

# CITIZENS BASIC INCOME TRUST – WRITTEN EVIDENCE (EUC0096)

## The economics of Universal Credit

The Committee is seeking answers to the following questions:

- How well has Universal Credit met its original objectives?
- What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?
- Were the original objectives and assumptions the right ones for ensuring adequate and fair social security for all? If not, how should they have been different?
- Which claimants have benefited most from the Universal Credit reforms and which have lost out?
- How has the world of work changed since the introduction of Universal Credit and does Universal Credit's design adequately reflect the reality of low-paid work?
- If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?

Assuming that the original objectives for Universal Credit, as summed up by the Executive Summary in its White Paper 'Universal Credit: Welfare that Works', remain then we can only say that UC has fallen very far short in its objective to 'simplify the system to make work pay and combat worklessness and poverty'.

### *Simplifying the system:*

1. The almost total reliance on making applications and dealing with decisions, questions and support online has been extremely problematic, even for people who are computer literate. Claimants get no decision letter in the post and it can be very difficult and time-consuming to find the decision in the journal, much less challenge it, as there are very often errors in awards for the separate components for housing, children and disability payments. There is no 'audit trail' for claimants to refer to either, as changes and corrections are made to the journal by overwriting earlier entries. Although [the latest figures from the ONS](#) state that 90% of households have some form of access to the internet, these do not detail how many have access to a device that can be used for the necessary interactions with DWP systems. The time limits on library access as well as the closure of libraries and job centres mean that the poorest and most vulnerable needing UC are least able to claim it and/or manage their journal for a claim as required.

2. Although it combines several benefits under one system, which would appear to simplify matters for claimants, the fact that Council Tax Benefit did not remain in combination with Housing Benefit means that claimants must make a separate application for this. Partly as a result of this change and to the localisation in England to Council Tax Reduction, and the consequent substantial cuts in entitlement for working age claimants, [Council Tax arrears have soared 40% since the introduction of UC](#).

3. Couples are now required to fill in separate forms for UC and link them with a code. Advice agencies report problems with linking claims which means that many couples have to refile their claims.

### *Making work pay*

1. Since there is a minimum five-week wait for a UC claim to start paying (and experience has shown this can actually be much longer, especially with more complex claims) many people have had to go into debt either with the DWP itself, rely on friends and family or go to loan sharks to cover their expenses. While the white paper promised that 'no one would lose out' on transition to UC this wait applies even to people who are transferring directly from legacy benefits. Added to this, any debts to the DWP are paid back on a time-limited basis and not on ability to pay, which breaks FCA rules and throws many into unnecessary hardship. It could be asked how people can be expected to look for work, either online or otherwise, if they can't pay their rent or feed themselves.

2. Especially since it is paid in arrears, Claimants do not know from one month to the next how much money they will get on Universal Credit, especially if they are on a zero-hour contract or working part-time with variable hours. As welfare statistician [Gareth Morgan has shown](#), this even applies to people with regular income from a job, depending on paydays. This makes it impossible to plan, either within months or over the course of a year.

3. Claimants still face a withdrawal rate of 63% (not counting any NI or income tax), and the work allowances for claimants with children and disabilities have decreased. So while UC has reduced the withdrawal rate on some benefits, it does not do away with it altogether, as a Citizens Basic Income would. [The recent story about workers at Greggs](#) having the majority of their special bonuses taken by the DWP is illustrative of this problem.

4. The inflexible decision date every month has put many out of pocket when they have two or more paydays in a month. This was challenged unsuccessfully in court, but remains a problem for many. For self-employed people, who often have to go into debt for several weeks or months while they wait for invoices to be paid, the change from yearly to monthly payment decisions has been particularly egregious, since debt can be counted only in the month of payment. The Minimum Income Floor for the self-employed, which assumes a notional level of income, even when the real income may be much lower, can make businesses which are seasonal, especially, non-viable.

5. While it was to be welcomed that UC does not have a lower limit on number of hours worked unlike Tax Credits, the harsher conditions on people working part-time to look for more work or self-employed people to earn a minimum amount before they qualify does not take into account people's other responsibilities like child/elder care and fluctuations (especially with seasonal work) in income. If in the course of a month you earn more than your allowance, you are liable for your claim to be stopped (even if you do not expect to earn that much the following month) which contradicts one of the other aims of UC which was to cut down on the paperwork for people with unstable incomes. We expect the carry forward of income, which caused a claim to stop, into the next claim to become a serious issue when the lower buffer is introduced in April 2020.

### *Combatting worklessness and poverty:*

1. There is no evidence that UC has helped more people into work, over legacy benefits. The last report into this by the DWP was in 2015, before UC had been rolled out for complex claims, and even this uptick was marginal, and probably takes credit for an effect which single people without housing costs show anyway. The fact that childcare costs have to be paid up front [is a particular barrier to parents looking for work](#), putting them into a chicken and egg situation.
2. [The 30% rise in foodbank use in the past year](#) in areas with 'full' UC rollout, with some 25-30% of these due to benefit problems and the bulk of users in low-paid work, contradicts the aim of UC 'combatting poverty'. This is not only because of the wait, problems in calculating benefit, etc but as highlighted earlier the impossibility of claimants knowing how much they will get from one month to the next. Although non-take-up of benefits featured prominently as a problem UC would ameliorate, as far as we know there have not been any studies, by the DWP or other organisations, into whether UC is taken up more or less than legacy benefits by those who need them, and for some benefits the non-takeup rate had already risen to 60%.
3. The pledge that 'no one would be worse off' on UC has been challenged by parents, disabled people and other groups of claimants. Recently [there was a successful court challenge](#) on the issue of Severe Disability Premiums which do not carry over into UC, and depending on circumstances some families could lose up to £1500 a year.
4. The default payment of the whole of UC to a single member of the household, with special (and often difficult to effect) arrangements needed to split either the housing element to go direct to the landlord, or for the children's elements to go to the mother, aggravates the potential problem that the 'head of household' will mispend the money and leave the rest of the family to go hungry or in the worst cases, get kicked out of their home.
5. Older people: UC is much less than Pension Credit for 'mixed age couples' where one partner is over and the other under pension age. The change of rules requiring the younger partner to look for a job completely ignores the fact that many already have a full-time unpaid job caring for the older partner. According to the website '[Entitled To](#)' such couples could lose up to £392 per month plus part of their council tax reduction, and possibly pay a higher council rent owing to loss of exemption from the 'bedroom tax'. This is particularly, but not only, an issue where the working age partner acts as carer for the other. This is a most unfortunate result at a time when public policy needs to be encouraging family carers due to the shortage of resources in the social care sector.
6. Child Poverty: The abolition of child entitlements for the third and subsequent children born to a family during their benefit claim bears hard on large families which are amongst the population groups most exposed to poverty. The [Child Poverty Action Group estimated](#) that this change in 2017 would put an additional 200,000 children below the poverty line. According to the Joseph Rowntree Foundation, [child poverty has already risen back to 35%](#) after having fallen during the previous government to 22%. This a false economy considering the larger health, education and other costs associated with child poverty which accumulate over time.

### *Recommendations*

Citizens Basic Income Trust (CBIT) researches and educates about the policy of every individual getting a flat, regular payment which is non-withdrawable when people work on top. We feel this policy, which should also allow for extra payments for housing and disability needs, would fix many of the problems with Universal Credit

listed above, encourage and support people into work, make work pay and enable many people to move off other benefits entirely. For a more detailed report on UC, see '[Neither Universal nor Creditable](#)' on CBIT's website.

In the meantime, we support the demands at the end of [Universal Credit: Not fit for purpose, Unite the union, 2019](#) which makes recommendations which would alleviate the worst aspects of Universal Credit.

*28 February 2020*