budget for Universal Credit in 2012/13, when the benefit was introduced, was set to be £2 billion per year more generous.¹¹⁰ This was reduced subsequently alongside wider cuts in public spending. In 2015 alone, £3 billion was cut from Universal Credit.¹¹¹ Nicholas Timmins told us that Universal Credit was introduced “right into the teeth of austerity”.¹¹² Sir Iain Duncan Smith MP, Secretary of State for Work and Pensions from 2010 to 2016, told us that it was right to press ahead with Universal Credit regardless of the fiscal context:

“[The idea] that somehow, we could not roll this out because we were in austerity but we could have stayed with the other benefits because somehow they were satisfactory. They were not. I know of no one who has genuinely studied this who says that what went on before was better than what we have now; that is simply not the case. I argue that whether or not you end up with austerity, your policy position must be to improve.”¹¹³

111. Baroness Stroud told us, “We never envisaged that we would have to do these reforms in an age of austerity. It was very challenging.”¹¹⁴ Baroness Stroud said that more substantial support to vulnerable claimants was not developed as a result of the reductions in social security spending.¹¹⁵
112. Spending reductions in the social security system in these years included:
- freezing the value of most working-age benefits between 2016 and 2020;
 - introducing a welfare cap that limits the amount that the Government can spend on certain social security benefits and tax credits. The Treasury has said that the welfare cap will apply in 2024/25 and be set at £137.2 billion, with a margin of 3%;¹¹⁶
 - introducing a cap (‘the benefit cap’) which limits the total amount that individual households can receive. The benefit cap is set at £23,000 per year for a family living inside Greater London, and £20,000 for a family living outside of London;

110 Q 40 (Dr Stephen Brien)

111 Resolution Foundation, *The long and winding road: The introduction and impact of Universal Credit in Liverpool City Region and the UK* (January 2020) p 18: <https://www.resolutionfoundation.org/app/uploads/2020/01/The-Long-and-Winding-Road.pdf> [accessed 17 July 2020]

112 Q 78 (Nicholas Timmins)

113 Q 39 (Iain Duncan Smith MP)

114 Q 38 (Lady Stroud)

115 Q 32 (Lady Stroud)

116 House of Commons Library, *The welfare cap*, Briefing paper, [Number 06852](#), 16 June 2020

- limiting the child element to two children and removing the family element/premium in tax credits, Universal Credit and Housing Benefit;
 - cutting Universal Credit work allowances (since partly reversed);
 - Reducing Housing Benefit, including reducing the Local Housing Allowance for private sector tenants.¹¹⁷
113. More money has been put into Universal Credit since.¹¹⁸ Most recently, the Government made several temporary changes to the benefits system and to Universal Credit in response to the COVID-19 pandemic:
- the standard allowance in Universal Credit has increased by £1,040 per year for one year, on top of planned annual uprating of benefits. This is a temporary measure which lasts for 12 months;
 - Local Housing Allowance rates have been uprated to the 30th percentile of local market rents after a four-year freeze beginning in 2016; and
 - for self-employed claimants, the Minimum Income Floor has been suspended.¹¹⁹
114. Some groups of claimants remain affected by earlier cuts to social security. While those cuts were not specific to Universal Credit and applied to the social security system generally, Universal Credit has increasingly been affected by the cuts as it has been rolled out to more people. We examine the effect on claimants from two of the most significant spending cuts that remain—the benefit cap and the two-child limit—later in this chapter.
115. In April 2019 the DWP said that Universal Credit will provide households with an additional £2.4 billion per year compared with legacy benefits because of higher take-up.¹²⁰ However, the level of take-up that is needed to reach this figure is not guaranteed. The Resolution Foundation has set out several reasons why people are less likely to claim Universal Credit, including low entitlement amounts or not wanting to engage with benefit conditionality.¹²¹ Policy in Practice said that Universal Credit has a reputational problem which may cause take-up to fall short of expectations.¹²² The DWP has not published take-up figures for Universal Credit.

117 OBR, 'An OBR guide to welfare spending': <https://obr.uk/forecasts-in-depth/brief-guides-and-explainers/an-obr-guide-to-welfare-spending/> [accessed 11 June 2020]

118 Changes include: a reduction in the taper rate from 65% to 63% (Autumn Statement 2016); a £1,000 per year increase in the work allowance for eligible groups from April 2019 (2018 Autumn Budget); extending run-ons to apply to income-based JSA, income-related ESA and Income Support as well as Housing Benefit for the first fortnight of a Universal Credit claim. See HM Treasury, *Budget 2018: Universal Credit* (29 October 2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752073/Universal_Credit_web.pdf [accessed 17 July 2020].

119 DWP, 'Employment and benefits support': <https://www.understandinguniversalcredit.gov.uk/employment-and-benefits-support/making-a-new-claim/> [accessed 22 April 2020]

120 Letter from the Rt Hon Amber Rudd MP to Frank Field MP (24 April 2019): <https://www.parliament.uk/documents/commons-committees/work-and-pensions/Correspondence/Letter-from-Rt-Hon-Amber-Rudd-MP-re-UC-natural-migration-20190424.pdf> [accessed 20 July 2020]. These figures are before the COVID-19 pandemic and as such do not take account of the temporary increase in the standard allowance.

121 Resolution Foundation, *The long and winding road: The introduction and impact of Universal Credit in Liverpool City Region and the UK* (January 2020) pp 38–39: <https://www.resolutionfoundation.org/app/uploads/2020/01/The-Long-and-Winding-Road.pdf> [accessed 21 July 2020]

122 Written evidence from Policy in Practice (EUC0056)

116. **The Government undertook the most significant social security reform for a generation at the same time as making substantial cuts to public spending, including wide ranging cuts to the social security system, in order to reduce the deficit. Cuts to Universal Credit have been partially restored but they, along with problems of design and implementation, have had lasting consequences by increasing poverty and hardship among many claimants. Universal Credit's promise of increased generosity now rests on higher take-up by claimants. The reputation of Universal Credit is poor and higher take-up is not guaranteed. *The DWP should start publishing take-up estimates in order to assess how successful Universal Credit has been in achieving the increased take-up that is assumed to flow from simplification.***
117. **The significant cuts to the social security system over the last decade mean that a catch-up increase in funding is needed urgently to ensure that Universal Credit is fit for purpose. Even when the recent increases in Universal Credit are taken into account, it is a less generous benefit than intended by its original proponents. Without the Government putting more money into the system, Universal Credit will continue to be beset by the problems that we have set out in this report. The recommendations below set out a pathway for making Universal Credit an adequate and fairer system which would provide greater security for claimants.**

Adequacy of awards

118. Universal Credit awards comprise a monthly standard allowance and may contain additional elements depending on the claimant's circumstances. Table 1 sets out the monthly standard allowance for different claimants.

Table 1: Monthly standard allowance rates for Universal Credit

Claimant group	2019/20 standard allowance	2020/21 standard allowance
Single (under 25)	£251.77	£342.72
Single (25 or over)	£317.82	£409.89
Joint claimants (both under 25)	£395.20	£488.59
Joint claimants (one or both 25 and over)	£498.89	£594.04

Source: Department for Work and Pensions, 'Policy paper: Benefits and Pension Rates 2020 to 2021' (9 April 2020): <https://www.gov.uk/government/publications/benefit-and-pension-rates-2020-to-2021/benefit-and-pension-rates-2020-to-2021> [accessed 20 July 2020]

119. Additional elements based on claimants' personal circumstances are set out in Table 2.

Table 2: Planned uprating in additional monthly payments

Additional payment	2019/20 rate	2020/21 rate
First child (born prior to 6 April 2017)	£277.08	£281.25
First child (born on or after 6 April 2017) or second child and subsequent child (where an exception or transitional provision applies)	£231.67	£235.83
Disabled child addition—lower rate	£126.11	£128.25
Disabled child addition—higher rate	£392.08	£400.29
Limited capability for work amount	£126.11	£128.25
Limited capability for work and work-related activity amount	£336.20	£341.92
Carer amount	£160.20	£162.92
Childcare—maximum for one child	£646.35	£646.35
Childcare—maximum for two or more children	£1,108.04	£1,108.04
Non-dependents' housing cost contributions	£73.89	£75.15

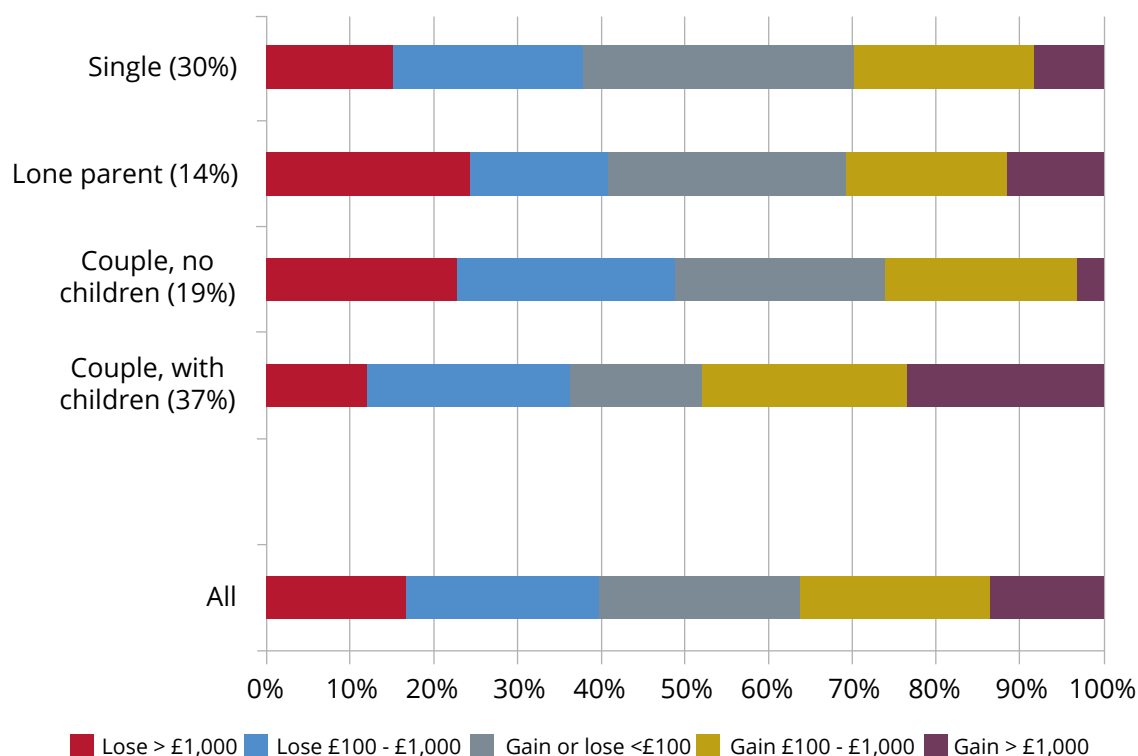
Source: Department for Work and Pensions, 'Policy paper: Benefits and Pension Rates 2020 to 2021' (9 April 2020): <https://www.gov.uk/government/publications/benefit-and-pension-rates-2020-to-2021/benefit-and-pension-rates-2020-to-2021> [accessed 20 July 2020]

Who gains and who loses?

120. In April 2019 the Institute for Fiscal Studies published research which found that some groups gain from the introduction of Universal Credit, but many groups lose out. It said:
 - 76% (8.7 million adults) of those entitled to means-tested benefits—and 84% (7.2 million) of those in working households—see a change in their entitlement of at least £100 per annum;
 - 17% (1.9 million) see a loss of at least £1,000 per annum; and
 - 14% (1.6 million) see a gain of at least that much.¹²³
121. Figure 2 shows what proportion of each family type gains and losses under Universal Credit.

123 IFS, *Universal credit and its impact on household incomes: the long and the short of it* (April 2019) pp 2–3: available at: <https://www.ifs.org.uk/publications/14083> [accessed 21 July 2020] and written evidence from Radian (EUC0093), a housing provider, stated that young people have lost out from Universal credit. Under legacy benefits, a lone parent under 25 would have been entitled to £73.10 per week; under Universal Credit this entitlement is £58.10.

Figure 2: Impact of Universal Credit on adults in households entitled to means-tested benefits, by family type per year (share of all entitled adults in brackets)



Source: Institute for Fiscal Studies, *Universal credit and its impact on household incomes: the long and the short of it* (April 2019) p 13, available at: <https://www.ifs.org.uk/publications/14083> [accessed 20 July 2020]

122. Almost a quarter of couples with children see a large increase in their entitlement from Universal Credit. A large proportion of those who gain from Universal Credit do so because of its more generous treatment of working households who pay rent; 29% of those in Universal Credit working households and living in rented accommodation see an increase in entitlement of at least £1,000 per annum.¹²⁴
123. The Institute for Fiscal Studies found that claimants in the lowest 10% income bracket lose the most from Universal Credit on average—a fall of up to 1.9% in their income, equivalent to £150 per year per adult.¹²⁵ It found that those most negatively affected by Universal Credit tend to be those with financial assets;¹²⁶ the low-earning self-employed; mixed-aged couples—i.e. where one partner is above state pension age and the other below; and some claimants on disability benefits.¹²⁷ We examine the adequacy of Universal Credit awards for disabled claimants and mixed-age couples below. The effect on the self-employed was examined in chapter two.

¹²⁴ *Ibid.* p 2

¹²⁵ IFS, *Universal credit and its impact on household incomes: the long and the short of it* (April 2019) pp 2–3, available at: <https://www.ifs.org.uk/publications/14083> [accessed 21 July 2020]

¹²⁶ See Box 1 in Chapter 1. Assets over £6,000 reduces the amount of Universal Credit payable; anyone with assets over £16,000 is ineligible for Universal Credit. Under legacy means-tested benefits there are similar capital rules; but for those on tax credits these do not apply.

¹²⁷ *Universal credit and its impact on household incomes: the long and the short of it*; see also Q 14 (Tom Waters).

Food poverty

124. Research has shown that increases in foodbank usage within local areas is linked to the rollout of Universal Credit. In 2018, the Trussell Trust reported that foodbanks experience a 52% increase in demand on average, 12 months after Universal Credit has been rolled out. This compared with a 13% increase in demand on average in areas that have had Universal Credit introduced for three months or less.¹²⁸ The Trussell Trust's *The State of Hunger* report said:

“Statistical modelling of the changes in food parcel demand showed clear and robust evidence that the extent and timing of five key benefit changes (sanctions, Universal Credit, 'bedroom tax', benefit levels, Personal Independent Payment assessments) had sizeable and significant effects, confirming the findings from the surveys of people referred to food banks and referral agencies.”¹²⁹

Box 6: Case studies provided by Karbon Homes

“Miss X was living on virtually no disposable income after she had paid her rent, council tax, utilities and other bills. She had to turn to the foodbanks which she felt degrading as she couldn't believe that in this day and age, she would be using them. Worst still, she could only get 3 days food out of 7, so in her words, she had to starve for four.”

“Miss Y said “stress, emotional stress, and the wonder of how you are going to pay each bill and keep a roof over your headto be honest I struggled to get food shopping, I can't afford it for my children, my ex-partner has to get it for them. I am trying to keep on top of the bills, and I can't. I am trying my best.”

Source: Written evidence from Karbon Homes (EUC0061)

Standard allowance increase

125. The changes to benefits announced since the 2020 Spring Budget are estimated to have cost the Government about £8 billion over the next year.¹³⁰ The most substantial of these changes was the temporary increase in the standard allowance that the Chancellor said would last for 12 months. The Secretary of State for Work and Pensions told us the increase in the standard allowance would bring the basic rate of Universal Credit in line with Statutory Sick Pay. She said, “The rate to which [Universal Credit] was raised—about £1,000 a year—means that the standard allowance is now approximately the same as statutory sick pay, as opposed to the differential that would be there with the legacy benefits.”¹³¹ The Chancellor of the Exchequer said that the increase would “strengthen the safety net”. He said, “we will also act to

128 The Trussell Trust, *The next stage of Universal Credit: Moving onto the new benefit system and foodbank use* (November 2018): <https://www.trusselltrust.org/wp-content/uploads/sites/2/2018/10/The-next-stage-of-Universal-Credit-Report-Final.pdf> [accessed 20 July 2020]. Written evidence from Dr Laura Davies and Dr Natalia Gerodetti also found that in Leeds there had been a large increase in the number of vouchers presented to Trussell Trust food banks between 2014 and 2019 connected to the rollout of Universal Credit (EUC0087).

129 The Trussell Trust, *State of Hunger: A study of poverty and food insecurity in the UK* (November 2019) p 12: <https://www.stateofhunger.org/wp-content/uploads/2019/11/State-of-Hunger-Report-November2019-Digital.pdf> [accessed 17 July 2020]

130 OBR, Coronavirus policy monitoring database (19 June 2020) available at: <https://obr.uk/coronavirus-analysis/> [accessed 20 July 2020]

131 HM Treasury, ‘Speech: The Chancellor Rishi Sunak provides an updated statement on coronavirus’ (20 March 2020): https://www.gov.uk/government/speeches/the-chancellor-rishi-sunak-provides-an-updated-statement-on-coronavirus?mod=article_inline [accessed 21 July 2020]

protect you if the worst happens. To strengthen the safety net, I'm increasing today the Universal Credit Standard Allowance, for the next 12 months, by £1,000 a year.”¹³²

126. The standard allowance has been increased by £20 a week for all Universal Credit claimants. The same increase applies to single people, couples and households with children. Universal Credit claimants told us that the increase in the standard allowance was welcome. Angela Charlton said:

“The extra money has meant that I can buy fresh food for myself and my daughter [instead of relying on food banks]. That has been a nice, welcome change, but I am sure it is going to be taken back off us afterwards.”

127. Kirsty Harkins, a Universal Credit claimant and volunteer at Sale Moor Community Partnership, said:

“This is very welcome indeed, and, if ever I lose my limited capability for work payment and have to live on the basic allowance for Universal Credit, it will be essential, quite frankly. People who are just on basic allowance struggle hugely. I fear that may be my future, so, yes, a 30% increase is massively helpful. But is it temporary, and why? That is my question. If it is not good enough for the general public during COVID-19, why is it enough for those who struggle more generally? The payment increase should be permanent, in my opinion.”¹³³

128. Other witnesses agreed that the increase in the standard allowance was necessary and said that the Government should make it permanent.¹³⁴

129. **The recent increase in the standard allowance is welcome considering the evidence we have received about the adequacy of Universal Credit, which said that it was often not enough income to live on. Universal Credit must provide claimants with an adequate income and act as a safety net for avoiding extreme poverty and hardship. We believe that the increase shows the original rate was not adequate. The Department has, to date, said that this is only a temporary measure. *The Government should commit to making the increase in the standard allowance permanent. To avoid undue hardship and poverty it should also examine the relative levels of benefits for couples and those with children and investigate whether there are other claimant groups who do not receive adequate income.***

Disabled claimants

130. In 2018 the Government said that “Britain is spending more on disability and incapacity benefits as a share of GDP than all other G7 countries except Germany”.¹³⁵

¹³² *Ibid.*

¹³³ [Q 114](#) (Angela Charlton and Kirsty Harkins)

¹³⁴ [Q 45](#) (Gareth Morgan) and [Q 65](#) (Prof Mike Brewer)

¹³⁵ HM Treasury, *Budget 2018: Universal Credit* (29 October 2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752073/Universal_Credit_web.pdf [accessed 17 July 2020]

131. The Joseph Rowntree Foundation said 31% of disabled people live in poverty, compared with 20% of the non-disabled population, and nearly half of people in poverty are disabled or live with a disabled person.¹³⁶
132. Research by the Disability Benefits Consortium has identified two positive measures in Universal Credit for some disabled people:
- the limited capability for work-related activity element of Universal Credit is higher than the equivalent amount awarded to those in the support group of income-related Employment and Support Allowance and continues to be included in the maximum amount of the household regardless of earnings (a single person in the support group of Employment and Support Allowance with no other income and not entitled to the severe disability premium will be £95 a month better off on Universal Credit);¹³⁷ and
 - there is no earnings limit to the carer element of Universal Credit provided the other criteria for entitlement to carer's allowance are met.¹³⁸
133. However, we also heard that disabled claimants can lose out from Universal Credit. James Taylor, Executive Director of Strategy and Social Change at Scope, told us that Universal Credit is less generous than the legacy system for disabled people because they are no longer entitled to additional payments related to their disability:
- “We know that it can be harder for disabled people to find a job and stay in work. The removal of those disability premiums¹³⁹ effectively makes it much harder for them now than it was perhaps five or six years ago, which is why we want to see that disability top-up or premium be reintroduced into Universal Credit”.¹⁴⁰
134. The Severe Disability Premium in the legacy system is paid to those disabled people who are on a disability benefit which would entitle them to have a carer paid to assist them, but who do not have a carer and who live on their own (or only with dependent children or another adult in receipt of a qualifying benefit).¹⁴¹ The DWP has not said why Universal Credit does not have an equivalent to Severe Disability Premium. It has maintained that Universal Credit simplifies means-tested support for disabled people and is easier to understand in general. It has made transitional protection available to ensure that people moving onto Universal Credit do not lose out in cash

136 Written evidence from Joseph Rowntree Foundation ([EUC0017](#))

137 Under Universal Credit someone working and earning more than the equivalent of 16 hours' work per week paid at the National Minimum Wage will not be able to receive the limited capability for work or limited capability for work and work-related activity payment unless they are also getting Disability Living Allowance (DLA) or Personal Independence Payment (PIP). Those who are getting Disability Living Allowance or Personal Independence Payment will still need to attend a Work Capability Assessment to assess whether they can receive this extra amount. See, DWP, 'New to Universal Credit: Health conditions or disabilities': <https://www.understandinguniversalcredit.gov.uk/new-to-universal-credit/health-conditions-or-disabilities/> [accessed 24 June 2020].

138 Disability Benefits Consortium, *Mending the holes: restoring lost disability elements to universal credit* (September 2019) p 4: <https://disabilitybenefitsconsortium.files.wordpress.com/2019/10/mending-the-holes-restoring-lost-disability-elements-to-universal-credit.pdf> [accessed 17 July 2020]

139 Mr Taylor was referring to the lack of an equivalent of Severe Disability Premium (SDP) and Enhanced Disability Premium (EDP) in Universal Credit. The weekly rate for SDP is £66.95; the rate of EDP is £17.10.

140 [Q 106](#) (James Taylor)

141 *Mending the holes: restoring lost disability elements to universal credit*, p 5

terms if their entitlement to Universal Credit is lower than their existing benefits.¹⁴²

135. Advice Nottingham, a consortium of six advice agencies, said that once transitional protection ends the lack of an equivalent of Severe Disability Premium in Universal Credit means that disabled claimants stand to lose up to £180 per month.¹⁴³
136. The Disability Benefits Consortium has recommended that the DWP introduces a 'self-care' element to Universal Credit to compensate for the financial loss that disabled claimants face due to the lack of an equivalent to Severe Disability Premium in Universal Credit. It said that a self-care element would provide additional support for disabled people who live on their own and do not have a carer (in the same way as the Severe Disability Premium).¹⁴⁴ The Disability Benefits Consortium has estimated that a self-care element would cost around £1 billion.¹⁴⁵
137. Policy in Practice said that, as a result of the exclusion of additional support elements, people in receipt of disability benefits but deemed fit to work will lose around £50 per week because their expenses for day-to-day living and mobility issues are higher.¹⁴⁶ Parents of most disabled children have also lost out financially with Universal Credit. Households with disabled children have £154 a month less under Universal Credit compared with the legacy system.¹⁴⁷ Families who care for disabled children face many additional costs, such as household aids and adaptations, additional travel costs to hospital and other appointments, and higher childcare costs for disabled children.
138. The financial loss that disabled claimants face is compounded by the loss of permitted work rules that were included under Employment and Support Allowance. Employment and Support Allowance claimants can earn up to £131.50 a week from permitted work without losing any of their benefit, though earnings beyond that do create a reduction in income. However, under Universal Credit someone who is found to have limited capability for work can earn £73 if they receive housing support, and £128 if they do not—the set work allowance—before their Universal Credit starts reducing. North Tyneside Citizens Advice Bureau told us that the relative financial loss in permitted work rules is a disincentive to work for disabled claimants as they cannot work as many hours part-time without it affecting their benefits.¹⁴⁸ Research from the Disability Benefits Consortium says that increasing the work allowance would significantly assist disabled claimants who are only able to work part-time.¹⁴⁹

142 On 16 January 2019 regulations came into force preventing people in receipt of benefits including Severe Disability premium (SDP) from moving onto Universal Credit until the final managed migration stage, when they can receive transitional protection. Separate regulations in force from 24 July 2019 provide for "SDP transitional payments"—both backdated and ongoing—to people who moved from legacy benefits to Universal Credit before 16 January 2019 and who lost SDP. See House of Commons Library, Universal Credit and the Severe Disability Premium, Briefing paper, [Number 08494](#), 5 November 2019.

143 Written evidence from Advice Nottingham ([EUC0083](#))

144 A self-care element should reduce inequality between (a) households with a partner working who can get the carer element and (b) households with a single disabled parent and child carer who do not get a carer addition.

145 *Mending the holes: restoring lost disability elements to universal credit*

146 Written evidence from Policy in Practice ([EUC0056](#))

147 *Mending the holes: restoring lost disability elements to universal credit*, p 6

148 Written evidence from North Tyneside CAB ([EUC0021](#))

149 *Mending the holes: restoring lost disability elements to universal credit*, p 30

139. James Taylor told us, “It is important that disabled people move into employment. In this country at the moment, around 1 million disabled people are out of work but want to work.”¹⁵⁰ Evan Odell, a researcher at Disability Rights UK, agreed and told us that the obstacles that many disabled people face are external to them and result from a lack of available support.
140. ***The DWP should introduce an equivalent to the Severe Disability Premium. This should be a self-care element for any disabled person who does not have someone assisting them and claiming the carer element of Universal Credit. We were told that this would cost the DWP around £1 billion per year.***

Mixed-age couples

141. Under Universal Credit a mixed-age couple is considered to be a ‘working age’ couple for the purposes of means-tested benefits.¹⁵¹ This change applied from 15 May 2019, when mixed-age couples were no longer able to choose whether to claim Universal Credit, Pension Credit or pension-age Housing Benefit.¹⁵² In July 2019, the Institute for Fiscal Studies said that the change would save “just over £1 billion per year.”¹⁵³ Both partners in a couple now have to reach the current qualifying age—65 years and 5 months—for Pension Credit before they are entitled to Pension Credit or pension-age Housing Benefit.¹⁵⁴
142. The new regulations mean that individuals below state pension age whose partner is eligible can no longer live on Pension Credit, meaning that their work incentives are comparable with a single person of similar age. That has come at the expense of individuals who are eligible for Pension Credit and whose younger partner is unable, or unwilling, to work. They will now face a less generous safety net, potentially for years after they reached the state pension age.¹⁵⁵
143. As a result, if a couple are entitled to Universal Credit because they have low income (taking account of the full new state pension worth £175.20 per week to which the older member is entitled), then unless the younger member of the couple has a health condition which would prevent them from working, is responsible for looking after young children or is a carer, he or

150 [Q 106](#) (James Taylor)

151 Age UK, *Benefit changes for mixed age couples* (February 2019): https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/age_uk_-_briefing_on_benefit_changes_for_mixed_age_couples_february2019.pdf [accessed 17 July 2020]

152 There are exceptions to the rule. First, mixed-age couples who were entitled to Pension Credit and/or pension-age Housing Benefit on 14 May 2019 were able to continue claiming benefits while entitled—they do not have to claim Universal Credit instead. Second, if the couple remain entitled to Pension Credit from before 15 May 2019, they can start receiving pension-age Housing Benefit on or after that date, and vice versa. See, CPAG, ‘Mixed-age from May’ (1 June 2019): <https://cpag.org.uk/welfare-rights/resources/article/mixed-age-may> [accessed 17 July 2020].

153 IFS, ‘Changes to pension credit rules for ‘mixed age couples’ mean a large number have to wait many years before they can claim’ (4 July 2019): <https://www.ifs.org.uk/publications/14238> [accessed 17 July 2020]

154 DWP, ‘Guidance: A3/2019 Mixed age couples changes to entitlement conditions from 15 May 2019’ (10 July 2019): <https://www.gov.uk/government/publications/housing-benefit-adjudication-circulars-2019/a32018-mixed-age-couples-changes-to-entitlement-conditions-from-15-may-2019> [accessed 17 July 2020]

155 IFS, ‘Changes to pension credit rules for ‘mixed age couples’ mean a large number have to wait many years before they can claim’ (4 July 2019): <https://www.ifs.org.uk/publications/14238> [accessed 17 July 2020]

she will be subject to the same work-search and work-related conditions in Universal Credit as other claimants.

144. Age UK said that the policy that younger partners should have the same work incentives as other people under state pension age is unrealistic. It said, “in reality, for many affected, work is simply not an option due to ill health or the need to care for their older partner.”¹⁵⁶
145. Evidence from Age UK sets out how mixed-age couples lose out substantially from Universal Credit. It said that mixed-age couples can be up to £7,000 a year worse off than under the previous system.¹⁵⁷ The standard single-person rate of Pension Credit is around £8,700 per year compared with the basic Universal Credit rate for a couple of around £5,990 per year (pre-COVID-19 figures). Even when accounting for the temporary increase in the standard allowance, the basic Universal Credit rate still falls short of Pension Credit at only £7,128 per year.
146. **Universal Credit was designed as a working-age benefit; it was not designed with pensioners in mind. While we understand the trade-off which the DWP has had to consider in relation to mixed-age couples, we feel that on balance it has opted for the wrong approach.**
147. **Including mixed-age couples in Universal Credit has meant that they may lose out financially. The partner who is eligible for a state-age pension is treated unfairly compared with single pensioners and couples of state-pension age. The DWP should revert to the previous system in which mixed-age couples were treated as state-pension age couples for means-tested benefits.**

Deductions

148. Large amounts of historic debt have built up in the social security system. When Universal Credit started to roll out at scale, there was around £5.9 billion of tax credit debt; local authorities are owed around £2 billion in housing benefit debt; and there are over £1 billion of overpayments in Job Seeker's Allowance and other benefits that are still technically repayable. Historic debt totals around £10 billion.¹⁵⁸
149. Sir Iain Duncan Smith MP told us that a condition imposed on the Universal Credit programme was that it could be used to recover historic social security debts:

“The reality is that it [HMRC] decided—I am afraid that I had to cave in on this eventually, because I was under pressure across the board—that the debt it was not able to get back, which I think is something around £6 billion [in tax credit overpayments], has been moved across on to universal credit as people come across.”¹⁵⁹
150. The debt-recovery mechanisms in the Universal Credit programme were applied stringently. Until late 2019 a maximum deduction of 40% could be made to a Universal Credit award to repay historic debts. This has since

¹⁵⁶ Written evidence from Age UK (EUC0022)

¹⁵⁷ *Ibid.*

¹⁵⁸ DWP, *Annual Report and Accounts 2018–2019* (27 June 2019) p 70: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/812722/dwp-annual-report-and-accounts-2018-2019.pdf [accessed 17 July 2020]

¹⁵⁹ Q 34 (Iain Duncan Smith MP)

been reduced to 30%. At the spring 2020 Budget it was announced that it will be reduced further to 25% from October 2021.

151. There are exceptions which mean that deductions can be taken over that limit. Last Resort Deductions are for arrears of owner–occupier service charges or rent, or arrears for gas or electricity. Last Resort Deductions can be made to prevent claimants being evicted from their home or having their fuel disconnected. Overpayments of Universal Credit are repaid at a rate of up to 15% of the standard allowance. If one or both (if they are a couple) of the claimants' earnings are above the level of the work allowance (if the work allowance is applicable) an additional amount of up to 10% can be deducted.¹⁶⁰
152. The repayment of historic benefit debt is a problem for many claimants. Dr Ruth Cain, a Senior Lecturer at the University of Kent, told us that because Universal Credit is a household benefit a claimant can inherit, and become liable to repay, a debt that their partner has accrued, even if the debt precedes the relationship.¹⁶¹
153. The number of people affected will rise significantly when the managed migration process starts. In March 2020, 60% of Universal Credit claimants received less than its standard rate because they were paying back various benefit debts.¹⁶² The largest category of social security debt is tax credit debt (£6 billion), which many claimants do not realise they owe and for which they may not have budgeted.¹⁶³
154. Garry Lemon, Director of Policy, External Affairs and Research at the Trussell Trust, told us that in February 2019 there were 30,000 claimants who had more than 40% deducted from their payments. In May 2019, 440,000 claimants, or 52% of Universal Credit claimants who were paid an advance, were paying off another debt to the Government. He said, “That was often a tax credit debt or repayment being clawed back from an already very low amount of money.” He told us that the Government should be held to the same standards as private sector lenders and should conduct proper affordability assessments before imposing deductions for historic debts.¹⁶⁴
155. Witnesses said that historic tax credit debt should be written off. Baroness Stroud said she would “highly recommend [a debt] amnesty” for claimants.¹⁶⁵

160 DWP, ‘Guidance: Universal Credit debt and deductions that can be taken from payments’ (26 March 2020): <https://www.gov.uk/guidance/universal-credit-debt-and-deductions-that-can-be-taken-from-payments#what-are-last-resort-deductions> [accessed 17 May 2020]

161 [Q 1](#) (Dr Ruth Cain)

162 IFG, *Universal Credit: Getting it to work better* (March 2020) p 2: https://www.instituteforgovernment.org.uk/sites/default/files/publications/universal-credit-getting-it-to-work-better_1.pdf [accessed 17 July 2020]

163 Tax credits were assessed on earlier earnings, awarded for a year and adjusted on actual income at the end of the year. Claimants were meant to report any change of circumstance that would have raised or lowered their award in-year. Many did not realise they were meant to do so. There were other reasons why overpayments occurred, such as changes in circumstances being reported late, errors by HMRC, and changes to income during the annual renewal process, which could take up to eight weeks. HMRC sought to reclaim overpayments through the tax system: as people earned more, they would, in effect, pay a higher rate of tax to settle the debt. They did so only once their income exceeded the income tax personal allowance (which since 2010 has almost doubled to £12,500 a year). An unintended consequence of increasing the personal allowance is that many people on a low income and with tax credit debt have been repaying little, or none, of their overpayments.

164 [Q 19](#) (Garry Lemon)

165 [Q 33](#) (Lady Stroud)

Sir Iain Duncan Smith MP agreed and said, “the No. 1 thing I would do is get rid of the debt that is coming across unnecessarily from tax credits”.¹⁶⁶

156. Nicholas Timmins told us that because of the level of debt in the system, “about 30% of claimants are living on 25% or 30% less than the standard rate of [Universal Credit]. That seems extremely harsh.”¹⁶⁷

Box 7: Case study on deductions provided by Mind

“[I] find it impossible to make my money stretch for one month as I have hardship payments, budget loan and a service charge coming out [of] my payment that leaves me with £190 and a lot of that is paid out to people I’ve had to lend from (friends, family)”

Source: Written evidence from Mind ([EUC0084](#))

157. Nicholas Timmins said that many people do not realise that they have historic tax credit debts, so the debt crystallises for them only once they move to Universal Credit.¹⁶⁸ The recovery of this debt is factored into the award without an affordability assessment, meaning that the claimant may live on substantially less than the minimum award for a long time. Mr Timmins said that this “will hurt claimants and cause further damage to [Universal Credit’s] reputation.”¹⁶⁹
158. **As more people migrate to Universal Credit, its role in recovering historical debt will become more prominent. The DWP should ensure that deductions taken from Universal Credit awards are first subjected to an affordability assessment. They should only made in accordance with what a claimant can afford to repay.**
159. **Many people are unaware that they have tax credit debts and often the overpayments they have received were not their fault. Using Universal Credit to recover historic debts has left many households with an income well below that to which they are entitled.**
160. ***The Government should write off historical tax credit debt owed by Universal Credit claimants. We believe that the £6 billion of tax credit debt should be treated as a sunk cost—it is highly unlikely to be repaid in full, and the Government should not jeopardise the financial security of claimants in pursuit of it.***

Benefit cap

161. The benefit cap was introduced in 2013. It limits the total amount a household can receive in certain benefits to £20,000 per year for families

166 [Q 34](#) (Iain Duncan Smith MP)

167 [Q 75](#) (Nicholas Timmins)

168 IFG, *Universal Credit: Getting it to work better* (March 2020) p 14: https://www.instituteforgovernment.org.uk/sites/default/files/publications/universal-credit-getting-it-to-work-better_1.pdf [accessed 17 July 2020]

169 *Ibid.*

outside London and £23,000 per year for families in London (or £13,400 and £15,410 per year respectively for single people).¹⁷⁰

162. It is designed to encourage people to find work and does not apply to those with disabilities or carers. People can overcome the cap on income by entering employment or increasing the hours in their current job. However, the evidence shows that only around 5% of capped households move into work because of the cap.¹⁷¹ Evidence from the Hyde Group, a housing association, said that the benefit cap penalises people for not finding work and as a result the cap is a further burden on top of the benefit sanctions system.¹⁷²
163. The Zacchaeus 2000 Trust said that Universal Credit claimants subject to the cap lose out more than those who claim legacy benefits while subject to the cap. It said, “Previously, a household could only have their [Housing Benefit] capped. On [Universal Credit], the cap can be applied not just to a household’s housing costs but to its whole [Universal Credit] award.”¹⁷³
164. We heard that the benefit cap has a disproportionate impact on women and children. Surviving Economic Abuse said that “the benefit cap disproportionately affects women who have fled domestic abuse, and pushes them into choosing between living in danger or risking poverty.”¹⁷⁴ Child Poverty Action Group, a charity, said that by 2023/24, an estimated 400,000 children will be deeper in poverty due to the benefit cap.¹⁷⁵
165. We received evidence calling for the benefit cap to be scrapped. Surviving Economic Abuse said that in combination with the five-week wait and repayments for advances, the benefit cap is “putting women in situations where they may have no choice but to return to the abuser or take out payday loans.”¹⁷⁶ Tower Hamlets Council said that removing the benefit cap would benefit up to half a million children nationally by 2023.¹⁷⁷
166. The Institute for Fiscal Studies estimated in 2019 that abolishing the benefit cap would cost the Government around £200 million per year.¹⁷⁸
167. **We recognise that the benefit cap was intended to increase the financial incentive to move into paid work. This is more likely to be effective if there is a buoyant labour market than if there is high unemployment and few job vacancies. In light of the unfolding economic crisis we recommend that the Government review the level of the benefit cap and its effect on hardship and poverty.**

170 Claimants are eligible for a 9 month ‘grace period’ if they are reclaiming Universal Credit because they stopped working or their earnings went down; if they are now earning less than £604 a month; if in each of the 12 months before their earnings went down and they stopped working, they earned the same as or more than the earnings threshold (this was £569 up to 31 March 2020 and is £604 from 1 April 2020). See, HM Government, ‘Benefit cap’: <https://www.gov.uk/benefit-cap/how-earnings-affect-when-benefit-cap-starts> [accessed 29 June 2020].

171 See DWP, *Benefit Cap: Analysis of outcomes of capped claimants (December 2014)*: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/385970/benefit-cap-analysis-of-outcomes-of-capped-claimants.pdf [accessed 19 July 2020] and Work and Pensions Committee, *The benefit cap* (Twenty-Fourth Report, Session 2017–19, HC 1477), p 6.

172 Written evidence from The Hyde Group (EUC0039)

173 Written evidence from the Zacchaeus 2000 Trust (EUC0101)

174 Written evidence from Surviving Economic Abuse (EUC0040)

175 Written evidence from Child Poverty Action Group (EUC0075)

176 Written evidence from Surviving Economic Abuse (EUC0040)

177 Written evidence from Tower Hamlets Council (EUC0065)

178 IFS, ‘Labour policy to reform and replace Universal Credit’ (28 September 2019): <https://www.ifs.org.uk/publications/14389> [accessed 17 July 2020]

Two-child limit

168. The two-child limit applies to children born after 6 April 2017. The new limit means that in families where there are already two or more children, the child element in Universal Credit and child tax credits is restricted to the first two children. This means that families cannot receive any additional support for their third child onwards.¹⁷⁹
169. The Zacchaeus 2000 Trust said that the two-child limit meant that those with more than two children had “no choice but to work more hours to make up for the fact that their [Universal Credit] payment does not cover their family’s essential costs.”¹⁸⁰
170. Marilyn Howard told us that the limit had a particularly negative financial effect on “certain groups of people with large families, maybe from black and ethnic minority groups or particular religious groups.”¹⁸¹ The Women’s Budget Group described it as “discriminatory.”¹⁸²
171. Refuge said that the two-child limit had made people who have experienced domestic abuse more financially dependent on perpetrators. It said that individuals with more than two children who separate from perpetrators can be forced into poverty as they do not have enough to support themselves and their children.¹⁸³
172. We heard that the two-child limit increases child poverty.¹⁸⁴ The Poverty Alliance, an anti-poverty network, said that the two-child limit “meant that the level of support provided by Universal Credit has been rendered entirely inadequate for substantial numbers of families across the UK.”¹⁸⁵ The Child Poverty Action Group said, “The two-child limit will mean that an additional 300,000 children are in poverty by 2023/24 as well as pushing a million children deeper into poverty.”¹⁸⁶ It said that the two-child limit should be scrapped.¹⁸⁷ In 2019 Child Poverty Action Group estimated that this would cost £1.7 billion.¹⁸⁸
173. **The two-child limit is unfair. It penalises large families and can put the health and wellbeing of children in jeopardy. We heard that ending the limit could protect up to 300,000 children from poverty. We urge the Government to remove the two-child limit and consider introducing tapered awards for families with more than two children.**

179 There are limited exceptions to the rule, such as children cared for under “kinship care” arrangements, children adopted from local authority care, multiple births and where children are born as a result of “non-consensual conception”.

180 Written evidence from the Zacchaeus Trust ([EUC0101](#))

181 [Q 26](#) (Marilyn Howard)

182 Women’s Budget Group ([EUC0016](#))

183 Written evidence from Refuge ([EUC0094](#))

184 Child poverty has been rising since 2010 and is projected to increase further. From 2010/11 to 2018/19 (the latest statistics available), the number of children in poverty after housing costs rose from 3.6 million to 4.2 million. See, DWP, ‘National Statistics: Households below average income: 1994/95 to 2018/19’ (26 March 2020): <https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201819> [accessed 17 July 2020].

185 Written evidence from the Poverty Alliance ([EUC0077](#))

186 Written evidence from Child Poverty Action Group ([EUC0075](#))

187 Written evidence from Child Poverty Action Group ([EUC0075](#))

188 CPAG, *Universal credit: what needs to change to reduce child poverty and make it fit for families?* (June 2019) p 4: https://cpag.org.uk/sites/default/files/files/policypost/Universal%20credit%20-%20what%20needs%20to%20change_0.pdf [accessed 19 July 2020]

Work incentives

174. One of the guiding principles of Universal Credit was to ‘make work pay’. It does this in two main ways. First, it aims to incentivise claimants in the relevant groups who are not working to find work even if for just a few hours. Second, it aims to incentivise claimants who are already working to take up more hours, so that any increase in earnings leads to an increase in total income (‘in-work progression’). For couples there are incentives for both partners to work, or to work more hours.

Financial incentives to enter work

175. The work allowance acts as an earnings disregard and is the amount that claimants can earn before their Universal Credit payment is reduced. Baroness Stroud told us, “the whole crux of Universal Credit is the [earnings] disregard to reward the move into work and the taper progression in work.”¹⁸⁹ When Universal Credit was initially rolled out, single people and couples without children were eligible for a work allowance. These were cut as part of spending reductions in 2015 and the cuts came into force in April 2016. Now, only those with responsibility for a child or with limited capability for work are eligible for a work allowance.¹⁹⁰ There is one work allowance per household; couples do not have a second allowance.
176. We heard that the current structure and level of work allowances have diminished the financial incentive to enter work for certain groups. Policy in Practice was concerned about the employment prospects of unemployed single people, with no children, who do not have a work allowance when they enter employment. It said that the 63% taper rate risks the cost of work becoming greater than retained income for claimants once tax, national insurance, and work expenses are taken into account.¹⁹¹
177. Money Advice Plus, a charity, said that the removal of work allowances for single people and couples without children has disincentivised claimants from taking low paid or short hours work that may have led to them taking more hours or better paid work.¹⁹²
178. Marilyn Howard told us that second earners, who tend to be women, have “fewer work incentives” under Universal Credit.¹⁹³ Dr Rita Griffiths linked this to the fact there is no work allowance for the second partner. She said, “There is only one work allowance between the members of a couple, so once that has been expended by the first earner, who tends to be the man in a couple, the taper is applied to the first pound that the second earner earns, at 63%.”¹⁹⁴

Incentives to progress in work

179. Universal Credit has a single taper rate of 63% which reduces the amount of benefit paid as claimants’ earnings rise. This, combined with higher work

189 [Q 37](#) (Lady Stroud)

190 The monthly work allowances are £292 for a household if they receive housing support and £512 if they do not. DWP, ‘Guidance: Universal Credit work allowances’ (10 June 2020): <https://www.gov.uk/government/publications/universal-credit-work-allowances/universal-credit-work-allowances> [accessed 17 July 2020]

191 Written evidence from Policy in Practice ([EUC0056](#))

192 Written evidence from Money Advice Plus ([EUC0090](#))

193 [Q 25](#) (Marilyn Howard)

194 [Q 25](#) (Dr Rita Griffiths)

allowances, was designed to ensure that claimants would retain a higher proportion of earned income without facing different marginal incentives at certain working hours.

180. The 63% taper rate does not account for income tax and National Insurance contributions. The DWP said that when the 63% taper rate is combined with these the marginal effective rate of deductions is 75% for a single parent working 30 hours a week at the National Living Wage and living in rented accommodation. For legacy benefits the rate for these circumstances would be 90%,¹⁹⁵ but it varies according to earnings level and hours worked. The Secretary of State for Work and Pensions told us that under the previous system these marginal rates of deduction at specific hours thresholds—16 hours and 30 hours—were so high that they disincentivised working more hours.¹⁹⁶
181. Sir Iain Duncan Smith MP told us that he had wanted a more generous taper rate but had had to compromise with HM Treasury:

“[A taper rate of] 55% was where we said there would be massive movement up the scale; if you get it down low, you then end up paying less. It is a balance. We did not win that argument with the Treasury; it did not quite see it. It wanted 70-something. We compromised at, I think, 65 in the end. The present, or previous, Government put in extra money and lowered the taper again.”¹⁹⁷
182. The taper rate was reduced from 65% to 63% in November 2016. This means that for every £1 of net earnings in excess of the work allowance claimants lose 63p of their benefit as opposed to 65p.¹⁹⁸
183. The Joseph Rowntree Foundation told us that work incentives have been “theoretically strengthened on average” in Universal Credit. It said that Universal Credit reduces the number of families facing marginal effective rates of deductions of over 80%. However, it said that Universal Credit increases the number of families facing marginal effective rates of deductions between 60% and 80%.¹⁹⁹

Improving work incentives

184. Reductions to the taper rate or increases to the work allowance are the main policy levers to improve incentives to enter work or take on more hours. Reducing the taper rate would slow the speed at which Universal Credit is removed as people increase their earnings. Increasing the work allowances—for those groups who have a work allowance—would move up the point at which Universal Credit payments begin to be reduced in relation to earnings.

195 Written evidence from the DWP ([EUC0115](#)). There are instances where the rate can exceed 100%. For instance, when Council Tax Support is taken into account, in some areas (the rate varies depending on the local authority) the marginal rate of deduction can exceed 100%.

196 [Q 119](#) (Dr Thérèse Coffey MP)

197 [Q 39](#) (Iain Duncan Smith MP)

198 The reduction in the taper rate was estimated to have cost £35 million in 2017–18 as there were relatively few claimants on Universal Credit. By 2020–21 the cost for the reduction is estimated to be £700 million a year. See House of Commons Library, ‘Universal Credit: Jam tomorrow?’ (25 November 2016: <https://commonslibrary.parliament.uk/insights/universal-credit-jam-tomorrow/> [accessed 19 July 2020].

199 Written evidence from the Joseph Rowntree Foundation ([EUC0017](#))

185. Sir Iain Duncan Smith MP told us that changes to either the taper rate or work allowances should be made in response to changes in the business cycle. He said that in the context of record levels of employment,²⁰⁰ lowering the taper rate would be a stronger incentive for people to take on more hours and progress towards full-time work.²⁰¹ When there is an economic downturn which leads to a rise in unemployment, the priority should be to reduce the barriers for people to enter employment, even if it is not full-time work. Sir Iain Duncan Smith said that increasing the work allowances in times of higher unemployment would reduce a barrier to work.²⁰²
186. The Resolution Foundation said that reductions to the generosity of the work allowances have reduced work incentives.²⁰³ The Joseph Rowntree Foundation said, “Increasing work allowances and reducing the taper rate would strengthen work incentives and help protect families on low earnings from poverty. New work allowances for second earners or single parents could be particularly effective.”²⁰⁴ The Institute for Fiscal Studies told us that a reduction in the taper rate of 1% would cost the Government around £350 million a year; an increase in the work allowance of £50 per month for those that already have one would cost around £1 billion per year; extending that increase to include all groups who do not currently have an allowance would cost approximately £300 million more per year.²⁰⁵
187. Witnesses suggested that it may be effective to target certain groups of claimants with further investment. Policy in Practice said that restoring the work allowance for single people would have the biggest impact on incentivising work as unemployed single people are the most likely group to face long-term unemployment.²⁰⁶ The Resolution Foundation advocated introducing a second-earner work allowance.²⁰⁷ Gingerbread, a charity, said that work allowances for single parents should be increased to take account of the greater additional costs of working that single parents face, such as childcare costs.²⁰⁸
188. **The principle of always making work pay has been undermined by cuts to work allowances even after taking into account the partial reinstatement in 2019.**
189. **Given the depth of the recession that is anticipated following the COVID-19 pandemic, getting people into work should be the DWP’s priority. We therefore recommend revisiting both the structure and the level of the work allowances. *All claimants should have a work allowance, at a higher rate than currently, to allow them to keep more of their award as they move into work, including short-term or low-hours employment. Figures from the Institute for Fiscal Studies suggest that reintroducing a work allowance for all groups,***

200 Sir Iain Duncan Smith MP gave evidence to us on 10 March 2020, prior to the onset of the COVID-19 pandemic.

201 [Q 39](#) (Iain Duncan Smith MP)

202 *Ibid.*

203 Written evidence from the Resolution Foundation ([EUC0107](#))

204 Written evidence from the Joseph Rowntree Foundation ([EUC0017](#))

205 Letter from the Institute for Fiscal Studies to the Economic Affairs Committee (27 February 2020): <https://committees.parliament.uk/publications/578/documents/2304/default/> [accessed 20 July 2020]

206 Written evidence from Policy in Practice ([EUC0056](#))

207 Written evidence from the Resolution Foundation ([EUC0017](#))

208 Written evidence from Gingerbread ([EUC0013](#))

and increasing it by £50 per month, would cost the DWP £1.3 billion per year.

190. **The DWP should also consider a reduction in the taper rate to reduce the unfairness that is inherent in the very high marginal effective tax rates that some of the poorest in our society face.**

CHAPTER 4: EMPLOYMENT, SANCTIONS AND SUPPORT

Conditionality

191. Claimants who can look or prepare for work are required to do so as a condition of receiving certain benefits. Those who do not meet these commitments can face financial sanctions. This is known as conditionality.
192. Conditionality has been an established feature of out-of-work benefits since the foundation of the welfare state.²⁰⁹ However, the scale of conditionality has been ratcheted up significantly since the introduction of Universal Credit.²¹⁰ It operates on the principle that claimants should do everything they can in order to find work.
193. Conditionality has been intensified in two ways under Universal Credit. First, the conditions placed on claimants are more demanding. For example, claimants who are able to work full time are usually expected to complete up to 35 hours of work search activity a week.²¹¹ Second, it will be extended to a million more claimants compared with legacy benefits, many of these for the first time.²¹² Universal Credit's conditionality regime is set out in Table 3.

Table 3: Universal Credit conditionality regime

Conditionality regime/claimant group	Requirements
<p>All work-related requirements. Consists of two labour market regimes:</p> <p>Intensive Work Search: claimants not working and claimants in work on very low earnings who are expected to increase their earnings. Includes claimants with health conditions who have not completed a Work Capability Assessment (WCA), some self-employed claimants and lead carers whose youngest child is aged three or four.</p> <p>Light Touch regime: claimants on low earnings between two thresholds set by the DWP.</p>	<p>Intensive Work Search: requirements might include carrying out work searches, making job applications, creating a CV and online job profiles, and obtaining references.</p> <p>Light Touch: claimants in this regime currently face no work search related requirements.</p>

209 [Q 5](#) (Prof Sir John Hills)

210 Conditionality has intensified generally since the 1980s and particularly since the introduction of Jobseeker's Allowance (JSA) in 1996. JSA marked the beginning of a move towards today's contractual model of linking service delivery to individual responsibility, and the use of financial sanctions for non-compliance. See also, Social Security Advisory Committee, *Universal Credit and Conditionality* (August 2012): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/323919/ssac_occasional_paper_9.pdf [accessed 20 July 2020].

211 Social Security Advisory Committee, *The effectiveness of the claimant commitment in Universal Credit* (9 September 2019): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833426/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf [accessed 20 July 2020]

212 HM Government, *Universal Credit: Impact Assessment* (December 2012) p 28: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf [accessed 17 July 2020]

Conditionality regime/claimant group	Requirements
Work preparation: claimants expected to work in future but are not currently expected to look for work. Includes claimants who have been assessed as having limited capability for work following a WCA and a lead carer where the youngest child is aged two.	Requirements for this group may include completing a skills assessment, creating a CV and researching childcare provision and costs.
Work focused interview: claimants who are expected to work in the future but not expected to look for work yet as they are currently lead carers, including foster carers looking after a child aged one. It also includes claimants who have become responsible for the child of a friend or relative in the last 12 months and foster carers with children over one in special circumstances.	Requirements include identifying training opportunities and assessing prospects for remaining in or finding paid work.
No work-related requirements: consists of two labour market regimes (i) claimants who are earning enough and (ii) claimants who are not expected to undertake any work-related activity. The latter includes claimants with disabilities and health conditions preventing them from working and claimants over the state pension age. It includes lead carers, including foster carers with a child under the age of 1 and claimants with caring responsibilities for a severely disabled person for at least 35 hours.	No work-related requirements.

Source: Social Security Advisory Committee, *The effectiveness of the claimant commitment in Universal Credit* (9 September 2019) p 7: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833426/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf [accessed 17 July 2020]

Sanctions

194. We were told that sanctions under Universal Credit are some of the most punitive in the world.²¹³ Claimants can have their award cut altogether if they are judged not to have adhered to their Claimant Commitment, which can be for infractions such as failing to apply for a particular job or missing an appointment at a Jobcentre.²¹⁴ Sanctioned claimants will usually lose 100% of their standard allowance, or half if claiming as a couple. If a claimant receives a 'lowest level' sanction, or is vulnerable, a reduced rate of 40% of the standard allowance applies. Multiple sanctions can be applied consecutively rather than concurrently²¹⁵ and sanctions may be applied until the end of a pre-determined period even if a claimant has changed his or her behaviour in the interim.

213 Q 82 (Prof Sharon Wright) and Q 98 (Tony Wilson)

214 DWP, 'Guidance: Universal Credit and you' (updated 6 April 2020): <https://www.gov.uk/government/publications/universal-credit-and-you/draft-uc-and-you> [accessed 17 July 2020]

215 Joseph Rowntree Foundation (EUC0017)

195. The chart below shows that the proportion of people on Universal Credit who were subject to conditionality and who were also sanctioned had fallen to 2.38% by November 2019.

Figure 3: Percentage of Universal Credit claimants (live and full service) subject to conditionality with a sanction deduction, August 2015 to November 2019



Source: Department for Work and Pensions, Official Statistics: Benefit sanctions statistics to October 2019 (experimental) 18 June 2020: <https://www.gov.uk/government/publications/benefit-sanctions-statistics-to-october-2019-experimental/benefit-sanctions-statistics-to-october-2019-experimental> [accessed 20 July 2020]

196. The DWP has taken other steps to soften the sanctions regime. In November 2019 it reduced the maximum length for a higher-level sanction from three years to six months. It has also tested giving a written warning instead of a sanction when a claimant first fails to attend an appointment without good reason. The DWP is evaluating the results.²¹⁶ The sanctions regime is set out in Table 4.

²¹⁶ Written evidence from Neil Couling (EUC0132). In May 2018, the DWP published the results of a 'Sanctions Early Warning Trial'. The trial tested the provision of more time for claimants to provide evidence of good reason, and a Sanctions Warning Letter (SWL) requesting claimants to contact DWP to provide any evidence of good reason against the scheduled Sanction and an attached evidence form. See, DWP, *Jobseeker's Allowance: Sanctions Early Warning Trial* (May 2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/708126/jobseekers-allowance-sanctions-early-warning-trial-evaluation-qualitative-report.pdf [accessed 17 July 2020].

Table 4: Universal Credit sanctions regime

Sanction level	Cause
Higher Claimants will be sanctioned for 91 days (13 weeks) for the first higher-level sanction and 182 days (26 weeks) for the second and each subsequent higher-level sanction in any 364-day period.	Failing to apply for a particular job when told to do so if claimant has to meet the 'work search requirement'. Refusing a job offer when a claimant has to meet the 'work availability requirement'. Leaving work or reducing hours, whether voluntarily or due to 'misconduct', when claiming Universal Credit or just before a claim. ²¹⁷
Medium Claimants will be sanctioned for 28 days for the first medium level sanction in any 364-day period, or 91 days for the second.	Failing to take all reasonable actions to find paid work or increase earnings from work if a claimant has to meet the 'work search requirement'. Failing to be available to start work or attend interviews if a claimant has to meet the 'work availability requirement'.
Low These last until a claimant does whatever it was that they were sanctioned for failing to do, plus 7 days for the first low-level sanction in any 364-day period, 14 days for the second or 28 days for the third.	Failing to attend or take part in a work-focused interview and a lowest sanction level does not apply. Failing to attend or take part in a training course. Failing to take a specific action to get paid work or to increase earnings from work.
Lowest These last until a claimant takes part in a work-focused interview when they have failed to attend previously.	Failing to attend or take part in a work-focused interview if a claimant has to meet only the work-focused interview requirement.

Source: Department for Work and Pensions, *Guidance: Universal Credit and you* (updated 6 April 2020) para 1.10: <https://www.gov.uk/government/publications/universal-credit-and-you/draft-uc-and-you> [accessed 20 July 2020]

Suspension of conditionality and sanctions

197. On 25 March 2020, the Secretary of State said that the DWP would no longer check conditionality requirements on looking for and being available for work and no sanctions would be applied until 30 June 2020. The suspension was to allow staff to prioritise the processing of the high number of new claims

²¹⁷ There are special rules for how long a sanction will last if it is for leaving work before claiming Universal Credit.

resulting from the economic impact of lockdown measures.²¹⁸ Neil Couling told us that the DWP continued to help claimants to look for work over the telephone, rather than via visits to jobcentres.²¹⁹

198. On 29 June 2020, the Secretary of State said that jobcentres would reopen in July and conditionality and sanctions would resume. She said, “It is an essential part of the contract to help people start to reconsider what vacancies there are, but I know that I can trust the work coaches and jobcentre managers, who are empowered to act proactively with people.”²²⁰

Conditionality and the labour market

199. Conditionality is based substantially on the supply side of the economy and does not pay sufficient regard to the demand side. Before the COVID-19 pandemic record levels of employment meant that there were few people not working who were able to work. We were told that in those conditions it did not make sense to enforce conditionality using the strict sanctions under Universal Credit. We heard that the main labour market problem was underemployment.²²¹ The Office for National Statistics (ONS) released data in May 2020, which set out an underemployment rate of 7.9%.²²²
200. Unemployment is likely to increase a great deal further as a result of the COVID-19 pandemic. HM Treasury’s job retention scheme is currently intended to end in the coming months. The Bank of England has predicted that unemployment will reach 9% this year.²²³ Others predict that the labour market may be changed forever as a result of the pandemic. In May 2020 the Institute for Fiscal Studies said, “many jobs will not be available again immediately, or perhaps ever” and that there may be permanently reduced demand for certain occupations.²²⁴ Tony Wilson, Institute Director at the Institute for Employment Studies, suggested that in the coming years there would be “much weaker demand for labour, higher worklessness and potentially lower wages.”²²⁵
201. Professor Mike Brewer, Deputy Chief Executive and Chief Economist at the Resolution Foundation, said that conditionality would have to be reintroduced to tackle unemployment, but not until the number of vacancies begins to increase. He said, “There is not a lot of point in pressuring people to look for work if there are no jobs available or the jobs available are not

218 Letter from the Secretary of State for Work and Pensions to the Chair of the Work and Pensions Committee (25 March 2020): <https://committees.parliament.uk/publications/467/documents/1841/default/> [accessed 20 July 2020]. Regulations in force from 30 March 2020 provide that work-search requirements for UC and ‘New Style’ Jobseeker’s Allowance will not apply for three months. See Social Security (Coronavirus) (Further Measures) Regulations 2020 (SI 2020/371).

219 Q 131 (Neil Couling)

220 HC Deb, 29 June 2020, col 3

221 The ONS defines someone as underemployed when they are willing to work more hours, available to do so and worked less than the specified hours of work threshold.

222 ONS, ‘Dataset: EM16: Underemployed and overemployment’ (28 May 2020) available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/underemploymentandoveremploymentemp16> [accessed 20 July 2020]. This was in comparison to an overemployment rate of 10.4%, where overemployment is defined as being in work but wanting to work fewer hours and willing to take a pay cut.

223 Bank of England, *Monetary Policy Report* (May 2020): <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020> [accessed 17 July 2020]

224 IFS, *Getting people back into work* (May 2020) ch 7: <https://www.ifs.org.uk/uploads/BN286-Getting-people-back-into-work-1.pdf> [accessed 17 July 2020]

225 Q 92 (Tony Wilson)

compatible with someone's family or health situation.”²²⁶ He went on to say, “the policies on Universal Credit and its approach to the labour market, with the idea that people would leave unemployment quickly, were designed for better times. That general system will need looking at and changing.”²²⁷

202. *Conditionality must be adapted so that it is able to accommodate dynamically changing labour market conditions, including at the local level. The DWP should, with HM Treasury, the Department for Business, Energy and Industrial Strategy and other relevant departments, review how conditionality should be reconstructed to support millions of people back into work in an environment in which there are far fewer vacancies and in which large sectors of the economy such as non-food retail, hospitality and tourism—which are most likely to employ young people—remain depressed or do not recover fully. The DWP should ramp up and improve the provision of training that is available to claimants.*
203. **We regret that the DWP has resumed the monitoring of conditionality requirements so soon and that it will begin imposing sanctions on claimants after a brief suspension when each day is bringing announcements of a significant reduction in total jobs. The DWP faces the prospect of several million more unemployed but threatening claimants with long and severe sanctions at this stage is unfair and counterproductive.**
204. **The social security system must be flexible enough to adapt to a labour market that has changed substantially. Conditionality and sanctions as they are set currently are inappropriate while we are still so far from an economic recovery.**
205. According to the Institute for Fiscal Studies, employees aged under 25 are about two and a half times as likely to work in a sector that is now shut down as other employees.²²⁸ In recent months, both the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) have called on the Government to introduce new labour market policies. Both organisations highlighted how it was important to support young people.
206. The CBI called upon the Government to create a new version of the Future Jobs Fund, which was launched after the 2008 financial crisis and provided subsidised jobs, training or work placements for young people.²²⁹ It said, “Past recessions show the impact of joblessness is deeply uneven. Without immediate intervention, pre-crisis inequalities across regions, gender and race will worsen. Long term unemployment leaves generational scars.”²³⁰ The TUC called for the Government to provide funding to offer a new jobs guarantee built on best practice from the Future Jobs Fund and similar schemes across Europe. It said that this should provide a minimum six-

226 [Q 68](#) (Prof Mike Brewer)

227 *Ibid.*

228 IFS, ‘Sector shutdowns during the coronavirus crisis: which workers are most exposed?’ (6 April 2020): <https://www.ifs.org.uk/publications/14791> [accessed 17 July 2020]

229 Letter from CBI to the Prime Minister (11 June 2020): <https://www.cbi.org.uk/media/4860/11-june-2020-letter-to-the-prime-minister-from-carolyn-fairbairn.pdf> [accessed 16 July 2020]

230 *Ibid.*

month job with accredited training, paid at least at the level of the real living wage, or the trade union negotiated rate for the role.²³¹

Claimant Commitments

207. New claimants must agree a Claimant Commitment before they can receive their first payment.²³² This is designed to be like an employment contract with the DWP in the role of employer. It sets out what individuals have agreed to do to prepare for work or what they need to do to increase their earnings if they are working already. It also sets out what will happen if claimants do not meet their commitments, including the imposition of financial sanctions.
208. The DWP's 2018 'Full Service Survey' found 54% of claimants said that their Claimant Commitment took account of their personal circumstances and 63% believed their Commitment was achievable.²³³ In September 2019, survey data by the Social Security Advisory Committee found similar rates of dissatisfaction. The Social Security Advisory Committee said, "Claimants with physical and mental health problems were less likely than other claimants to feel that their commitment reflected their circumstances."²³⁴ It concluded:
- "Based on the evidence we have, it is our view that unless action is taken there is a risk that the claimant commitment will not help all claimants to achieve better labour market outcomes and, in some cases, could have a detrimental impact, especially on claimants in vulnerable circumstances."²³⁵
209. Many contributors to our inquiry said that Claimant Commitments were not tailored enough to claimants, and that for some vulnerable people they could be wholly inappropriate given their personal circumstances. Homeless Link, a membership charity for organisations working with the homeless, said that 'easements'—suspensions of the requirement to engage in work-related activity—are not applied consistently. This means that mental health issues, drug and alcohol dependency issues, and cognitive impairments are not being accounted for in Claimant Commitments, leaving people at risk of being sanctioned.²³⁶ Homeless Link said, "often the need for easements only comes to light after a claimant has been sanctioned for non-compliance."²³⁷ Caridon Landlord Solutions, which provides advice on benefits to housing

231 TUC, 'A new plan for jobs: Why we need a jobs guarantee': <https://www.tuc.org.uk/research-analysis/reports/new-plan-jobs-why-we-need-new-jobs-guarantee> [accessed 16 July 2020]

232 Claimants have up to five working (seven calendar days) to accept their Claimant Commitment or to ask for a second opinion from another work coach if they do not agree with its content. If the claimant disagrees with the outcome of that second opinion, the claim is ended. The requirement to sign a Claimant Commitment can be lifted in exceptional circumstances—for example, if the claimant is undergoing medical treatment as an in-patient in hospital, is terminally ill or is judged to lack the physical or mental capacity to accept their commitment. See Social Security Advisory Committee, *The effectiveness of the claimant commitment in Universal Credit* (9 September 2019): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833426/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf [accessed 17 July 2020].

233 DWP, *Universal Credit Full Service Survey* (June 2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714842/universal-credit-full-service-claimant-survey.pdf [accessed 17 July 2020]

234 Social Security Advisory Committee, *The effectiveness of the claimant commitment in Universal Credit* (9 September 2019): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833426/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf [accessed 17 July 2020]

235 *Ibid.*, p 4

236 Written evidence from Homeless Link ([EUC0043](#))

237 *Ibid.*

providers, told us, “the level of work commitment is dependent on the experience or empathy of the work coach rather than the abilities/restrictions of the claimant.”²³⁸

210. We heard that Claimant Commitments are too focused on claimants’ responsibilities and not enough on the support to which claimants should be entitled. The Salvation Army said that Claimant Commitments need a “rethink” so that they can be used to track how work coaches are identifying need and signposting relevant support, not only monitoring compliance with work search requirements.²³⁹ A 2019 report by Bright Blue, a think tank, recommended that Claimant Commitments be changed to reflect the obligations of the individuals and institutions that are delivering Universal Credit:

“For work coaches, for example, this could include their commitment to respond to the entries in the online journals of UC claimants, or facilitate suitable training or work experience, within a specified time period. For the DWP, this should include the obligation to pay claimants their UC award—especially their initial award—on a specified date.”²⁴⁰

211. We heard that the initial meeting between claimants and work coaches may not be the ideal time for such a discussion. Minesh Patel, Principal Policy Manager for Citizens Advice, told us:

“People agree to their claimant commitment at the same time as they are waiting for their Universal Credit payment. People are often not in the right mindset to be thinking, “What is best for me in looking for work?” People are focused on getting their money.”

He said that there was a case for splitting the process of agreeing a Claimant Commitment, so that conditionality can be reviewed once the initial payment has been secured.²⁴¹

Box 8: Claimant Commitment case study provided by the National Association of Welfare Rights Advisers

“Claimants are often given inappropriate Claimant Commitments which pay no attention to limitations upon their ability to seek work or try work-related activities. I recently dealt with a profoundly deaf claimant whose deafness (and other serious family-related issues) was not referred to at all in the CC. The claimant states that she was told to seek work or be sanctioned, took inappropriate work as a panic measure, and owing to this suffered a breakdown. Owing to the ages of her children, and her disability, she should not have been told to seek work at all. This claimant stated that she did in fact wish to work, but only when she was well enough to do so and in a working situation that did not require telephone work or a noisy environment. Had her wishes been properly recorded and appropriate support and encouragement (as opposed to threats of sanctions) been provided, she may have been back to work and better off by now, but she remains at home, too unwell to work.”

Source: Written evidence from National Association of Welfare Rights Advisers (EUC0098)

238 Written evidence from Caridon Landlord Solution (EUC0066)

239 Written evidence from The Salvation Army (EUC0014)

240 Bright Blue, *Helping Hand? Improving Universal Credit* (2019) p 20: <https://brightblue.org.uk/wp-content/uploads/2019/03/Helping-hand.pdf> [accessed 19 July 2020]

241 Q 83 (Minesh Patel)

212. **Conditionality must be rebalanced.** The preoccupation with sanctions-backed compliance needs to be reconsidered, with more emphasis on and resources for personalised employment support for those who can work.
213. **The Claimant Commitment can be a useful means of setting out the responsibilities and entitlements which are part of benefit entitlement.** However, Claimant Commitments over-emphasise obligations and penalties. *Claimant Commitments should be rebalanced, with greater emphasis on the level and type of support that claimants can expect to receive in order to help them to find work or to progress. In most cases claimants will know what support they would benefit from; therefore, they should have an equal role in setting expectations.* A more balanced combination of responsibilities and entitlements would better reflect the relationship between employer and employee that the DWP wishes to emulate and would demonstrate to claimants that they are an active participant in their claimant journey.
214. **Claimants can be at their most vulnerable and desperate when making their first benefit claim.** This is not an appropriate time for people to make important commitments or to decide exactly what support they will require. *Claimants should be able to agree to a Claimant Commitment in two stages in order to provide time to consider what support, coaching, training or other intervention from the DWP would be of use, and to consider whether obligations discussed in the first meeting are appropriate.*

Efficacy of conditionality and sanctions

215. The DWP provided us with research on conditionality and sanctions. These included the results of a survey, pilots and trials on both Jobseeker's Allowance and Universal Credit conducted between 2006 and July 2018. Broadly, the results found that more frequent interventions by jobcentre staff meant people stayed on benefits for shorter periods.²⁴²
216. There is extensive academic literature on the effectiveness of conditionality and sanctions, which shows both positive and negative effects. One academic paper that the DWP provided to us found that sanctions led to reductions in post-employment earnings.²⁴³ Other studies have highlighted the risk of adverse impacts on mental health.²⁴⁴
217. The Welfare Conditionality Project was an academic study conducted between 2013 and 2018. It examined the effectiveness of conditionality in

242 DWP, 'Jobseekers Allowance intervention pilots quantitative evaluation, Paper RR382 (2006): available at: <https://webarchive.nationalarchives.gov.uk/20130314010347/http://research.dwp.gov.uk/asd/asd5/rrs-index.asp> [accessed 20 July 2020]; DWP, *Jobseeker's Allowance Signing Trials* (January 2015): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/398803/jsa-signing-trials.pdf [accessed 20 July 2020] and DWP, *Weekly Work Search Review Trial* (July 2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721910/weekly-work-search-review-trial.pdf [accessed 17 July 2020]

243 Patrick Arni, Rafael Lalive, Jan C. Van Ours, 'How effective are unemployment benefit sanctions? Looking beyond employment exit', *Journal of Applied Econometrics*, (2012): available at: <https://onlinelibrary.wiley.com/doi/epdf/10.1002/jae.2289> [accessed 19 July 2020]

244 Evan Williams, 'Unemployment, sanctions and mental health the relationship between benefit sanctions and antidepressant prescribing', *Journal of Social Policy*, (2019): available at: <https://www.cambridge.org/core/journals/journal-of-social-policy/article/unemployment-sanctions-and-mental-health-the-relationship-between-benefit-sanctions-and-antidepressant-prescribing/CFF6851FDD482875D3A8C7B68EBA25BD> [accessed 19 July 2020]

changing behaviour and circumstances in which the use of conditionality may or may not be justifiable. Its top-line findings, based on qualitative longitudinal research involving interviews with claimants, included:

- Benefit sanctions do little to enhance people's motivation to prepare for, seek or enter paid work. They routinely trigger negative personal, financial, health and behavioural outcomes and push some people away from collectivised welfare provision.
- Respondents commonly endorsed the broad principle of welfare conditionality and there was widespread support for policies that promote responsible behaviour, paid work and other social contributions (e.g. informal care work). But whilst generally supportive of linking rights to responsibilities, people believed that in many cases welfare conditionality was being inappropriately implemented.²⁴⁵

218. Tony Wilson said the evidence on the effectiveness of sanctions was “pretty mixed internationally.” He said, “You can see how conditional systems might work, around getting ‘something for something’ and trying to drive behaviour. But the actual application of a sanction is not really behavioural at all at that point; it is a penalty for non-compliance.” He said the sanctions policy introduced in 2012 “put [the UK] at the furthest extreme internationally in our approach to sanctions.”²⁴⁶ Professor Sharon Wright, from the University of Glasgow, described the UK's sanctions regime as “the second harshest in the world.”²⁴⁷ Her research had shown that people were often unemployed as a result of ill health, disabilities or caring responsibilities, rather than from a lack of motivation and that this was misunderstood by the DWP's conditionality regime.²⁴⁸
219. Sharon Wright also told us, “It is very strange that the social security system can now impose greater financial penalties than the courts but without the same level of scrutiny or evidence.” Furthermore, she said that it was easy to trigger sanctions by, for example, “being late for an appointment or not providing what a work coach considers to be adequate evidence of job search.”²⁴⁹
220. The DWP has committed to publishing an evaluation of the effectiveness of sanctions in supporting claimants to “search for work”. In February 2019, the DWP told the House of Commons Work and Pensions Committee that the results of its evaluation would be published by spring 2019²⁵⁰ but in March 2020 the Parliamentary Under Secretary of State for Work and Pensions said the results would now be published by “spring 2020.”²⁵¹ On 2 June 2020, in evidence to us, Neil Couling said, “it will be coming as soon as we can.”²⁵² The work remains unpublished.

245 Welfare Conditionality, *Final findings report: Welfare Conditionality Project 2013–2018* (9 July 2018) p 4: http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/06/40475_Welfare-Conditionality-Report-complete-v3.pdf [accessed 17 July 2020]

246 Q 98 (Tony Wilson)

247 Q 82 (Prof Sharon Wright)

248 Q 90 (Prof Sharon Wright)

249 Q 82 (Prof Sharon Wright)

250 Work and Pensions Committee, *Benefit sanctions: Government Response to the Committee's Nineteenth Report of Session 2017–19* (Nineteenth Special Report, Session 2017–19, HC 1949)

251 Letter from Baroness Stedman-Scott to Baroness Janke (19 March 2020): http://data.parliament.uk/DepositedPapers/Files/DEP2020-0156/Letter_from_Baroness_Stedman-Scott_to_Baroness_Janke.pdf [accessed 20 July 2020]

252 Q 132 (Neil Couling)

221. In 2016 a National Audit Office (NAO) report examined a range of studies on welfare and sanctions. It found, “sanctions prompt some people to move into work more quickly, by accepting less well-paid and sustainable work than they otherwise would have done.” It also found that other people respond less well to sanctions: “Sanctions encourage some claimants to become ‘inactive’—stopping their claim without finding work. Reasons for inactivity vary. Some people may experience hardship. Others may rely on unreported income or support from local authorities, charities, or friends and family.”²⁵³
222. **We were concerned to hear that such harsh sanctions can be applied to claimants so easily, particularly when a claimant may already be subject to high deductions to pay back advances and other debts. Any reasonable system, such as the justice system, would not impose fines which can result in extreme poverty for such minor offences. A fairer system should take far greater care to assess the effect of sanctions on those to which they apply. *Before imposing a sanction, we recommend that the DWP conduct a hardship assessment before deciding on the level of sanction.***
223. **The UK has some of the most punitive sanctions in the world but the evidence that sanctions achieve positive behavioural change and lead to better employment and earnings outcomes is mixed. Removing people’s main source of support for extended periods risks pushing them further into extreme poverty, indebtedness and reliance on foodbanks. *We welcome the reduction in the DWP’s use of sanctions since 2017 and reducing the maximum sanctions length from six months to three. The DWP should expedite its work on introducing a written warning system before applying a sanction. This would ensure sanctions are a last resort.***
224. ***We are disappointed that the DWP did not publish its evaluation of the efficacy of sanctions before it lifted the suspension on the use of sanctions. The evaluation should be published with urgency and should set out the DWP’s understanding of how the current length and level of sanctions facilitate positive behaviour change from claimants and how sanctions lead to sustainable work outcomes.***

Sanctions and mental health

225. Witnesses provided us with a substantial body of evidence on how living under the threat of sanctions can negatively affect people’s mental health. Tony Wilson told us that the decline in the use of sanctions suggested that the DWP was learning from recent studies, particularly those “looking at their negative effects on health and well-being and on mental health in particular.”²⁵⁴ Professor Sharon Wright said that her research had shown:

“Sanctions had serious impacts on mental and physical health, worsened existing conditions, and caused new health problems. These impacts were out of all proportion to the often very minor indiscretions that triggered them (e.g. missing an appointment). Many felt angry, hurt,

253 National Audit Office, *Benefit sanctions* (28 November 2016) p 39: <https://www.nao.org.uk/wp-content/uploads/2016/11/Benefit-sanctions.pdf> [accessed 17 July 2020]

254 [Q 98](#) (Tony Wilson)

and resentful about what they considered to be inhumane and unjust treatment.”²⁵⁵

226. Research by Dr Mandy Cheetham, Teesside University, and Dr Suzanne Moffat, Newcastle University, found:

“The threat of punitive sanctions for failing to meet the enhanced conditionality requirements under Universal Credit added to claimants’ vulnerabilities and distress. Our evidence suggests Universal Credit is undermining vulnerable claimants’ mental health, decreasing the likelihood of finding and keeping a job and increasing the risk of poverty, hardship, destitution and suicidality. The experiences of staff supporting Universal Credit claimants who participated in the study concurs with those of the claimants themselves, adding to the reliability of the findings.”²⁵⁶

227. Dr Katy Jones, Senior Research Associate at Manchester Metropolitan University, told us, “a sanction, whether or not people experienced it, led to profound levels of stress and anxiety.” When people were sanctioned, “it worsened their situation. It put them into debt and led to alcohol abuse and adverse mental health.” She said that these adverse effects had been observed throughout the wider evidence base, both in the UK and internationally.²⁵⁷

228. Despite this growing body of evidence, the DWP has not undertaken work to assess the effect of conditionality and sanctions on claimants’ mental health. When it introduced the stricter regimes it said, “At this stage it is not possible to quantify the impact of the behavioural impact of the claimant commitment, changes to the sanctions regime, or changes to hardship payments.” It committed to reviewing the policy after 2013 on “an ongoing basis.”²⁵⁸ In February 2019 the DWP told the Commons Work and Pensions Committee that it had made sanctions data available to external researchers:

“The Department... has made sanctions data available to external researchers via the Administrative Data Research Network to look at health outcomes. Following the evaluation into the effectiveness of reform to welfare conditionality and sanctions, the Department will decide on options for undertaking further analysis on well-being.”²⁵⁹

229. However, in January 2020 Mims Davies MP, Parliamentary Under Secretary of State at the DWP, said that, “No assessment has been made to see whether there is any potential link between the sanctions regime and conditionality on the mental health and wellbeing of individuals.”²⁶⁰

255 Sharon Wright, Sarah Johnsen, and Lisa Scullion, ‘Why benefit sanctions are both ineffective and harmful’ (7 September 2018): <https://blogs.lse.ac.uk/politicsandpolicy/benefit-sanctions-are-harmful-and-ineffective/> [accessed 17 July 2020]

256 Written evidence from Mandy Cheetham and Suzanne Moffat (EUC0028). The research was based on interviews with 33 Universal Credit claimants (aged 21–63) and focus groups with 37 staff supporting them, undertaken in Gateshead and Newcastle in North East England from April to October 2018.

257 Q 15 (Dr Katy Jones)

258 DWP, *Impact Assessment: Conditionality Measures in the 2011 Reform Bill* (October 2011): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220184/conditionality-wr2011-ia.pdf [accessed 20 July 2020]

259 Work and Pensions Committee, *Benefit sanctions: Government Response to the Committee’s Nineteenth Report of Session 2017–19* (Nineteenth Special Report, Session 2017–2019, HC 1949) p 4

260 HC Deb, 24 January 2020, PQ3697

230. **There is a great deal of evidence to show that sanctions and the threat of sanctions affect people's mental health. The DWP's refusal to examine the extent of these effects endangers claimants. *The DWP must meet the commitment it made in 2013 to evaluate the impact of conditionality and sanctions on claimants' mental health and wellbeing.***

In-work progression

231. 'In-work progression', or in-work conditionality, currently applies to a limited number of claimants earning below a certain threshold. Such people may be expected to increase their hours in their current job or to find new or additional employment. Alternatively, they may be asked to "prepare" for work—for example to attend interviews at the Jobcentre or to go on training. It aims to encourage low-paid working people to earn more and become independent of means-tested benefits, which will save public money.
232. Conditionality will be extended to more people in work as part of an enhanced in-work conditionality regime.²⁶¹ There are few similar policies internationally and the ones that exist are difficult to compare directly.²⁶² The DWP is still testing how to make the policy work and so there are few conditionality requirements currently for in-work claimants.²⁶³
233. Paul Gray, a former Chair of the Social Security Advisory Committee, said that the reason why so many people on Universal Credit will also be working is simply a result of low wages; despite successive increases in the minimum wage, "levels of entitlement, particularly for families, are deemed to require significant top-ups from the system."²⁶⁴
234. Nick Philips, project co-ordinator of London Unemployed Strategies and Chair of the Commission on Social Security,²⁶⁵ described in-work conditionality as "more draconian" than previous conditionality requirements. He said:

261 The 2017 Taylor Review of Modern Working Practices welcomed the DWP's in-work progression trials but said the Government should seek to go further "in understanding what truly works in enabling people to progress to better, as well as more hours of, work." See, BEIS, *Good Work: The Taylor Review of Modern Working Practices* (July 2017) p 100: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf [accessed 20 July 2020]

262 For international comparator examples see Social Security Advisory Committee, *In-work progression and Universal Credit* (November 2017) ch 2: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/657842/ssac-occasional-paper-19-in-work-progression-and-universal-credit.pdf [accessed 20 July 2020]. See also, European Commission, *Peer Review on "In-work progression approaches and challenges"*, (26 March 2018) available at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=1047&newsId=9039&furtherNews=yes> [accessed 20 July 2020].

263 HC Deb, 3 February 2020, [PQ9775](#). In-work conditionality was intended to apply to claimants earning below the Conditionality Earnings Threshold, which is defined as the minimum wage x 35 hours a week (for couples, there is a combined threshold). This threshold can be less if 'reduced availability for work' has been agreed with a work coach due to personal circumstances. A Universal Credit claimant earning below their Conditionality Earnings Threshold might be expected to increase their hours in their current job or to find new or additional employment. Alternatively, they may be asked to "prepare" for work—for example to attend interviews at the jobcentre or go on training.

264 [Q 53](#) (Paul Gray)

265 The Commission on Social Security led by Experts by Experience is a project which aims to find out how the Government could make the welfare benefits system better. The project is user led and all the people on the panel (the Commissioners) are on or have been on benefits. They come from a range of user led organisations speaking up for people on benefits, and Deaf and Disabled people. See, Trust for London, 'The Commission on Social Security led by Experts by Experience': <https://www.trustforlondon.org.uk/news/commission-social-security-led-experts-experience/> [accessed 20 July 2020].

“The system is complicated, but potentially there are people claiming in-work benefits who still could be threatened with sanctions and forced to do intensive work searches if they are not earning what the DWP deems enough—even though they are trying—because they are in work. It is a big issue. A lot of people who are on in-work benefits do not want the added pressure of being told, “If you don’t try even harder to earn even more, we could take your money away”.²⁶⁶

235. The TUC said that there was “no evidence to support the idea that those subject to in-work conditionality will progress in-work”. It set out barriers that claimants face to progressing in-work. These included:

- Those in insecure work often face significant fluctuations in their hours over which they have little control.
- The current employer may not be able to offer additional hours.
- In-work claimants can have childcare and other caring responsibilities that they need to fit in with their working hours.
- Universal Credit financial incentives for progression in working more hours or higher hourly pay are not strong.
- The system of monthly assessment periods and the corresponding benefit payment can be complex; it is difficult for claimants to understand if they are better off financially.
- In-work conditionality assumes employer engagement; there is no evidence to show that this will be in place.

236. The TUC also said that in-work claimants are likely to encounter difficulties in attending interviews with a work coach.²⁶⁷ Dr Katy Jones told us that in-work conditionality is inappropriate as it fails to consider long-standing issues “including poor work quality and management practices, and broader issues relating to the needs of workers outside of the paid labour market.” She said that “more emphasis should be placed on improving employer practices, rather than focusing solely on claimants.”²⁶⁸

237. Emma Stewart, CEO and Co-Founder of Timewise Foundation, a consultancy on flexible working, said that greater clarity is needed on how progression should be defined and what “good work” means to different people who are looking to progress in work:

“For some it means a job that is much more local, for others it may mean a job that is more secure so they do not have those peaks and troughs and that unpredictability, and for yet others it may just mean having more money on a weekly basis in a different industry or a different job. It is about having something that is very bespoke and very much tailored.”

238. She said, “We do not necessarily have the level of support in place that can respond to those issues for a wide variety of groups.”²⁶⁹

266 [Q 115](#) (Nick Philips)

267 Written evidence from TUC ([EUC0082](#))

268 Written evidence from Dr Katy Jones ([EUC0045](#))

269 [Q 94](#) (Emma Stewart)

239. In September 2018 the DWP published the results of a Randomised Controlled Trial, which found that there was no difference in earnings and hours worked between participants who said that their Universal Credit had been stopped or reduced compared with other participants. It concluded, “There is no evidence of different outcomes depending on reported experience of sanctions.”²⁷⁰ In October 2019, the DWP followed up on this work with an analysis of outcomes for claimants over a longer period and a cost benefit analysis. It found a small positive earnings impact of more intensive work coach support and evidence that this was value-for-money. However, it acknowledged high statistical uncertainty around all estimates.²⁷¹ In March 2020 the DWP announced that it was establishing an ‘In-work Progression Commission’ to support policy development on helping people to progress in work.²⁷²
240. While such work on developing the in-work conditionality policy continues, the DWP has acknowledged the sensitivities and difficulties involved in its implementation. Neil Couling said, “research shows that supporting people in employment to have conversations with employers to increase hours looks to be a better intervention than the application of extra conditionality.”²⁷³
241. **The introduction of an in-work conditionality regime is radical and unprecedented. It will, for the first time, extend conditionality to a significant number of people who may face sanctioning even though they are already working. Millions of working people should not be compelled to prove their motivation to progress in work. We heard that claimants’ personal circumstances, constraints in the local labour market and employer preferences are far more significant reasons for why people struggle to earn more compared with low motivation.**
242. *We agree with the DWP’s aim to help people become independent of means-tested social security benefits. We welcome the DWP’s acknowledgment that additional support for claimants and working with employers is a better way to achieve it than expanding conditionality. We recommend that the DWP offer future in-work claimants enhanced coaching and training on a voluntary basis. It should end in-work conditionality requirements and the threat of sanctions from existing in-work claimants.*

Personalised support and work coaches

243. We were told that sustained, individualised support is more effective at helping people into work than rigid forms of conditionality and the threat of sanctions. Tony Wilson told us, “the behavioural techniques that they might use to try to encourage job-search behaviour, for example, do not rely on

270 DWP, *Universal Credit: In-Work Progression Randomised Controlled Trial* (September 2018) p 32: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739775/universal-credit-in-work-progression-randomised-controlled-trial-findings-from-quantitative-survey-and-qualitative-research.pdf [accessed 20 July 2020]

271 DWP, *In-Work Progression Trial: Further Impact Assessment and Cost Benefit Analysis* (October 2019) p 23: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/838107/in-work-progression-trial-further-impact-assessment-and-cost-benefit-analysis.pdf [accessed 21 July 2020]

272 HC Deb, 16 March 2020, [HCWS161](#)

273 [Q 133](#) (Neil Couling)

sanctions at all; they rely on good-quality one-to-one work-coach support.”²⁷⁴ Emma Stewart said:

“From our experience in delivering services, we have certainly seen that individuals who are considered to be very far from the labour market are not necessarily far from the labour market or lacking in motivation. The intervention that is bespoke, supportive and responsive to their needs drives engagement.”²⁷⁵

244. Some employment support is already available to claimants, including basic maths, English and IT skills courses; sector-based work academies, work experience opportunities, work trials, traineeships for those aged 16–24, and specialist support for self-employed claimants. The Work and Health Programme also provides employment support. It is voluntary except for those who have claimed unemployment benefits for 24 months.²⁷⁶ Bright Blue examined these training opportunities as part of its research and found a significant proportion of interviewees were critical of the available opportunities.²⁷⁷

Work coaches

245. Personalised support should be delivered to claimants by work coaches. However, we heard that work coaches have struggled to provide this as a result of large caseloads. In March 2019, the NAO reported that the number of cases per work coach is expected to increase from around 130 to over 280 as jobcentres take on more claimants. This was before the surge in new claimants as a result of the COVID-19 pandemic.²⁷⁸ Work coaches will also be responsible for more in-work claimants when the DWP fully rolls out its in-work service.²⁷⁹
246. Some witnesses praised the dedication of work coaches, but we were told their time is overstretched. The Salvation Army said that it had heard claimants describe, “rushed appointments, with a focus entirely on signing their Claimant Commitment, and not enough time spent on individual need.”²⁸⁰ Professor Sharon Wright, University of Glasgow, told us that her research found that work coaches agreed that there was a problem of high caseloads and limited time.²⁸¹
247. Nick Phillips has conducted surveys of London-based claimants which showed “a high degree of dissatisfaction with job coaches. Between 70% to 80% were either dissatisfied or very dissatisfied.” He attributed this largely to those “who fund the service and not the individuals.” He said work coaches

274 Q 98 (Tony Wilson)

275 Q 98 (Emma Stewart)

276 DWP, ‘Work and Health Programme’: <https://www.gov.uk/work-health-programme> [accessed 20 July 2020]

277 Bright Blue, *Helping Hand? Improving Universal Credit* (2019) Box 5.1, p 121: <https://brightblue.org.uk/wp-content/uploads/2019/03/Helping-hand.pdf> [accessed 19 July 2020]

278 NAO, *Supporting disabled people into work*, (28 March 2019) p 10: <https://www.nao.org.uk/wp-content/uploads/2019/03/Supporting-disabled-people-to-work.pdf> [accessed 20 July 2020]

279 The DWP’s training material states an in-work progression interview requires a more in-depth conversation than other claimant interviews. See DWP, *UC121 Universal Credit in-work progression: facilitator led training brief v10.4* (November 2015) p 35: <http://website.cms.parliament.uk/documents/commons-committees/work-and-pensions/Facilitator%20Briefing%20Pack.pdf> [accessed 20 July 2020].

280 Written evidence from The Salvation Army (EUC0014)

281 Q 83 (Prof Sharon Wright)

do not have enough capacity, training or time.²⁸² Witnesses with experience of claiming Universal Credit and interacting with work coaches told us that service levels varied substantially between individuals. It was common to receive responses from a number of different work coaches rather than receiving a dedicated service from a single person.²⁸³

248. A 2018 NAO report found some jobcentre staff found it difficult to identify claimants who needed additional support; lacked the confidence to apply benefit processes flexibly and make appropriate adjustments; and felt overwhelmed by the volume of claimants reporting health problems.²⁸⁴
249. The DWP is recruiting work coaches to manage the high number of new cases that will result from the economic impact of the COVID-19 pandemic. The Secretary of State did not set out how the DWP would judge how many work coaches would be required. She told us that there are around 13,500 work coaches today, but this number may double depending on the duration of the economic downturn and its effects on the labour market.²⁸⁵
250. **We welcome the DWP's decision to increase the recruitment of new work coaches over the coming months in response to the COVID-19 pandemic. Caseloads for work coaches have risen in recent years and are already too high to expect the level of sustained, personalised support that best helps claimants into work.**
251. **The Secretary of State indicated that the number of work coaches may double. We are concerned that this may not be enough to support claimants to find work in what may be a stagnant labour market with high levels of competition for many vacancies. *The DWP should cap the number of cases for which each work coach can be responsible. Local jobcentres will have to decide how best to ensure that the cap reflects the composition of work coaches' caseloads, as some claimants will require more intensive support than others.***

Working with employers

252. Conditionality is leading to frustrating outcomes for employers and claimants. Dr Katy Jones said employers incurred costs when Universal Credit conditionality required large numbers of unsuitable applicants to apply for jobs.²⁸⁶ The National Association of Welfare Rights Advisers also told us that, "large organisations do not recruit people in this way and expecting claimants to do that is putting undue pressure on them, and reducing their confidence as it will inevitably lead to rejection."²⁸⁷
253. We heard that successful welfare-to-work policies involve collaboration between the state, claimants and employers but that this model is not operating widely in the UK. Dr Katy Jones said, "[employers] have tended not to be involved in research or even policy debates, which is surprising and a mistake, given that Universal Credit is now extending to those in work." Professor Sharon Wright said other countries provide more sophisticated

282 [Q 112](#) (Nick Philips)

283 [Q 112](#) (Mike Tighe and Angela Charlton)

284 NAO, *Rolling out Universal Credit*, (15 June 2018): <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf> [accessed 20 July 2020]

285 [Q 117](#) (Dr Thérèse Coffey MP)

286 Written evidence from Dr Katy Jones ([EUC0045](#))

287 Written evidence from the National Association of Welfare Rights Advisers ([EUC0098](#))

support than in the UK. She said, “we only really have one form of support: self-help and self-directed job search ... There is a bit of training. There are some support services, but compared with other countries it really is a bargain basement.” She said that employment services in Denmark identify the needs of the employer, “and then have very generous training, which works specifically with employers to train the available workforce according to what the business needs.”²⁸⁸ The Local Government Association told us that the UK has one of the most centralised systems for employment and skills in the world.²⁸⁹

254. We heard that the social security system is “at odds” with the skills needed in the economy. Dr Katy Jones said:

“Since 2015, I have been interviewing claimants on Universal Credit and the earlier legacy systems, and I have asked them about the support that they have received, including training. The only things that they have been able to tell me about, if they have been able to tell me about anything at all, are the CSCS, or construction health and safety card, or the SIA badge, which is a security qualification. They might have been able to get some ESOL, whether or not they needed it, although not recently. That is completely at odds with the skills needs in our UK economy.”²⁹⁰

255. The Local Government Association said that it had analysed the skills gap and its impact on the economy. It predicted that by 2030 there could be a shortage of 2.5 million high-skilled people and a surplus of 6 million intermediate or low skilled relative to available jobs across England. We were told, “This shortfall of high-skilled people could risk future economic growth and an economic output of around £120 billion.” The Local Government Association has launched a programme to improve employment and skills services through local public–private collaborations called ‘Work Local’. The scheme “proposes a model for integrated employment and skills that meets the needs of both individual and employers.”²⁹¹
256. We heard that the biggest challenge for the Government in the coming months will be to introduce new labour market policies that can help workers move into new roles, as some jobs may no longer be economically viable. Mike Brewer said if there are persistently high levels of benefit claims, the DWP would need to introduce an active labour market policy “that is a little more supportive and intensive than its conditionality policies.”²⁹² The Secretary of State for Work and Pensions and the Chancellor of the Exchequer told us that new labour market policies were under consideration.²⁹³
257. The CBI has called for the DWP to transform jobcentres into ‘Jobs and Skills Hubs’ to support young people into new jobs and training. It said, “by harnessing the expertise of colleges, universities, unions and businesses, local resources can be directed where they are most needed.” It pointed to recent examples of successful local collaboration, such as in Swindon following the closure of Honda and across the country in after the collapse of Thomas

288 [Q 90](#) (Prof Sharon Wright)

289 Written evidence from the Local Government Association ([EUC0120](#))

290 [Q 15](#) (Dr Katy Jones)

291 Written evidence from the Local Government Association ([EUC0120](#))

292 [Q 66](#) (Prof Mike Brewer)

293 Oral evidence taken on 19 May 2020, [Q 14](#) (Rishi Sunak MP). See also [Q 117](#) (Dr Thérèse Coffey MP).

Cook, when local colleges adapted courses to train for local skill needs. The CBI said that the Jobs and Skills Hubs should have two roles. First, they should provide “rapid matching of people to new job opportunities”. Second, they should source “high quality training in areas of future demand in the local labour market.”²⁹⁴

258. In June 2018, we published our report, *Treating Students Fairly: The Economics of Post-School Education*. We found that the quality and availability of apprenticeships and alternatives to higher education were inadequate or required improvement. We said that we were concerned that the Government’s apprenticeship levy had encouraged the rebadging of training activity that should not be funded or described as an apprenticeship. We called for better funding for alternatives to higher education and said that the Government should renew its vision for apprenticeships, concentrating on the skills and choices that employers and individuals really need.²⁹⁵
259. On 8 July 2020, the Chancellor of the Exchequer set out ‘a plan for jobs’. It included:
- A £2 billion ‘Kickstart Scheme’ to pay employers to create new jobs for any 16 to 24-year-old at risk of long-term unemployment. The Government will pay young people’s wages for six months, plus an amount to cover overheads.
 - A scheme to pay businesses to hire young apprentices, with a new payment of £2,000 per apprentice. It will pay businesses £1,500 to hire apprentices aged 25 and over.
 - A scheme to pay employers £1,000 to take on new trainees, with triple the number of places to support 18-19-year olds leaving school or college to find work in high-demand sectors like engineering, construction and social care.²⁹⁶
260. **The coming jobs crisis will not affect everyone equally; young people will disproportionately experience job losses. We know that long-term unemployment reduces people’s employment and earnings potential in perpetuity and entrenches existing inequalities.**
261. **The DWP’s successful management of large numbers of new claims by frontline staff involved a rapid reorganisation of priorities and resources. The DWP should already be reorganising to meet the unfolding jobs crisis. It must build stronger links with employers, local authorities and local education providers to harness their skills, expertise and resources to train and match claimants who can work with available jobs in a difficult and transformed labour market.**
262. **We welcome the Government’s announcement on providing more money to businesses in return for creating apprenticeships. The**

294 Letter from CBI to the Prime Minister, *Build back better: CBI proposals for a jobs-rich economic recovery* (11 June 2020): <https://www.cbi.org.uk/media/4860/11-june-2020-letter-to-the-prime-minister-from-carolyn-fairbairn.pdf> [accessed 16 July 2020]

295 Economic Affairs Committee, *Treating Students Fairly: The Economics of Post-School Education* (2nd Report, Session 2017–19, HL Paper 139)

296 HM Treasury, ‘A Plan for Jobs speech delivered by Chancellor Rishi Sunak’ (8 July 2020): <https://www.gov.uk/government/speeches/a-plan-for-jobs-speech> [accessed 20 July 2020]

promotion of high-quality and well-funded apprenticeships should continue to be prioritised to support the training of the current generation of school leavers and for ensuring that other people can reskill, particularly those from employment sectors that may not see same level of demand for certain roles. The Government should also take steps to reform the apprenticeship levy.

263. *We welcome the Government's consideration of new active labour market policies. We urge it to act quickly and boldly.*

Support: claiming and managing Universal Credit

264. We heard that the DWP has consistently underestimated the level of support that people need to make and manage their claims. Southwark Council set out its experience of working with the DWP on an early Universal Support trial in 2013:

“It was our view that many claimants would require support to transition successfully to the new [Universal Credit] system and a significant minority would likely require intensive and ongoing support. The DWP's view was that only a small minority of claimants would require support and that any support offered should be temporary and targeted at enabling claimants to exercise greater individual responsibility for making and managing their claim and that this would be achieved through a mixture of budgeting and digital skills advice”²⁹⁷

265. In April 2019 the DWP announced a new support service, called ‘Help to Claim’ which is delivered by Citizens Advice and Citizens Advice Scotland.²⁹⁸ The support is limited to helping people to make their first claim.²⁹⁹ Neil Couling told us that the DWP did not include ongoing support to claimants in the contract because, “We have put responsibility for that aspect on to the work coaches, in terms of the ongoing relationship with claimants as their claim matures—and, one hopes, many of them move into work and beyond.”³⁰⁰
266. Local authorities and housing providers set out the extent to which they have had to transform their support services in order to manage the effects of Universal Credit. The Local Government Association said that in many cases a claimant's ability to “maintain their claim, progress in work, manage on a reduced income or meet the terms of their claimant commitment are down to ‘safety net’ support delivered and/or funded by the local council.” Newcastle City Council and Your Homes Newcastle said that they were

297 Written evidence from Southwark Council ([EUC0125](#))

298 DWP, ‘New “Help to Claim” service provides extra Universal Credit support’ (1 April 2019): <https://www.gov.uk/government/news/new-help-to-claim-service-provides-extra-universal-credit-support> [accessed 20 July 2020]. DWP entered into a partnership with Citizens Advice from October 2018 and ran their developing service alongside local authorities until 31 March 2019. Citizens Advice and Citizens Advice Scotland delivered the full service solely from April 2019. See DWP, ‘Citizens Advice to provide support to Universal Credit claimants’ (1 October 2018): <https://www.gov.uk/government/news/new-help-to-claim-service-provides-extra-universal-credit-support> [accessed 20 July 2020]

299 [Q 79](#) (Minesh Patel) and Citizens Advice, ‘Citizens Advice launches new service for Universal Credit’ (1 April 2019): <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/citizens-advice-launches-new-service-for-people-applying-for-universal-credit/> [accessed 20 July 2020]. Help to Claim is available online, on the telephone and face-to-face, in locations including jobcentres and Citizen's Advice Bureaux. The Government has said that 200,000 individuals have been supported through Help to Claim. See HL Deb, 11 March 2020, [HL2513](#) and [Q 134](#) (Neil Couling).

300 [Q 134](#) (Neil Couling)

continuing to provide assisted digital support and personal budgeting support to supplement the Help to Claim service.³⁰¹

267. We heard that these networks of local support have enabled the Government to make 'savings' by transferring the costs of support from central Government to councils and other local service providers.³⁰² Swansea Council told us that local authorities have to spend far more to help claimants to make and maintain claims, manage their money and deal with associated issues such as "intensive support, increased pressures on housing services, preventative services and social services in particular."³⁰³ The Guinness Partnership, a social landlord, said it provides support to claimants to help them to manage their claims: "With around 500 customers moving onto [Universal Credit] per month, the resource requirement from Guinness to perform this service is substantial."³⁰⁴
268. **The Government has provided funding for limited support to claimants, notably via the Help to Claim service. However, this stops after the first successful claim. The Government expects work coaches to be the main agents of support thereafter, but their time is already stretched.**
269. **It should not be necessary for claimants to require specialist help to navigate the system. As this is necessary under Universal Credit, claimants have a right to informed, independent and free advice. The benefit has had a dramatic impact on the provision of support services by local authorities, housing providers and community-based advice bodies, as helping claimants to navigate the system has become one of the main functions of such services. Claimants have a right to such support; but this has had a significant impact on the budgets of such organisations. *The Government should devise a fund for supporting this work, work alongside local authorities to identify best practice for providing ongoing and accessible advice, and publish the results.***

Support: vulnerable claimants

270. Personalised support is most important for claimants who are vulnerable.³⁰⁵ The number of vulnerable claimants is likely to be large. In 2017, the Independent Projects Authority, which monitors the roll out of Universal Credit, found a high level of uncertainty about the proportion of UC claimants who could be considered vulnerable, noting that estimates ranged between 25% and 50%.³⁰⁶

301 Written evidence from Newcastle City Council and Your Homes Newcastle ([EUC0063](#)). Newcastle City Council and Your Homes Newcastle said that they had provided 695 instances of Universal Credit Assisted Digital Support and 680 instances of Personal Budgeting Support to Newcastle residents, which was not funded by the Government.

302 Written evidence from the Local Government Association ([EUC0120](#))

303 Written evidence from Swansea Council ([EUC0047](#))

304 Written evidence from The Guinness Partnership ([EUC0105](#))

305 Written evidence by The Salvation Army ([EUC0014](#))

306 Work and Pensions Committee, *Universal Credit Project Assessment Reviews* (Fifth Report, Session 2017–19, HC 740). On 5 December 2017, the House of Commons instructed the Department for Work and Pensions to provide the Work and Pensions Committee with Project Assessment Reviews (PARs) of its Universal Credit programme carried out by the Infrastructure and Projects Authority (IPA). The PARs remain unpublished, but the Work and Pensions Committee 2018 report quotes them selectively.

271. Sir Iain Duncan Smith MP, and his former advisers Baroness Stroud and Stephen Brien, said they had envisaged a comprehensive system of 'Universal Support' to provide lasting, individualised help to claimants, which would have been delivered by work coaches collaborating with a network of local services. This would have supported claimants with a wide range of complex social problems beyond managing Universal Credit claims, including chronic debt and drug misuse.³⁰⁷ However, this vision was never rolled out and we were told this was because of the Government's savings programme after the 2007/8 financial crisis.³⁰⁸
272. Some witnesses told us that the original model of Universal Support had merit. Paul Gray, former Chair of the Social Security Advisory Committee, told us, "investing further in the originally intended Universal Support system still seems to me a big priority." He said this is because it is "extremely difficult" to expect work coaches to both fulfil their usual advice role and, "to recognise and diagnose people suffering varying degrees of vulnerability, whether it is mental health or elsewhere."³⁰⁹ Gareth Morgan told us:
- the damage done to the other advice and support services that used to be very widely available to people who needed help and support, frankly, has been shameful. It would take a very long time to rebuild the framework of the advice and support services that have been lost, but, particularly in the current circumstances, it should be done. Informed, independent and free advice and support should be recognised as an essential element of the system itself.³¹⁰
273. The Local Government Association told us that the local council is the main service provider to most claimants and therefore best placed to identify complex needs and refer people to the most appropriate services. It said, "... claimants are very often core users of council services such as supported housing, public health, mental health or social care. The Department has posed a particular question—'who knows me?' in relation to these claimants—very often the answer to that question is 'the council'."³¹¹
274. **The original proponents of Universal Credit envisaged a comprehensive system of support for the most vulnerable people and those with the most complex needs. However, we were told that this work was never undertaken as a result of the cuts to public spending that took place under the Coalition Government. The Government must do more to recognise and fund the impressive networks of local support and advice that are doing the vital work of supporting the hardest to reach claimants at great expense. This would ensure that vulnerable people are able to receive the help that they need and are able to navigate the social security system.**

Support: digital skills

275. Universal Credit is designed to be a predominantly digital service.³¹² The DWP has said that investment in digital support will free up work coaches'

307 [Q 34](#) (Iain Duncan Smith MP), [Q 31](#) (Lady Stroud) and [Q 31](#) (Dr Stephen Brien)

308 [Q 32](#) (Lady Stroud)

309 [Q 52](#) (Paul Gray)

310 [Q 52](#) (Gareth Morgan)

311 Written evidence from the Local Government Association ([EUC0120](#))

312 [Q 135](#) (Neil Couling)

time for those who need the most intensive support.³¹³ Neil Couling said that the predominantly digital and automated nature of Universal Credit helped significantly in processing the surge in new claims in recent months.³¹⁴

276. Claimants are expected to manage claims online, and awards are calculated and paid automatically. All activities required to fulfil a Claimant Commitment, such as updating the online journal and searching for employment, are expected to be completed online. Work coaches communicate essential information through the online journal, including changes to jobcentre appointments and requesting that a person completes additional tasks.
277. For some claimants this approach is a significant barrier to claiming and managing Universal Credit. We heard that those most affected include people with disabilities, mental or physical health problems, learning difficulties, poor literacy skills or who do not have English as a first language.³¹⁵ Claimants can be sanctioned if they fail to complete certain tasks which will have been set digitally.
278. In June 2018 the Government published the results of research into claimants' experiences of Universal Credit, which set out the proportion of claimants who struggled with the predominantly digital approach:

“Universal Credit is a digital service and 98 per cent of claimants did claim online. Over half (54 per cent) of all claimants were able to register their claim online unassisted, with a further fifth (21 per cent) completing it online but with help. Three in ten (30 per cent) of those who registered a claim online found this difficult, and the process of verifying their identity online was seen as particularly difficult. Overall, more than four in ten (43 per cent) claimants said they needed more support registering their claim for [Universal Credit]. Three in ten (31 per cent) said they need more ongoing support with using their [Universal Credit] digital account.”³¹⁶
279. Money Advice Plus, a charity, told us that to make a claim people need “to have a mobile phone to receive a text on, an internet enabled device to make the claim on, and an email account they can access and receive a code on. For many people these are all complicated and alien things.”³¹⁷
280. Professor Sharon Wright told us that cuts in recent years to local services such as libraries had made it more difficult to access computers and that, “People are often using their phone, but people do not necessarily have a good phone set-up. It might cost you £25 per month for mobile data. That is a huge proportion of your income, because Universal Credit rates are so low.”³¹⁸ According to 2018 research by Ofcom, households with the lowest

313 NAO, *Supporting disabled people into work* (28 March 2019): <https://www.nao.org.uk/wp-content/uploads/2019/03/Supporting-disabled-people-to-work.pdf> [accessed 20 July 2020]

314 [Q 135](#) (Neil Couling)

315 Written evidence from Citizens Advice Scotland ([EUC0052](#)). See also, written evidence from the Women's Budget Group ([EUC0016](#)) and Macmillan Cancer Support ([EUC0044](#)). Professor Sharon Wright, Professor of Social Policy at the University of Glasgow, told us that people that struggled most with the digital first approach included “people with language difficulties, people with literacy difficulties, or older workers.” See [Q 84](#) (Prof Sharon Wright).

316 DWP, *Universal Credit: Full Service Survey* (June 2018) p 3: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714842/universal-credit-full-service-claimant-survey.pdf

317 Written evidence from Money Advice Plus ([EUC0090](#))

318 [Q 80](#) (Prof Sharon Wright)

incomes are significantly less likely than average to have a smartphone or access to the internet. Furthermore, the likelihood of owning an internet connected device declines as people age or if they have a disability, as the table below sets out.

Table 5: Ownership/use of internet and smartphone, by broad age and socio-economic group

% ownership by age within socio-economic group			Non-disabled	Disabled total
Internet (use)	Aged under 65	ABC1	96%	81%*
		C2DE	93%	67%*
	Aged 65+	ABC1	82%	65%*
		C2DE	53%	35%*
Smartphone	Aged under 65	ABC1	86%	66%*
		C2DE	83%	55%*
	Aged 65+	ABC1	52%	41%*
		C2DE	31%	23%*

Note: * indicates that a disability group is significantly lower than non-disabled people (significance tested to 95%). Internet (use) is based on access anywhere whereas smartphone is based on household access.

Source: Ofcom, *Access and Inclusion in 2018: Consumers' experiences in communications markets* (January 2019): https://www.ofcom.org.uk/data/assets/pdf_file/0018/132912/Access-and-Inclusion-report-2018.pdf [accessed 20 July 2020]

281. Witnesses said that more resources and flexibility are needed for those without digital skills or access to technology. Non-digital options for making claims are available but only in exceptional circumstances, such as having no friends or relatives who can provide support. These include home visits for claimants who cannot leave the house or are in hospital, appointees to manage claims on a claimant's behalf and support based in the jobcentre.³¹⁹
282. Approximately 25,000 claims are maintained over the DWP's helpline.³²⁰ However, we heard that this system can cause further problems for claimants and frontline staff. Professor Sharon Wright explained that a telephone claim "is not properly on the system and cannot later be accessed digitally."³²¹ Giles Elliott, Advice Service Manager at Manchester Mind, told us that waiting times were on average 30 minutes and that he had heard instances of people using the helpline being refused support to which they were entitled.³²²

319 Letter from Baroness Buscombe to Lord McKenzie of Luton, 19 November 2018: http://data.parliament.uk/DepositedPapers/Files/DEP2018-1143/Letter_from_Baroness_Buscombe_to_Lord_McKenzie.pdf [accessed 20 July 2020]

320 [Q 135](#) (Neil Couling)

321 [Q 80](#) (Prof Sharon Wright)

322 [Q 1](#) (Giles Elliott)

Box 9: Case study provided by The Welcome Centre

“Mark worked full-time in quite a physical job but had to be signed off work sick due to back pain. Mark was only entitled to statutory sick pay, so he was advised to apply for Universal Credit whilst he was signed off work. Mark had never claimed benefits before and was unsure what to do. Mark had no PC or smartphone and delayed applying for Universal Credit because he didn’t know where to get help in completing the online application. Eventually, Mark was referred to The Welcome Centre because he was really struggling to manage. As well as supporting Mark with food and toiletries, The Welcome Centre helped Mark to make his Universal Credit claim. Unfortunately, though, by the time he was referred to The Welcome Centre Mark was already in arrears with his rent, water, and council tax bills.”

Source: Written evidence from The Welcome Centre ([EUC0030](#))

- 283. Most people do not struggle with a predominantly digital service, but a significant minority do. The need to provide digital support does not end at the first claim. Claimants are expected to manage their Universal Credit accounts and work journals online for the duration of their claim. It is essential that trusted organisations are funded to guide people through the process.**

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Below is a list of all of the Committee's conclusions and recommendations (recommendations appear in italics).

Introduction

1. We launched this inquiry with the intention of examining how well Universal Credit's original aims and objectives were being achieved. We started with no preconceptions on whether Universal Credit was working as it should, whether it required reform or whether it should be replaced with something new. We received overwhelming evidence that Universal Credit is not broken irredeemably and that replacing it with a new system would cause significant upheaval and disruption to claimants. However, it requires substantial reform. Based on the evidence we received, it is our view that the original aims and objectives of Universal Credit are broadly correct. However, there are substantial problems with its design and implementation that have undermined the security and wellbeing of the poorest in our society. (Paragraph 10)
2. We are sensitive to the impact of change on a large group of very diverse people. We therefore formulated the conclusions and recommendations in this report against a set of principles. We believe that these should be used to protect claimants, guide the reforms proposed in this report and shape the design of Universal Credit in future. They are derived from the evidence received in this inquiry.

Universal Credit must:

- be grounded on dignity and respect—people from all backgrounds must feel comfortable and supported when interacting with public services.
 - provide claimants with adequate income—and the system must be a safety net for avoiding extreme poverty and hardship.
 - provide security and stability—income must be predictable;
 - reflect the lived experience of claimants—they must be at the heart of its design and involved in devising solutions to problems;
 - be flexible—it must accommodate a diverse range of personal circumstances and provide strong support to the most vulnerable;
 - be fair to all claimants—policy design must be sensitive to its effects on people of different genders, disabilities, ages, black and minority ethnic groups, and those with other protected characteristics;
 - use public money to meet objectives that are achievable—effective policy must be based on strong evidence to ensure that it is not counterproductive; and
 - be understandable—but where necessary, free and intelligible advice must be available to all (Paragraph 11)
3. We congratulate the Department for Work and Pensions on its response to the spike in claims for Universal Credit since lockdown measures were introduced. The efficient management of an unprecedented number of new

claims over such a short period would not have been possible without the digitalisation of the Universal Credit application process. Furthermore, the DWP was able to process the large number of applications using automation, a rapid reorganisation of resources and by changing policies and processes. It also took steps to safeguard claimants and staff. We commend the DWP, and particularly frontline staff, for responding with decisiveness and dedication. (Paragraph 15)

4. However, longstanding problems with Universal Credit remain. The problems identified in this report will affect many more people within a more difficult economic context if they are not addressed urgently. (Paragraph 16)

Universal Credit design

5. Simplification of the benefits system was a driving principle behind the design of Universal Credit. It has made it administratively easier for claimants to move in and out of work. There are also advantages to claimants to having a single point of contact for support. However, simplification has introduced inflexibilities which do not accommodate the reality of claimants' lives, particularly those on low incomes who are often paid at more frequent intervals. For many, payments have become unpredictable, which undermines the security and stability of their lives. Error or interruptions caused by the DWP can have significant consequences for claimants who may have nothing on which to fall back. (Paragraph 25)
6. Far from simplifying the system for claimants, Universal Credit has created complexity. Claimants' benefit awards should be predictable. They should know the support they will have from month to month, so that they can plan and budget accordingly. However, under Universal Credit the way that income is assessed does not provide predictability. It creates arbitrary fluctuations in income depending on the assessment date and the claimant's pay date. This is unfair and impractical. (Paragraph 37)
7. The benefits system should not cause claimants significant shortfalls in income. The DWP's whole-month approach to changes in circumstances does not reflect the lives of many low-income households, some of whom undergo frequent, short-term changes of circumstances. Universal Credit needs to be flexible enough to adapt to these circumstances. *The DWP must adapt the design of the whole-month approach to changes in circumstances.* (Paragraph 41)
8. Claimants would have greater certainty and security of income if awards were fixed at the same level for at least three months. This may encourage claimants to increase the number of hours that they work as they would not face an immediate fall in benefit. We believe that this can be done using the current process of assessment but using it to reassess levels of award once every three months only. (Paragraph 47)
9. One downside of this proposal is that if income falls significantly during the award period, claimants may struggle financially until their payments are increased at the next assessment. This could be managed by allowing claimants to report falls in income or disadvantageous changes in circumstances and have an earlier reassessment. (Paragraph 48)
10. *We recommend that the DWP assess this proposal, taking account of how this would work for out-of-work claimants as well as those in work.* (Paragraph 49)

11. Many new claimants have no experience of monthly pay. The DWP's desire to make Universal Credit 'like work' does not reflect the work that the majority of low-income workers experience. The monthly payment has caused unnecessary budget and cashflow problems for claimants who are used to receiving more frequent wages and those who are out of work. (Paragraph 52)
12. Paying Universal Credit awards on a monthly basis is a policy choice; it is not an integral part of the design. However, this approach is not working for many claimants who are forced to fit the rigid requirements of the system. We believe instead that the system should accommodate the circumstances of a wide range of people. *At the beginning of their claim all claimants should be allowed to choose whether to have their Universal Credit awards paid monthly or twice monthly. It should be possible for claimants to review this decision on an ongoing basis with their work coach.* (Paragraph 54)
13. The accuracy of Universal Credit depends on timely and accurate real time information. Some claimants have been unfairly penalised because of reporting errors and mismatches in the data. This is beyond the control of claimants and often they will be unaware of the issue. Poor-quality real time information creates income insecurity for claimants, making it harder for them to budget and manage their income. While the error rate is low it has nevertheless affected tens of thousands of people. The DWP must work swiftly with HMRC to reduce the real time information error rate. (Paragraph 61)
14. The five-week wait is the primary cause of insecurity in Universal Credit. It entrenches debt, increases poverty and harms vulnerable groups disproportionately. The DWP has introduced some measures to mitigate its worst effects but these fall short of what is needed. (Paragraph 72)
15. *The DWP should introduce a non-repayable, two-week initial grant to all claimants. For claimants moving from certain legacy benefits to Universal Credit, this grant could replace the existing system of run-ons. This would provide some security to claimants and would make repayments of advances more manageable. We were told that this would cost the DWP between £1 billion and £2 billion per year.* (Paragraph 73)
16. *To reduce the risk of fraud, the DWP should initially administer the grant as an advance payment. The two-week payment should then be written off after two months once the DWP knows that the claim is genuine.* (Paragraph 74)
17. The benefits system cannot be expected to provide solutions to domestic abuse. These acts are criminal and only the abuser is responsible for their actions. That said, the design of the single household payment can, in certain circumstances, exacerbate the risk that financial coercion may take place and make it more difficult for people who have suffered from any form of abuse to escape. (Paragraph 86)
18. The current practice of paying Universal Credit into one account does not reflect reality for many families today, who are used to both partners having their own income. This is important both for reducing the risks of financial coercion and domestic abuse more widely and for encouraging more balanced and equal relationships. *The Department should review the option of separate payments by default, drawing on the current review in Scotland.* (Paragraph 87)

19. The social security system should not support unproductive and unprofitable businesses in the long-term. However, treating disparate forms of self-employment similarly creates inequalities in the support that they receive. Self-employed claimants who have fluctuating earnings, seasonal patterns, and varying costs and expenses suffer disproportionately from the minimum income floor. The DWP must address this problem to ensure adequate and fair support for those in disparate forms of self-employment. When the temporary suspension of the minimum income floor is lifted these problems will be magnified by the arrival of many more self-employed claimants as a result of the COVID-19 pandemic. *The DWP must address this problem to ensure adequate and fair support for those in disparate forms of self-employment.* (Paragraph 94)
20. *Given that the minimum income floor is currently suspended in response to the COVID-19 pandemic, the DWP should measure the impact of its suspension on self-employed claimants and publish the results.* (Paragraph 95)
21. The design of the housing element has led to increased rent arrears and left many claimants feeling vulnerable and at risk of eviction from their home. *All claimants should be given the choice, at the beginning of their claim and not when significant arrears have accrued, of having an Alternative Payment Arrangement. If implemented alongside our recommendation to introduce a two-week non-repayable grant at the beginning of a claim, this would help prevent unmanageable rent arrears and provide greater security of housing for all claimants.* (Paragraph 101)
22. While the childcare element of Universal Credit is designed to be more generous than the previous system its inclusion in a single benefit was a mistake. Including childcare support in Universal Credit speaks to our central concern with the drive for simplification: it has benefited administrators at the expense of making claimants' lives more complicated. (Paragraph 106)
23. Including childcare support in Universal Credit has also created further complexity for claimants. Paying costs in arrears has been a barrier to in-work progression. In some cases, it has been a disincentive to work. (Paragraph 107)
24. We recommend that the Department remove childcare support from Universal Credit entirely. This would require exploring options for a separate benefit and for a range of measures to support the supply side—more free hours of care, subsidies for providers, and reduced fees for parents with low incomes. This new benefit could still be delivered via a digital platform. (Paragraph 108)

Managing on Universal Credit

25. The Government undertook the most significant social security reform for a generation at the same time as making substantial cuts to public spending, including wide ranging cuts to the social security system, in order to reduce the deficit. Cuts to Universal Credit have been partially restored but they, along with problems of design and implementation, have had lasting consequences by increasing poverty and hardship among many claimants. Universal Credit's promise of increased generosity now rests on higher take-up by claimants. The reputation of Universal Credit is poor and higher take-up is not guaranteed. *The DWP should start publishing take-up estimates in order*

to assess how successful Universal Credit has been in achieving the increased take-up that is assumed to flow from simplification. (Paragraph 116)

26. The significant cuts to the social security system over the last decade mean that a catch-up increase in funding is needed urgently to ensure that Universal Credit is fit for purpose. Even when the recent increases in Universal Credit are taken into account, it is a less generous benefit than intended by its original proponents. Without the Government putting more money into the system, Universal Credit will continue to be beset by the problems that we have set out in this report. The recommendations below set out a pathway for making Universal Credit an adequate and fairer system which would provide greater security for claimants. (Paragraph 117)
27. The recent increase in the standard allowance is welcome considering the evidence we have received about the adequacy of Universal Credit, which said that it was often not enough income to live on. Universal Credit must provide claimants with an adequate income and act as a safety net for avoiding extreme poverty and hardship. We believe that the increase shows the original rate was not adequate. The Department has, to date, said that this is only a temporary measure. *The Government should commit to making the increase in the standard allowance permanent. The Government should commit to making the increase in the standard allowance permanent. To avoid undue hardship and poverty it should also examine the relative levels of benefits for couples and those with children and investigate whether there are other claimant groups who do not receive adequate income. (Paragraph 129)*
28. *The DWP should introduce an equivalent to the Severe Disability Premium. This should be a self-care element for any disabled person who does not have someone assisting them and claiming the carer element of Universal Credit. We were told that this would cost the DWP around £1 billion per year. (Paragraph 140)*
29. Universal Credit was designed as a working-age benefit; it was not designed with pensioners in mind. While we understand the trade-off which the DWP has had to consider in relation to mixed-age couples, we feel that on balance it has opted for the wrong approach. (Paragraph 146)
30. Including mixed-age couples in Universal Credit has meant that they may lose out financially. The partner who is eligible for a state-age pension is treated unfairly compared with single pensioners and couples of state-pension age. *The DWP should revert to the previous system in which mixed-age couples were treated as state-pension age couples for means-tested benefits. (Paragraph 147)*
31. As more people migrate to Universal Credit, its role in recovering historical debt will become more prominent. The DWP should ensure that deductions taken from Universal Credit awards are first subjected to an affordability assessment. They should only made in accordance with what a claimant can afford to repay. (Paragraph 158)
32. Many people are unaware that they have tax credit debts and often the overpayments they have received were not their fault. Using Universal Credit to recover historic debts has left many households with an income well below that to which they are entitled. (Paragraph 159)
33. *The Government should write off historical tax credit debt owed by Universal Credit claimants. We believe that the £6 billion of tax credit debt should be treated as a*

sunk cost—it is highly unlikely to be repaid in full, and the Government should not jeopardise the financial security of claimants in pursuit of it. (Paragraph 160)

34. We recognise that the benefit cap was intended to increase the financial incentive to move into paid work. This is more likely to be effective if there is a buoyant labour market than if there is high unemployment and few job vacancies. *In light of the unfolding economic crisis we recommend that the Government review the level of the benefit cap and its effect on hardship and poverty. (Paragraph 167)*
35. The two-child limit is unfair. It penalises large families and can put the health and wellbeing of children in jeopardy. We heard that ending the limit could protect up to 300,000 children from poverty. *We urge the Government to remove the two-child limit and consider introducing tapered awards for families with more than two children. (Paragraph 173)*
36. The principle of always making work pay has been undermined by cuts to work allowances even after taking into account the partial reinstatement in 2019. (Paragraph 188)
37. Given the depth of the recession that is anticipated following the COVID-19 pandemic, getting people into work should be the DWP's priority. We therefore recommend revisiting both the structure and the level of the work allowances. *All claimants should have a work allowance, at a higher rate than currently, to allow them to keep more of their award as they move into work, including short-term or low-hours employment. Figures from the Institute for Fiscal Studies suggest that reintroducing a work allowance for all groups, and increasing it by £50 per month, would cost the DWP £1.3 billion per year. (Paragraph 189)*
38. The DWP should also consider a reduction in the taper rate to reduce the unfairness that is inherent in the very high marginal effective tax rates that some of the poorest in our society face. (Paragraph 190)

Employment, sanctions and support

39. *Conditionality must be adapted so that it is able to accommodate dynamically changing labour market conditions, including at the local level. The DWP should, with HM Treasury, the Department for Business, Energy and Industrial Strategy and other relevant departments, review how conditionality should be reconstructed to support millions of people back into work in an environment in which there are far fewer vacancies and in which large sectors of the economy such as non-food retail, hospitality and tourism—which are most likely to employ young people—remain depressed or do not recover fully. The DWP should ramp up and improve the provision of training that is available to claimants. (Paragraph 202)*
40. We regret that the DWP has resumed the monitoring of conditionality requirements so soon and that it will begin imposing sanctions on claimants after a brief suspension when each day is bringing announcements of a significant reduction in total jobs. The DWP faces the prospect of several million more unemployed but threatening claimants with long and severe sanctions at this stage is unfair and counterproductive. (Paragraph 203)
41. The social security system must be flexible enough to adapt to a labour market that has changed substantially. Conditionality and sanctions as they are set currently are inappropriate while we are still so far from an economic recovery. (Paragraph 204)

42. Conditionality must be rebalanced. The preoccupation with sanctions-backed compliance needs to be reconsidered, with more emphasis on and resources for personalised employment support for those who can work. (Paragraph 212)
43. The Claimant Commitment can be a useful means of setting out the responsibilities and entitlements which are part of benefit entitlement. However, Claimant Commitments over-emphasise obligations and penalties. *Claimant Commitments should be rebalanced, with greater emphasis on the level and type of support that claimants can expect to receive in order to help them to find work or to progress. In most cases claimants will know what support they would benefit from; therefore, they should have an equal role in setting expectations. A more balanced combination of responsibilities and entitlements would better reflect the relationship between employer and employee that the DWP wishes to emulate and would demonstrate to claimants that they are an active participant in their claimant journey.* (Paragraph 213)
44. Claimants can be at their most vulnerable and desperate when making their first benefit claim. This is not an appropriate time for people to make important commitments or to decide exactly what support they will require. *Claimants should be able to agree to a Claimant Commitment in two stages in order to provide time to consider what support, coaching, training or other intervention from the DWP would be of use, and to consider whether obligations discussed in the first meeting are appropriate.* (Paragraph 214)
45. We were concerned to hear that such harsh sanctions can be applied to claimants so easily, particularly when a claimant may already be subject to high deductions to pay back advances and other debts. Any reasonable system, such as the justice system, would not impose fines which can result in extreme poverty for such minor offences. A fairer system should take far greater care to assess the effect of sanctions on those to which they apply. *Before imposing a sanction, we recommend that the DWP conduct a hardship assessment before deciding on the level of sanction.* (Paragraph 222)
46. The UK has some of the most punitive sanctions in the world but the evidence that sanctions achieve positive behavioural change and lead to better employment and earnings outcomes is mixed. Removing people's main source of support for extended periods risks pushing them further into extreme poverty, indebtedness and reliance on foodbanks. *We welcome the reduction in the DWP's use of sanctions since 2017 and reducing the maximum sanctions length from six months to three. The DWP should expedite its work on introducing a written warning system before applying a sanction. This would ensure sanctions are a last resort.* (Paragraph 223)
47. *We are disappointed that the DWP did not publish its evaluation of the efficacy of sanctions before it lifted the suspension on the use of sanctions. The evaluation should be published with urgency and should set out the DWP's understanding of how the current length and level of sanctions facilitate positive behaviour change from claimants and how sanctions lead to sustainable work outcomes.* (Paragraph 224)
48. There is a great deal of evidence to show that sanctions and the threat of sanctions affect people's mental health. The DWP's refusal to examine the extent of these effects endangers claimants. The DWP must meet the commitment it made in 2013 to evaluate the impact of conditionality and sanctions on claimants' mental health and wellbeing. (Paragraph 230)

49. The introduction of an in-work conditionality regime is radical and unprecedented. It will, for the first time, extend conditionality to a significant number of people who may face sanctioning even though they are already working. Millions of working people should not be compelled to prove their motivation to progress in work. We heard that claimants' personal circumstances, constraints in the local labour market and employer preferences are far more significant reasons for why people struggle to earn more compared with low motivation. (Paragraph 241)
50. *We agree with the DWP's aim to help people become independent of means-tested social security benefits. We welcome the DWP's acknowledgment that additional support for claimants and working with employers is a better way to achieve it than expanding conditionality. We recommend that the DWP offer future in-work claimants enhanced coaching and training on a voluntary basis. It should end in-work conditionality requirements and the threat of sanctions from existing in-work claimants.* (Paragraph 242)
51. We welcome the DWP's decision to increase the recruitment of new work coaches over the coming months in response to the COVID-19 pandemic. Caseloads for work coaches have risen in recent years and are already too high to expect the level of sustained, personalised support that best helps claimants into work. (Paragraph 250)
52. The Secretary of State indicated that the number of work coaches may double. We are concerned that this may not be enough to support claimants to find work in what may be a stagnant labour market with high levels of competition for many vacancies. *The DWP should cap the number of cases for which each work coach can be responsible. Local jobcentres will have to decide how best to ensure that the cap reflects the composition of work coaches' caseloads, as some claimants will require more intensive support than others.* (Paragraph 251)
53. The coming jobs crisis will not affect everyone equally; young people will disproportionately experience job losses. We know that long-term unemployment reduces people's employment and earnings potential in perpetuity and entrenches existing inequalities. (Paragraph 260)
54. The DWP's successful management of large numbers of new claims by frontline staff involved a rapid reorganisation of priorities and resources. The DWP should already be reorganising to meet the unfolding jobs crisis. *It must build stronger links with employers, local authorities and local education providers to harness their skills, expertise and resources to train and match claimants who can work with available jobs in a difficult and transformed labour market.* (Paragraph 261)
55. We welcome the Government's announcement on providing more money to businesses in return for creating apprenticeships. The promotion of high-quality and well-funded apprenticeships should continue to be prioritised to support the training of the current generation of school leavers and for ensuring that other people can reskill, particularly those from employment sectors that may not see same level of demand for certain roles. The Government should also take steps to reform the apprenticeship levy. (Paragraph 262)
56. *We welcome the Government's consideration of new active labour market policies. We urge it to act quickly and boldly.* (Paragraph 263)

57. The Government has provided funding for limited support to claimants, notably via the Help to Claim service. However, this stops after the first successful claim. The Government expects work coaches to be the main agents of support thereafter, but their time is already stretched. (Paragraph 268)
58. It should not be necessary for claimants to require specialist help to navigate the system. As this is necessary under Universal Credit, claimants have a right to informed, independent and free advice. The benefit has had a dramatic impact on the provision of support services by local authorities, housing providers and community-based advice bodies, as helping claimants to navigate the system has become one of the main functions of such services. Claimants have a right to such support; but this has had a significant impact on the budgets of such organisations. *The Government should devise a fund for supporting this work, work alongside local authorities to identify best practice for providing ongoing and accessible advice, and publish the results.* (Paragraph 269)
59. The original proponents of Universal Credit envisaged a comprehensive system of support for the most vulnerable people and those with the most complex needs. However, we were told that this work was never undertaken as a result of the cuts to public spending that took place under the Coalition Government. The Government must do more to recognise and fund the impressive networks of local support and advice that are doing the vital work of supporting the hardest to reach claimants at great expense. This would ensure that vulnerable people are able to receive the help that they need and are able to navigate the social security system. (Paragraph 274)
60. Most people do not struggle with a predominantly digital service, but a significant minority do. The need to provide digital support does not end at the first claim. Claimants are expected to manage their Universal Credit accounts and work journals online for the duration of their claim. It is essential that trusted organisations are funded to guide people through the process. (Paragraph 283)

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Lord Forsyth of Drumlean (Chair)
 Baroness Bowles of Berkhamsted
 Lord Burns
 Viscount Chandos
 Lord Cunningham of Felling
 Lord Darling of Roulanish (resigned March 2020)
 Lord Fox
 Baroness Harding of Winscombe
 Baroness Kingsmill
 Lord Livingston of Parkhead
 Lord Monks of Blackley (joined March 2020)
 Lord Skidelsky
 Lord Stern of Brentford
 Lord Tugendhat

Declarations of interest

Baroness Bowles of Berkhamsted
No relevant interests declared
 Lord Burns
No relevant interests declared
 Viscount Chandos
Senior Independent Director, Credit Services Association (trade association for the debt collection industry)
Trustee, Esmée Fairbairn Foundation (grant making foundation active in relevant areas)
Trustee, Ernest Kleinwort Charitable Trust (grant making foundation active in relevant areas)
 Lord Cunningham of Felling
No relevant interests declared
 Lord Forsyth of Drumlean (Chair)
No relevant interests declared
 Lord Fox
No relevant interests declared
 Baroness Harding of Winscombe
No relevant interests declared
 Baroness Kingsmill
No relevant interests declared
 Lord Livingston of Parkhead
No relevant interests declared
 Lord Monks of Blackley
No relevant interests declared
 Lord Skidelsky
No relevant interests declared
 Lord Stern of Brentford
No relevant interests declared
 Lord Tugendhat
No relevant interests declared

A full list of Members' interests can be found in the Register of Lords' interests: <https://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

Specialist Advisers

Fran Bennett

Senior Research and Teaching Fellow at the Department of Social Policy and Intervention, University of Oxford

Researcher for project on universal credit funded by the Economic and Social Research Council based at the Institute for Policy Research, University of Bath

Member, Policy Advisory Group, Women's Budget Group

Jane Millar

Researcher for project on universal credit funded by the Economic and Social Research Council based at the Institute for Policy Research, University of Bath

Trustee, Child Poverty Action Group

Trustee, Lankelly Chase Foundation

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://committees.parliament.uk/work/31/the-economics-of-universal-credit/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

*	Professor Sir John Hills, Professor of Social Policy, London School of Economics	QQ 1–8
**	Dr Ruth Cain, Senior Lecturer, University of Kent	QQ 1–8
*	Giles Elliott, Advice Service Manager, Manchester Mind	QQ 1–8
*	Tom Waters, Senior Research Economist, Institute for Fiscal Studies	QQ 9–16
**	Dr Katy Jones, Senior Research Associate, Manchester Metropolitan University	QQ 9–16
*	Garry Lemon, Director of Policy, External Affairs and Research, The Trussell Trust	QQ 17–24
**	Iain Porter, Social Security Policy and Partnerships Manager, The Joseph Rowntree Foundation	QQ 17–24
**	Dr Matthew Sowemimo, Head of Public Affairs and Social Policy, The Salvation Army	QQ 17–24
**	Marilyn Howard, Honorary Research Associate, University of Bristol Law School and Member of Women's Budget Group	QQ 25–30
**	Dr Rita Griffiths, Research Fellow, University of Bath	QQ 25–30
**	Laura Dewar, Policy Officer, Gingerbread	QQ 25–30
*	Rt Hon Sir Iain Duncan MP, former Secretary of State for Work and Pensions	QQ 31–43
*	Baroness Stroud, former Special Adviser to the Secretary of State for Work and Pensions	QQ 31–43
*	Dr Stephen Brien, former Expert Adviser at the Department for Work and Pensions	QQ 31–43
*	Paul Gray, former Chair of the Social Security Advisory Committee	QQ 44–54
**	Gareth Morgan, Managing Director, Ferret Information Systems	QQ 44–54
**	Councillor Victoria Mills, Southwark Council	QQ 55–61

**	Sue Ramsden, Policy Leader, National Housing Federation	QQ 55–61
**	Professor Mike Brewer, Deputy Chief Executive and Chief Economist, Resolution Foundation	QQ 62–78
*	Nicholas Timmins, Senior Fellow, Institute for Government and the King's Fund	QQ 62–78
*	Michael Royce, Senior Policy Manager, Money and Pensions Service	QQ 79–91
**	Minesh Patel, Principal Policy Manager, Citizens Advice	QQ 79–91
*	Dr Sharon Wright, Professor of Social Policy, University of Glasgow	QQ 79–91
*	Tony Wilson, Institute Director, Institute for Employment Studies	QQ 92–102
*	Emma Stewart, CEO & Co-Founder, Timewise Foundation	QQ 92–102
**	Evan Odell, Researcher, Disability Rights UK	QQ 103–108
**	James Taylor, Executive Director of Strategy, Impact and Social Change, Scope	QQ 103–108
**	Kirsty Harkins, Universal Credit claimant and volunteer at Sale Moor Community Partnership	QQ 109–116
*	Angela Charlton, Universal Credit claimant	QQ 109–116
*	Nick Phillips, Project Co-ordinator of London Unemployed Strategies and Chair of the Commission on Social Security	QQ 109–116
*	Mike Tighe, Universal Credit claimant and Member of Southwark's 'Know your Rights' benefits support group	QQ 109–116
**	Rt Hon Thérèse Coffey MP, Secretary of State for Work and Pensions	QQ 117–136
**	Neil Couling CBE, Change Director General and Senior Responsible Owner for Universal Credit, Department for Work and Pensions	QQ 117–136

Alphabetical list of all witnesses

Advice Nottingham	EUC0083
Advice Portsmouth	EUC0053
Age UK	EUC0022
Dr Anthony Aldhous	EUC0104
Anonymous 1	EUC0008
Anonymous 2	EUC0009
Association of British Insurers	EUC0112

	Aviva	EUC0121
	Bridport and District Citizens Advice	EUC0109
*	Dr Stephen Brien, former Expert Adviser at the Department for Work and Pensions (QQ 31–43)	
	Bright Blue	EUC0070
	Nicholas Bromley	EUC0113
	Cherise Brown	EUC0060
**	Dr Ruth Cain, Senior Lecturer, University of Kent (QQ 1–8)	EUC0086
	Caridon Landlords Solutions	EUC0066
	Dr E. Pimental De Çetin	EUC0068
	Changing Lives	EUC0102
*	Angela Charlton, Universal Credit claimant (QQ 109–116)	
	Mandy Cheetham, Teesside University and Suzanne Moffat, Newcastle University	EUC0028
	Child Poverty Action Group	EUC0075
**	Citizens Advice (QQ 79–91)	EUC0051
	Citizens Advice Chesterfield	EUC0088
	Citizens Advice Craven and Harrogate	EUC0097
	Citizens Advice Gateshead	EUC0057
	Citizens Advice Leicestershire	EUC0085
	Citizens Advice Scotland	EUC0052
	Citizens Advice Sheffield	EUC0076
	Citizens Advice Swansea Neath Port Talbot	EUC0042
	Citizens Basic Income Trust	EUC0096
	Community Housing Cymru	EUC0062
	Contact	EUC0103
	Councillor Jane Corbett	EUC0095
	Cornwall Housing	EUC0038
**	Neil Couling CBE, Change Director General and Senior Responsible Owner for Universal Credit, Department for Work and Pensions (QQ 117–136)	EUC0132
	Coventry Citizens Advice Bureau	EUC0027
	Dr Laura Davies and Dr Natalia Gerodetti, Leeds School of Sciences at Leeds Beckett University	EUC0087
	Dr Christine Davies	EUC0100

	Dr Stephanie Denning and Dr Chris Shannahan, researchers at the Centre for Trust, Peace and Social Relations, Coventry University	EUC0033
	Depaul UK	EUC0049
**	Department for Work and Pensions (QQ 117–136)	EUC0115
**	Disability Rights UK (QQ 103–108)	EUC0037
	Dudley Council, Dudley Welfare Rights Service	EUC0089
	Richard Ebley	EUC0004
*	Giles Elliott, Advice Service Manager, Manchester Mind (QQ 1–8)	
	Engender	EUC0078
	Equity Trade Union, Tax and Welfare Rights Team	EUC0020
	Families Need Fathers	EUC0080
	Andrew Forsey, National Director, Feeding Britain	EUC0029
	Friends of Cathja	EUC0108
	Frontline Network	EUC0074
**	Gingerbread (QQ 25–30)	EUC0013
	GIPSIL	EUC0032
	Nadia Gooch	EUC0129
*	Paul Gray, former Chair of the Social Security Advisory Committee (QQ 44–54)	
**	Dr Rita Griffiths, Research Fellow, University of Bath (QQ 25–30)	EUC0015
**	Kirsty Harkins, Universal Credit claimant and volunteer at Sale Moor Community Partnership (QQ 109–116)	EUC0073
	Stuart Heath	EUC0116
	Ray Herbert	EUC0019
	Sharon Higgins	EUC0117
*	Professor Sir John Hills, Professor of Social Policy, London School of Economics (QQ 1–8)	
	Sasha Hole	EUC0007
	Homeless Link	EUC0043
**	Marilyn Howard, Honorary Research Associate, University of Bristol Law Group and Member of Women's Budget Group (QQ 25–30)	EUC0018 EUC0118
	Institute of Revenues Rating and Valuation	EUC0035
	Isle of Wight Council, Housing Benefits Department	EUC0006
**	Dr Katy Jones, Senior Research Associate, Manchester Metropolitan University (QQ 9–16)	EUC0045

★★	Joseph Rowntree Foundation (QQ 17–24)	EUC0017
	Karbon Homes	EUC0061
	Robert Knight	EUC0069
	Robert Lang	EUC0011
	Leeds City Council	EUC0106
★	Garry Lemon, Director of Policy, External Affairs and Research, The Trussell Trust (QQ 17–24)	
	Lewisham Refugee and Migrant Network	EUC0041
	Local Government Association	EUC0120
	Low Incomes Tax Reform Group	EUC0010
	Macmillan Cancer Support	EUC0044
	Making Every Adult Matter	EUC0099
	Maternity Action	EUC0123
	Ruth Melia	EUC0071
	Mind	EUC0084
	Money Advice Plus	EUC0090
★★	Gareth Morgan, Managing Director, Ferret Information Systems (QQ 44–54)	EUC0012 EUC0124 EUC0127
	Rebecca Nash	EUC0026
	National Federation of ALMO's and Association of Retained Council Housing	EUC0031
	National Housing Association of Welfare Rights Advisers	EUC0098
★★	National Housing Federation (QQ 55–61)	EUC0126
	Nationwide Foundation	EUC0055
	Newcastle City Council and Your Homes Newcastle	EUC0063
	Olivia Newman	EUC0059
	NHS Health Scotland	EUC0005
	North Tyneside Citizens Advice Bureau	EUC0021
	Stephen Oxbrow	EUC0122
	Ruth Patrick, Lecturer in Social Policy and Social Work at the University of York, Mark Simpson, Lecturer in Law, Ulster University and UC:Us	EUC0054
	Peabody	EUC0091
★	Nick Phillips, Project Co-ordinator of London Unemployed Strategies and Chair of the Commission on Social Security (QQ109–116)	
	Policy in Practice	EUC0056

	Poverty Alliance	EUC0077
	Samantha Price	EUC0034
	Radian	EUC0093
	T Rees	EUC0002
	Refuge	EUC0094
	Residential Landlords Association and National Landlords Association	EUC0050
**	Resolution Foundation (QQ 62–78)	EUC0107
*	Michael Royce, Senior Policy Manager, Money and Pensions Service (QQ 79–91)	
	Save the Children	EUC0072
**	Scope (QQ 103–108)	EUC0079
	Diane Scotland	EUC0128
	Scottish Federation of Housing Association	EUC0048
*	Rt Hon Sir Iain Duncan Smith MP, former Secretary of State for Work and Pensions (QQ 31–43)	
	South West Aberdeenshire Citizens Advice Bureau	EUC0023
**	Southwark Council (QQ 55–61)	EUC0125
	Paul Spicker, Emeritus Professor of Public Policy, Robert Gordon University	EUC0001
*	Emma Stewart, CEO & Co-Founder, Timewise Foundation (QQ 92–102)	
*	Baroness Stroud, former Special Adviser to the Secretary of State for Work and Pensions (QQ 31–43)	
	Dr Kate Summers, Fellow at the London School of Economics and David Young, Doctoral researcher at the University of Bath	EUC0058
	Supported Housing in Partnership	EUC0067
	Survivors of Economic Abuse	EUC0040
	Swansea Council, Tackling Poverty Service	EUC0046
	Swansea Council, Housing Service	EUC0047
	Taxpayers Against Poverty	EUC0111
	The Advice Shop	EUC0003
	The Guinness Partnership	EUC0105
	The Hyde Group	EUC0039
	The Riverside Group Ltd	EUC0064
**	The Salvation Army (QQ 17–24)	EUC0014 EUC0131
	The Welcome Centre	EUC0030

	The Women's Organisation	<u>EUC0092</u>
★	Mike Tighe, Universal Credit claimant and Member of Southwark's 'Know your Rights' benefits support group (<u>QQ 109–116</u>)	
★	Nicholas Timmins, Senior Fellow, Institute for Government and The King's Fund (<u>QQ 62–78</u>)	
	Zoë Titchener	<u>EUC0081</u>
	Tower Hamlets Council	<u>EUC0065</u>
	Trades Union Congress	<u>EUC0082</u>
	Union of Shop Distributive and Allies Workers	<u>EUC0036</u>
	Unite the Union	<u>EUC0110</u>
	Vivid Homes	<u>EUC0119</u>
★	Tom Waters, Senior Research Economist, Institute for Fiscal Studies (<u>QQ 9–16</u>)	
	Peter Whiteford, Crawford School of Public Policy, Australian National University	<u>EUC0024</u> <u>EUC0025</u>
	Laurie A Williams	<u>EUC0130</u>
★	Tony Wilson, Institute Director, Institute for Employment Studies (<u>QQ 92–102</u>)	
	Women's Budget Group	<u>EUC0016</u> <u>EUC0118</u>
★	Dr Sharon Wright, Professor of Social Policy, University of Glasgow (<u>QQ 79–91</u>)	
	Wycombe Refugee Partnership	<u>EUC0114</u>
	Zacchaeus 2000 Trust (Z2K)	<u>EUC0101</u>

APPENDIX 3: GLOSSARY

Edited version of glossary written by Marsha Wood for *Uncharted Territory: Universal Credit, Couples and Money*.³²³

Administrative Earnings Threshold (AET): Claimants with very low earnings below a certain level, known as the administrative earnings threshold (AET), are expected to carry out intensive work related activity as part of their claimant commitment if relevant to their conditionality requirements. Only employed earnings can contribute to meeting the AET (this means that self-employed earnings will not count towards it).

Advance Payment: Claimants who are struggling to cope financially while they wait for their first Universal Credit payment can apply for an advance payment. The maximum awarded as an advance is the amount of their first estimated Universal Credit monthly payment. Advances are repayable and claimants start to pay back them back from their first Universal Credit payment. Currently advances must be repaid in full within 12 months (due to be extended to 24 months from October 2021).

Alternative Payment Arrangement (APA): Alternative Payment Arrangements (APAs) are for claimants on Universal Credit who are deemed to be struggling to manage a single monthly payment, with a risk of financial harm to the claimant and/or their family. The following APAs are available: paying housing costs of Universal Credit as a Managed Payment (MP) direct to the landlord, sometimes called 'direct payments'; more frequent payments (typically, twice monthly but also potentially four times per month); and split payment of an award between the partners on a joint claim.

Applications/declarations: When an individual/household provides information on their personal circumstances to begin a Universal Credit claim. Not all will go on to receive a payment.

Benefit Cap: The benefit cap is a limit on the total amount of income from certain benefits a household can receive. It is set at a different level depending on whether claimants live inside or outside London. Some claimants who are in paid work may be exempt from the benefit cap if their earnings are high enough.

Bedroom Tax: Also known as 'under-occupancy charge' or 'abolition of the spare room subsidy', this is a reduction in housing benefit or the housing element of Universal Credit for people who live in council or social rented sector housing and are classed as having one or more spare bedrooms.

Benefit Run-On: A non-recoverable two-week Housing Benefit run-on was introduced in April 2018, and a two-week run-on for claimants moving on to Universal Credit from Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance is to be introduced in July 2020.

Budgeting Advance: Claimants might be able to get a budgeting advance to help with items such as emergency household needs, work related costs or funeral costs. To be eligible for a budgeting advance, claimants must have been getting

323 Rita Griffiths, Marsha Wood, Fran Bennett and Jane Millar, *Uncharted Territory: Universal Credit, Couples and Money* (June 2020): <https://www.bath.ac.uk/publications/uncharted-territory-universal-credit-couples-and-money/attachments/Uncharted-Territory-Universal-Credit.pdf> [accessed 21 July 2020]

Universal Credit for six months or more unless they need the money to start or stay in work. They must have also been earning under certain amounts and must have paid off any previous budgeting advances.

Carer's Allowance: Carer's Allowance is a non-means-tested, non-contributory benefit for eligible working age carers not in receipt of other benefits. Recipients can combine caring with a small amount of paid work before eligibility is lost. Carer's Allowance is deducted pound for pound from the Universal Credit award.

Carer Element of Universal Credit: People caring for a severely disabled adult or child for 35 hours per week or more, who are eligible for Universal Credit, may qualify for the carer element. Those in receipt of the carer element can combine caring with paid work, but any earnings are included in the taper (above the work allowance, if relevant). Eligible claimants can choose whether to receive Carer's Allowance or the carer element of Universal Credit, but they cannot receive both at the same time.

Change of Circumstances Reporting Requirements: Some changes in circumstances must be reported each month, and failure to report might lead to Universal Credit being stopped or reduced. Changes include: finding or finishing a job, having a child, moving in with a partner, starting to care for a child or disabled person, moving to a new address, changes to bank details, rent going up or down, changes to health condition, becoming too ill to work or meet a work coach, changes to earnings (only for self-employed or those not paid through the PAYE system).

Child Amount/Element in Universal Credit: A 'child amount' may be included in a Universal Credit award for each dependent child or 'qualifying young person' for whom claimants are responsible. However, there is a two-child limit. A child amount is only paid for a third or subsequent child if they were born before 6th April 2017 unless there are exceptional circumstances. There are additional amounts for disabled children.

Childcare Element of Universal Credit: Claimants with dependent children receiving Universal Credit can reclaim up to 85 per cent of their childcare costs, up to certain maximum amounts per month if they are in paid employment or, in the case of couples, if both partners are in paid employment. To make the claim for childcare costs under Universal Credit, claimants have to pay their childcare costs upfront and then re-claim each month in arrears for the hours they have used in each assessment period.

Child Tax Credit (CTC): Child Tax Credit is a means-tested tax-free payment administered by HMRC. CTC is for low income people, whether working or not, who are responsible for children. CTC is being replaced by Universal Credit. CTC claimants can choose whether to have it paid weekly or four-weekly.

Claimant Commitment: The claimant commitment sets out what the claimant has agreed to do to prepare for and/or look for work, or to increase their earnings if they are already working. It is based on their personal (and joint, if claiming as a couple) circumstances and reviewed and updated on an ongoing basis. If claiming Universal Credit as a couple, both partners have their own commitment which they need to accept for the joint claim to be 'eligible'. Universal Credit payments to the couple may be subject to sanctions if claimants do not meet their individual responsibilities.

Conditionality Earnings Threshold (CET): Claimants earning above a certain level will not be asked to carry out work-related activity as part of their claimant commitment. This is known as the conditionality earnings threshold (CET). The CET is calculated on an individual basis by multiplying the National Minimum Wage by the number of a claimant's expected hours. The joint CET for a couple is a combination of the individual expected CET of each of the adults in the household (joint claimants, or including an ineligible partner of a claimant). In a couple, if one of the adults has earnings above the joint CET, both claimants are placed in the 'working enough' regime, regardless of whether they are both working or not.

Council Tax Support (CTS)/Council Tax Reduction (CTR): Council Tax Support, also known as Council Tax Reduction, is a scheme for reducing the council tax payable for people on low incomes and/or in certain categories. Eligibility criteria and entitlement rules vary from one local authority area to another.

Deductions: Deductions are monthly amounts mandatorily taken on an automated basis from a claimant's Universal Credit award to repay outstanding loans and debts owed to the government and/or third parties—including local authorities, landlords and utility providers—for a range of debts including advances, benefit overpayments, emergency loans, rent arrears, council tax arrears, utility arrears and court fines. They reduce at source a claimant's Universal Credit payment and can be taken without the claimant's consent. In couples claiming Universal Credit jointly, the loans and debts of both the partners are aggregated to apply these deductions. Last resort deductions are taken in order to help prevent claimants being evicted or disconnected from their fuel supply.

Department for Work and Pensions (DWP): National government department responsible for the administration of social security benefits. The devolved governments have responsibility for administering some benefits and for some elements of UK-wide benefits.

Disability Living Allowance (DLA): Disability living allowance (DLA) provides non means—tested help towards the extra costs of bringing up a disabled child. It is paid in addition to other social security benefits and can give access to other types of help. DLA has two parts: a mobility component—for children with walking difficulties, paid at either a lower rate or a higher rate; and a care component—for children needing extra personal care, supervision or watching over because of a disability—which is paid at three different rates. Children can be eligible for either the care component or the mobility component on their own, or both components at the same time. DLA is normally for children under the age of 16.

Employment and Support Allowance (ESA): ESA is for people under State Pension Age who have a disability or health condition that affects how much they can work. You can be in or out of work and claim ESA but there are conditions about working whilst on ESA. Most new claims are for 'new style' (contributory) ESA for people who have worked and paid enough National Insurance contributions in the last two to three years. The other type of ESA is income-related ESA, which is means tested and for people who do not have enough National Insurance contributions to claim new style ESA. Income-related ESA is being replaced by Universal Credit.

Flexible Support Fund (FSF): This is a discretionary fund introduced in 2011 to give Jobcentre Plus advisers more flexibility to support Universal Credit claimants back to work. The FSF can be used to pay for upfront childcare costs until a claimant receives their first wage. FSF payments are not loans and do not need to be repaid.

Help to Claim: The 'Help to Claim' service started in April 2019 and is delivered independently of the DWP by Citizens Advice and Citizens Advice Scotland to provide free, confidential assistance to applicants making a claim for Universal Credit. The service can be accessed any time until the first full correct payment of Universal Credit is in place.

Housing Benefit (HB): Housing benefit is being replaced by Universal Credit for those of working age (see 'Housing costs element of Universal Credit', below). Housing benefit helps people to pay their rent. To be eligible for housing benefit, claimants need to be on a low income—for example, being on income-related ESA, income-based JSA, income support or the guarantee credit element of pension credit—but those with low earnings may also qualify. Housing benefit does not always cover all claimants' rent—for example, if the level of income is too high for all the rent to be met, or if the benefit cap has been applied. For private renters, rent is only met up to the level of the Local Housing Allowance.

Housing Costs Element of Universal Credit: A housing costs amount may be included in a claimant's Universal Credit award if they pay rent to a landlord. The amount people get is normally based on the number of rooms people are deemed to need depending on the size of the household. Owner-occupiers can now only get support for mortgage interest as a loan, and only if they have been out of work and receiving Universal Credit continuously for nine months.

Income Support (IS): A means-tested benefit that supports claimants to cover their costs if they are on a low income. For people to be eligible, they need to have no income or be on a low income, and have no more than £16,000 in savings. They are not entitled to IS if they work for 16 hours or more a week or if their partner works for 24 hours or more a week (although there are some exceptions). They, or their partner, must not be claiming income-based JSA or income-related ESA. Claimants can only still apply for Income Support if they either receive the severe disability premium or are entitled to it, or received or were entitled to it in the last month and are still eligible for it.

Jobseeker's Allowance (JSA): Jobseeker's allowance is for people who are unemployed or working less than 16 hours per week and who are seeking work. There are two types of JSA. Income based JSA is a means-tested benefit and is being replaced by Universal Credit. 'New style' JSA is a contribution-based benefit and means that people can claim it if they have paid and/or been credited with enough National Insurance (NI) contributions in the two full tax years before the year they're claiming in. New Style JSA can be claimed on its own or at the same time as Universal Credit.

Joint Claim: Couples who live together in the same household (same sex or opposite sex) cannot claim Universal Credit as individuals, but must claim jointly. This is called a joint claim. When one person, rather than a couple, is claiming Universal Credit or other benefits this may be described as a Single Claim.

Joint Claimant: Someone who is part of a joint Universal Creditor legacy benefit or tax credits claim. When someone is claiming Universal Credit or other benefits on their own, they may be described as a Single Claimant or a Sole Claimant.

Lead Carer: Couples on Universal Credit with dependent children are required to nominate a 'lead carer' with main responsibility for looking after the children. This person is also sometimes known as a 'main carer'.

Legacy System (of Benefits and Tax Credits): This relates to the means-tested benefits and tax credits being replaced by Universal Credit. There are six legacy benefits and tax credits: Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit, Working Tax Credit.

Limited Capability for Work in Universal Credit: Universal Credit claimants may be asked to attend a Work Capability Assessment (WCA) to assess whether their health condition or disability affects their ability to work. A decision-maker will use the outcome of the WCA to decide whether the claimant is fit for work; has a limited capability for work which means that they will not have to look for work, but will need to take steps to prepare for work; or has limited capability for work and work-related activity—meaning that the claimant will not be asked to look for or prepare for work.

Local Housing Allowance (LHA): LHA is the rate of local rent used to calculate housing benefit for tenants renting from private landlords (see Housing benefit, above).

Lone Parent: Person with dependent children living without a partner. They may have a partner who does not live with them.

Managed Migration: Managed migration is the process in which the Department for Work and Pensions will move claimants from the legacy benefits to Universal Credit. The current date by which all claimants should be moved from the legacy benefit to Universal Credit is September 2024. Managed migration is currently only being tested in Harrogate in a pilot known as 'Move to Universal Credit'. (Suspended due to COVID-19.) If a legacy benefit claimant has a relevant change of circumstances, they must make a claim for Universal Credit. This is known as 'natural migration' on to Universal Credit. This term also covers the way in which some benefits have now been closed to new claims, with anyone wishing to claim benefit for that situation having to claim Universal Credit. People can also choose to move to Universal Credit if they want to.

Monthly Assessment/Payment: Universal Credit is means-tested and calculated separately each month. Known as the 'assessment period', the fixed monthly assessment window begins on the first day a sole or joint claimant becomes eligible for Universal Credit and ends a calendar month later. Payment is made seven days later on the same date each month, but the day of the week it is paid varies from one month to the next and from one claimant to the next, depending on the date the claim becomes 'eligible'.

Minimum Income Floor: When claimants are self-employed and they claim Universal Credit, they are treated as if they are earning a certain amount. This amount is called the 'minimum income floor'. If the minimum income floor applies and claimants earn below this level in any month, they are treated as earning the minimum income floor. (Suspended due to COVID-19.)

Online Journal/Online Universal Credit Account: Universal Credits managed through an online account and journal. The journal is used to keep a record of the actions claimants have taken to prepare for or look for work; for claimants to send messages to their work coach and read messages sent to them; report a change of circumstances; record childcare costs; provide details about a health condition or disability. The account can be used to see how much Universal Credit payments are, to check what has been agreed in the claimant commitment and to report changes of circumstances. Actions claimants need to take whilst on Universal Credit are set out in a 'to do' list on their online account.

Overpayments: If claimants are overpaid their benefits or tax credits, the repayments can be taken from them through deductions from their current benefit payments; through taking it out of benefits owed to them such as arrears; by taking amounts directly out of wages; and via a court order for debt recovery.

Personal Independence Payment (PIP): PIP is a benefit for adults who have a physical or mental disability and need help taking part in everyday life or find it difficult to get around. It replaced disability living allowance for people aged 16 and over. PIP is tax-free and not means-tested or contributions-based. PIP has two parts: a daily living component—for help taking part in everyday life; and a mobility component—for help getting around. Each component is paid at a standard rate or an enhanced rate.

Real Time Information (RTI) System: For claimants in employment and on PAYE, Universal Credit payments are adjusted on a monthly basis as wages rise or fall using a new real time information system (RTI) introduced in 2013 through which employers report payroll information to HMRC (although self-employed people still need to report their income manually).

Rent Arrears: Owing money to a landlord (social or private) due to missing, or being late with, rent payments in whole or in part.

Sanction: A Universal Credit sanction is when claimants have a cut in their benefit after being judged as failing to meet their 'claimant commitment' without a good reason.

Separate payments: A proposal to pay part of Universal Credit to each partner in a couple either by default or by choice as of right.

Severe Disability Premium: A Severe Disability Premium is an extra amount that is included in some means-tested benefits to help with the costs of disability. People who are entitled to a Severe Disability Premium cannot claim Universal Credit and can still make new claims for the benefits being replaced by Universal Credit.

Single Payment/Single Award: All the elements of Universal Credit paid together at one time, usually into one bank account for couples.

Split Payment: This is when a benefit award is split between the partners to a joint claim. Split payments are one of the Alternative Payment Arrangements (APAs) for claimants on Universal Credit who are deemed to be struggling to manage their single monthly payment, with a risk of financial harm to the claimant and/or their family (see above). They are awarded on an exceptional, discretionary and usually temporary basis.

Standard Allowance: Universal Credit is made up of a standard monthly allowance, with some people being able to claim additional amounts. Standard monthly amounts vary depending on whether you are single or in a couple and on whether you are under or over 25.

Surplus Earnings Rule: If earnings within the assessment period reduce the Universal Credit award to zero, any 'surplus earnings' in that month are carried over and counted as earnings in the following month. Claimants are only currently treated as having surplus earnings if earnings are at least £2,500 per month above the income level at which the Universal Credit award would drop to zero.

Taper Rate: The taper rate sets the amount of benefit a claimant loses for each pound they earn. The earnings taper rate for Universal Credits currently 63 per cent. This means that for every pound claimants earn (over their work allowance, if eligible for one) their Universal Credit will be reduced by 63 pence. This taper rate applies to net income (after any income tax and NI contributions). Council tax support/reduction may be reduced with rising earnings in a separate process.

Transitional Protection: Transitional Protection tops up a claimant's Universal Credit award so that they are not worse off when they move on to Universal Credit through managed migration if they otherwise would be. It is usually eroded over time through inflation.

Two-Child Limit: Claimants cannot claim the child element of Universal Credit in respect of a third or subsequent child born after April 2017, unless they are included in a limited range of exceptions.

Universal Support: Universal Support was delivered by local authorities, funded by grants from the Department for Work and Pensions (DWP). It was a scheme to help people make a Universal Credit claim and manage ongoing payments. It was withdrawn and replaced with Help to Claim in April 2019. When Universal Credit was first proposed there were ideas about an alternative Universal Support system that were not pursued.

Welfare Cap: limits the total amount that Government can spend on certain benefits, including tax credits and housing benefit.

Work Allowance: Working claimants are eligible for a work allowance if they (and/or their partner) either have responsibility for a child or limited capability for work. This is a certain amount that they are permitted to earn per month before their benefits start to be reduced. Rates are different for those with and without housing costs included in their Universal Credit award.

Work Coach: Work coaches are front-line DWP staff based in Jobcentres. Their main role is to support claimants into work by challenging, motivating, providing personalised advice and using knowledge of local labour markets. This involves conducting work focused interviews and agreeing tailored 'claimant commitments'.

Work Conditionality: Under the claimant commitment, people may be required to fulfil work conditionality requirements. These vary according to circumstances and there is some discretion in how they are applied.

Working Tax Credit (WTC): WTC is being replaced by Universal Credit. WTC is a means-tested tax-free payment administered by HMRC. WTC is for those who are either individuals in low-paid work or in households on low incomes with an earner, whether or not they are responsible for children. Working Tax Credit claimants can choose whether to have the benefit paid weekly or four-weekly.