

CITIZENS ADVICE CHESTERFIELD – WRITTEN EVIDENCE (EUC0088)

The economics of Universal Credit

Introduction

Citizens Advice Chesterfield is a community focussed advice agency working to support the residents of Chesterfield with the problems they face. In 2019, we assisted 687 local residents with 2497 Universal Credit issues. Our submission reflects those experiences.

1. How well has Universal Credit met its original objectives?

1.1 The original objectives of Universal Credit stated "Our reforms put work, whether full time, part time or just a few hours per week, at the centre of our welfare system. As such it extends a ladder of opportunity to those who have previously been excluded or marginalised from the world of work". It wanted to reduce complexity, embrace IT for ease of access and to reduce fraud.

1.2 We have seen a range of issues with Universal Credit, where aspects of policy and practice can contribute to financial hardship, disrupted lives and which would not support help the achievement of Universal Credits original objectives. These include:

- 5 weeks wait for first payment albeit with the later introduction of "advances" which are repayable
- People left without money, needing Foodbank support
- The use of Universal Credit to recover fines and old benefit debts with large deductions at source that cause financial hardship. These deductions only take into account debts to the state (repaying an Advance Payment), sometimes landlords or utilities, but not any other debts or outgoings.
- Long waits on official Help lines
- Subsequent associated fraudulent activity victimising Universal Credit claimants (Considerable sums of money have reportedly been stolen by fraudsters as a result of a universal credit scam that has left affected claimants up to £1,500 out of pocket.

1.3 People can face a new benefit trap – the challenges of trying to meet essential needs for food, fuel and overcome debt are not conducive to work search activities and may entrench poverty. To "help" get through the initial 5 week wait for Universal Credit, claimants can apply for an advance of their first payment. But this is repayable so future payments are less. Added to this are often limitations in housing costs either because of bedroom tax or to limit amounts paid to private landlords. By its very nature the rates of UC are set at low levels, so the people we see are vulnerable to being not able to meet household costs and to debt.

2. Were the original objectives and assumptions the right ones? How should they change?

2.1 Tackling the `benefit trap` - so that benefits wouldn't cut off abruptly the minute someone found a job, but would be tapered and that it would pay to work was a good aim. The complexity of the legacy benefit system was a barrier with take up of entitlements for people in work was often poor. Yet the failure to take up benefit also reflects lack of information and inadequate accessibility to good quality benefit advice and information by the responsible government departments. In reality the introduction of UC has simplified one aspect by reducing the number of benefits to claim but has failed to tackle the associated problems of accessibility and information. It is routine for advisers to be held in a queue for over 30 minutes when ringing any of the various national helplines provided by the DWP. It is becoming usual for an advisor to spend the majority of a 45-minute appointment with a client on the telephone trying to clarify progress or obtain an update from the DWP. There is a lack of accountability in the system arising from call handling where it never get to speak to the same person twice and have little chance of redress if a call handler gives the wrong advice. The world of work may be a pathway out of poverty for many but not for everyone. Claims that are made digitally may not reflect the actual realities of people`s digital inclusion and access. Objectives could be changed to be broader to better recognise that we all benefit from a social `security` system over a lifetime. Systems need to be more inclusive, support social cohesion and should be able to meet the needs of different groups of people.

3. What have been the positive and negative economic effects of Universal Credit?

3.1 Positive- People supported back into work and the economy where they have valued and benefited from having a tailored support offer from a Work Coach. Local support of Work Coaches at the Jobcentre has been valued. This can support flexible working.

3.2 Negative-people resorting to high cost credit and door step lending to get by, worsening debt problems. More people subsequently needing support from voluntary and statutory sectors (including health services) which are not cost free in economic terms.

4. What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?

4.1 This has inevitably effected the generosity of Universal Credit, its value as a safety net and probably undermines to a significant extent the original policy objectives of making `work pay` .

5. Which claimants have benefited most from the Universal Credit reforms and which have lost out?

5.1 People who have lost out particularly include people who are severely disabled and who would have received more money in legacy benefit systems. Groups of people who do not have digital access or digital literacy disadvantaged in making or maintaining digital claims and people who have,

for example, been homeless or released from prison who may otherwise struggle to provide proof of identity. Also low paid workers whose pattern of work is challenging for Universal credit processes.

5.2 People who have benefited most include those people who are digitally literate, have been supported into work and whose work patterns align with the design of universal credit, for example, paid monthly, paid broadly consistent amounts.

6. How has the world of work changed since the introduction of Universal Credit? Does Universal Credit's design adequately reflect the reality of low-paid work?

6.1 In Chesterfield, we have seen developments in the availability of low paid work, zero hours contracts, casual forms of employment. These forms of employment are beset with difficulties with no reliability in terms of hours worked or income. When changes of circumstances occur, Universal Credit payments can adjust automatically as earnings change. It was said that people `can take on temporary, part-time or additional work without needing to work out what it means for their benefits` but they do need to know how! People paid weekly with irregular hours can find when earnings are assessed monthly that a reduction in UC can occur coinciding with a reduction in income. The combination of a Zero Hour Contract and Universal Credit which both fluctuate can leave some people with no idea of what money is coming in when and no financial stability. We have seen cases when people have been treated as having received double their actual income, for example, if for some reason in a month they are paid slightly earlier. Some people in low income forms of self-employment have their earnings theoretically assessed by DWP considerably higher than reality thereby reducing potential Universal Credit entitlement.

7. If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed

7.1 Universal Credit should be reformed so that it gives more stability for low paid workers especially for those whose work patterns fluctuate, by providing more consistent, reliable forms of support adapting more quickly to the reality of their work. Tackling the issues we have raised in the previous paragraph six need to be prioritised.

7.2 Reforms are also required to address the reported and known issues with Universal Credit in supporting financial stability in general, for example removing waiting times, offering more choice in how to claim, greater flexibility in assessment/payment periods, reconsidering the efficacy of large deductions from benefits for old state debts, better supporting people with differing needs including those who are severely disabled. The operation of UC as a means tested benefit claimed and managed on line is a barrier. The imposition of a "one size fits all" administrative approach is not desirable. The DWP needs to recognise its responsibilities towards those on UC and should seek to improve information and support. National Citizens Advice have called for an improvement in benefit systems so that payments better reflect the true cost of living.

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