Department for Work & Pensions

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Rt Hon. Stephen Timms MP
Chair, Work and Pensions Committee

Rt Hon. Lord Forsyth of Drumlean
Chair, Economic Affairs Committee

21 June 2021

Dear Mr Timms and Lord Forsyth,

Thank you for your letter of 12 May requesting further information following the concurrent meeting of the Economic Affairs Committee and the Lords Economic Affairs Committee on 9 March 2021. I address your questions below.

1. How and when should claimants expect the Government to communicate what will happen to the uplift?

Throughout the pandemic, the government has moved quickly to provide people with the support they need. Universal Credit (UC) has stood up to the challenge, coping with a near doubling of the caseload since March.

The Chancellor acted swiftly to announce the £20 uplift to UC as a result of the Covid-19 pandemic. The government has always been clear that the £20 increase was a temporary measure to support households affected by the economic shock of Covid-19, and decisions on whether to extend support would be made as the economic and health picture became clearer.

As announced at the most recent Budget on the 3rd March, the Chancellor has extended the uplift for a further six months until October 2021, in order to provide stability as social distancing measures continue to be relaxed. There have been significant positive developments in the public health situation since the increase was first announced, including a hugely successful vaccine rollout. Over 70% of all adults vaccinated against coronavirus, and 43.5% of adults having received both vaccines.

2. What work has the DWP completed, or commissioned, to consider the proposal of an initial payment during the five-week wait for the first award?

3. What led you to conclude that this proposal would be “workable”?

The introduction of non-recoverable advances to cover claimants until their first UC award is not a feature that the Department supports. Aside from the significant cost of this approach, non-repayable advances could not be implemented without significant reprioritisation of current measures: our focus remains firmly on ensuring that millions of new and existing claimants continue to receive their payments on time, and that we do everything possible to support people back into work where it is right to do so.

Under UC, new claim advances are available urgently to claimants if they are in need of financial help. Previously, claimants who received an advance had their UC award spread across thirteen payments in a year rather than twelve. We are now giving claimants the option of spreading their UC award across twenty-five payments over twenty-four months.

As you will know, I was keen to bring forward this change and we introduced this improvement for new advances some six months earlier than planned in April. Claimants have always been able to ask for repayments to be deferred for up to three months in exceptional circumstances, something that predated the recent implementation of *Breathing Space*.

Furthermore, from October 2019 the overall normal maximum level of deductions that can be taken from UC was reduced from 40% to 30% of the Standard Allowance, and was decreased further to 25% in April 2021. This will provide claimants who are faced with the maximum level of deductions with a larger UC award then previously.

4. How was the two-year implementation period calculated?

5. Please could you share with us the detailed calculations which produced the estimated cost of £2bn–£2.5bn? In particular, we would be interested to see the assumptions made about possible savings from existing run-ons, and how the expected reduced demand for Advances was taken into account.

This estimate was derived from the Spring 2020 forecasts, which are based on the Department's inflow forecasts, with an assumed take-up rate of 100%.

The estimated cost you are asking about is based on the forecasted inflows as per Spring Budget 2020 and the average award for UC. We did not assume that this payment will replace the run-on payments and assumed this payment will be additional to these. For reference, the run-on costs are around £100m per year. We assume 100% take-up as this will not be repaid so every claimant will receive the non-repayable advance. The reduction/increase in the inflows is within the forecasted inflows although no account has been taken of any behavioural effects.

6. Your estimate of the costs of this proposal was derived from the Spring 2020 forecasts. Given how much has changed since then, please could you now provide an estimate based on the Spring 2021 forecasts?

Based on the Spring 2021 Budget, the estimated cost is forecast to be £2.2bn-£2.8bn per year.

7. What criteria would you use to make such a recommendation to the Treasury on the reduction of historical tax credit debt?

HMRC uses established criteria to identify and remit debt where recovery would not represent best value for money.

Once the debt is with DWP, our approach to recovery is flexible. Customers can contact Debt Management to discuss and agree a rate of repayment that is affordable and sustainable. In addition, the DWP waiver policy enables the department to write off part or all of an amount outstanding if it is considered, based on the evidence provided by the customer, that the recovery of the overpayment is detrimental to the health and/or welfare of the customer or their family, or that recovery would not be in the public interest.

We keep our policies under review to ensure that they remain fit for purpose.

8. What was the source of Mr Couling's statement that "97% of married couples pool their income"? What is your assessment of the reliability of this statistic?

This statistic was derived from a report published in 2010. Table 8.11, page 221, in Maplethorpe et al (2010), 'Families with children in Britain: Findings from the 2008 Families and Children Study (FACS)'. DWP Research Report 656.

The committee may also be interested to note that in the Wealth and Assets Survey, published by the Office for National Statistics, 91% of married couple have shared accounts:
https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionssavingsandinvestments/adhocs/009434percentageofindividualsincoupleswithnosharedfinancialassetsgreatbritainjuly2014tojune2016

9. You and Mr Couling told us that 60% of Universal Credit payments "go to the woman in a relationship." What was the source of that statement? What is your assessment of the reliability of this statistic?

Since Summer 2019, the online claim process has featured messaging that encourages joint claimants to select the bank account of the main carer when choosing where Universal Credit payments should be paid to.

An ad-hoc stats release in January 2019 d showed that, for couple claimants where the gender of the account holder could be identified, 59% of accounts are held by a female, with 41% held by a male. This is the source of the statistic stated in the Government's response to the report from the Joint Committee on the Draft Domestic Abuse Bill, that 'around 60 per cent of Universal Credit payments go to the main carer, usually a woman': ,
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774240/universal-credit-gender-of-bank-account-holders-august-2018.pdf

10.How would providing separate payments to individuals in a couple prevent them from pooling their income subsequently?

It wouldn’t prevent pooling income for the couples who wish to do so. As the very great majority of couples already choose to pool their resources, splitting payment of UC by default delivers no advantage for them.

Making payment to all couples in this way would require automation, introducing great complexity and risk to effective delivery of. UC. This is why the Government continues to support a more proportionate response, whereby the small minority of claimants who do need split payment, such as those victims of domestic abuse who believe this would be helpful in their individual circumstances, only need to request that payment is made in this way. That can then be delivered simply and efficiently through manual processes.

Yours sincerely,

Will Quince MP

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12 May 2021

Dear Will,

We are writing to request further information following your oral evidence at the concurrent meeting of the Economic Affairs Committee and the Work and Pensions Committee on 9 March 2021.

You were asked why the uplift to the Standard Allowance and Working Tax Credit was scheduled to end in the autumn at the point at which unemployment is expected to rise following the end of COVID-19 wage subsidies. You said that the economy and labour market may improve before that point, and that:

> "… it is right that the Chancellor of the Exchequer continues to look at the economic, societal and health picture going forward and is able to take a view at the end of the summer, or perhaps as we approach the last quarter of this year, on how best we continue to support some of the lowest paid, most vulnerable, poorest and most disadvantaged in our country."[1]

To ensure that claimants can plan their finances, we would be grateful if you could tell us:

1. **How and when should claimants expect the Government to communicate what will happen to the uplift?**

You said that you considered proposals to provide an initial payment, instead of an advance, during the five-week wait for the first award to be "workable" but that it may cost between £2 billion and £2.5 billion and take around two years to implement.[2] The Chair of the Work and Pensions Committee tabled written questions asking for more information about this assessment. Your answer to those questions explained that:

[1] Q 1
[2] Q 2

> This estimate was derived from the Spring 2020 forecasts, which are based on the Department's inflow forecasts, with an assumed take-up rate of 100%. There are no plans to introduce a non-repayable grant.

We would be grateful for fuller information on this point.

Please could you tell us:

2. **What work has the DWP completed, or commissioned, to consider the proposal of an initial payment during the five-week wait for the first award?**
3. **What led you to conclude that this proposal would be "workable"?**
4. **How was the two-year implementation period calculated?**
5. **Please could you share with us the detailed calculations which produced the estimated cost of £2bn–£2.5bn? In particular, we would be interested to see the assumptions made about possible savings from existing run-ons, and how the expected reduced demand for Advances was taken into account.**
6. **Your estimate of the costs of this proposal was derived from the Spring 2020 forecasts. Given how much has changed since then, please could you now provide an estimate based on the Spring 2021 forecasts?**

In response to a question on reducing tax credit debt, you said:

> "… There may be a case … for a potential write off of some historic debt over a certain period. But they are decisions for the Chancellor of Exchequer, no doubt in consultation with our Secretary of State."

We asked you what criteria you would use to make such a recommendation. You said, "I would have to give that question some significant thought, which I am happy to do."

7. **What criteria would you use to make such a recommendation to the Treasury on the reduction of historical tax credit debt?**

When answering questions on separate payments for couples, Neil Couling CBE told us that 97% of married couples pool their income and that 60% of Universal Credit payments are paid "to the woman in a relationship". The Women's Budget Group has written to us with concerns about the use of these statistics. We enclose their letter for reference. Please could you tell us:

8. **What was the source of Mr Couling's statement that "97% of married couples pool their income"? What is your assessment of the reliability of this statistic?**

In January 2019, the Department published analysis of data relating to couples claiming Universal Credit which showed that, in cases where the gender of the account holder could be identified, 59% of bank accounts into which UC was paid were held by women. However, the same publication made clear that gender could not be identified in 40% of couple claims.

9. **You and Mr Couling told us that 60% of Universal Credit payments "go to the woman in a relationship." What was the source of that statement? What is your assessment of the reliability of this statistic?**
10. **How would providing separate payments to individuals in a couple prevent them from pooling their income subsequently?**

We would be grateful if you could provide answers to our questions by 26 May 2021. We intend to publish this letter along with your response.

Yours sincerely,

Rt Hon. Stephen Timms MP
Chair of the Work and Pensions Committee

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12 March 2021

Dear Lord Forsyth and Lord Livingston

We were concerned to read the responses during the joint oral evidence session on 9 March by the Minister and the Senior Responsible Owner for Universal Credit (UC) to Lord Livingston's questions about the possibility of separate payment of UC to partners in couples, in particular in relation to:

- the organisation and management of money by couples in the UK;

- the data on the recipient of UC in couples; and

- the references to the Scottish Government's intention to try to introduce separate payments more widely than the current split payment exception.

We wanted to write to give some information below on each of these, which we hope may be of interest, and also helpful if you are planning to follow this up.

We (Marilyn Howard and Fran Bennett) have worked on these issues for some time, in particular as members of the Policy Advisory Group of the UK Women's Budget Group (WBG), whose director, Mary-Ann Stephenson, is also joining us in signing this letter. The WBG is an independent network of academics, policy experts and others who regularly analyse economic policy, especially government spending and taxation plans, from a gender perspective.

1. In relation to the **organisation and management of money by couples** in the UK, research evidence has revealed a complex picture. (See https://wbg.org.uk/wp-content/uploads/2021/01/Money-in-the-household-FINAL-with-cover-2.pdf, by Marilyn Howard and Fran Bennett, published by WBG.)

We did not recognise the figure of 97% that the Senior Responsible Owner cited in relation to the proportion of married couples who pool their income. He may be referring to figures often given by the Government about this, however, which is that only 2% of married couples and 7% of cohabiting couples have completely separate finances. These statistics in fact come from the Families and Children Study carried out in 2008, and thus refer to couples with children rather than all couples. Those with children have been found to be more likely to pool their incomes, although the Work and Pensions Committee has noted that the same study showed only about half of married/cohabiting couples with children sharing *and managing* their finances completely jointly.

The EU-SILC study had a special module in 2010 exploring whether couples pooled their income, and some 30% did not do so fully. In relation to the UK, the Poverty and Social Exclusion survey in 2012 found that 49% of couples pooled and managed finances jointly, with a further 15% pooling some of the money and keeping the rest separate. A more recent Scottish Social Attitudes Survey found that in 2019/20 two-fifths of those living with a partner in Scotland put all their income into a joint pool, whilst a fifth kept all or almost all their own income themselves. Couples often use different arrangements to cope with the complexities of modern family life (e.g. when living in 'blended' families); and younger couples in particular are more likely to have more independent finances today.

In any case, the introduction of separate UC payments by default (potentially with a choice to opt out of this) would not adversely affect couples' ability to pool their incomes. Many do so currently whilst having separate incomes (including from wages). Deciding whether to pool income and how to organise it is different from each partner's access to income in the first place. The payment to one account is potentially more momentous for Universal Credit, because it has integrated different benefits which previously might have been paid to each member of the couple. In its equality impact assessment for UC, the government stated that it would consider the potential impacts of paying UC to one partner; it is not clear that it has done so to date.

2. In relation to the statement made in oral evidence that **60% of UC payments in couples are made to the woman**, it is important to recognise the current data limitations in this area. We presume that this statistic is taken from the ad hoc research carried out by the Department in 2019 on its own payments system data: https://www.gov.uk/government/statistics/gender-of-bank-account-holders-on-universal-credit

This research was based on identifying the sex of the bank account holder by the person's name. From data regarding 120,000 couples, identification was only possible in 60% of cases. In 59% of these cases, UC was identified as being paid to a female held account (around 42,480), and in 41% to a male held account (around 29,520). Detail is missing for 40% of couples in that data set (around 48,000). So it would be more accurate to say that, where the sex of the account holder is known, 59% of these are female. Joint accounts were omitted where this was obvious, but this may not always have been clear.

The 'nudge' to couples to nominate the main carer for payment, proposed by Amber Rudd when Secretary of State, was welcome; but this is only a 'nudge', only covers claimants with children, and in any case leaves all the payment still going to one person (or a joint account).

3. In relation to the references to the **Scottish Government's intention to have separate payments of UC to partners in couples**, it is important to recognise that responsibility is shared with the UK Government, rather than being entirely devolved to Scotland. Universal Credit is a reserved benefit, and Scottish Ministers only have devolved powers over certain payment policy areas under section 30 of the Scotland Act 2016. https://www.legislation.gov.uk/ukpga/2016/11/section/30/enacted

As section 30 states, the powers are 'exercisable by the Scottish Ministers *concurrently* with the Secretary of State'. Section 30(4) also shows that the Secretary of State can decide on practicality and timing.

So, whilst split payments are currently delivered manually, the purpose of wider separate payments is to automate these, i.e. to integrate them into the IT system. As the DWP is responsible for the IT system that delivers UC, it is not possible for the Scottish Government to implement separate payments in the broader way envisaged without collaboration with the DWP. This is not to deny that, with an integrated payment such as UC, there are significant challenges in introducing separate payments in practice - see this recent article by Marilyn Howard and Fran Bennett, for example: https://onlinelibrary.wiley.com/doi/epdf/10.1111/issr.12251

We hope that the above information is helpful for any further consideration of this issue.

Yours sincerely

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