

# **CHANGING LIVES – WRITTEN EVIDENCE (EUC0102)**

## **The economics of Universal Credit**

### **1 Summary**

1.1 Changing Lives welcomes the House of Lords Economic Affairs Committee's inquiry into the economics of Universal Credit. We are a national charity, helping over 17,000 people change their lives for the better each year. We have around 100 projects in England, supporting people with the most complex needs including sexual exploitation, domestic abuse, homelessness, addictions, long-term unemployment and more.

1.2 Our evidence submission focuses on the experiences of the people we support, many of whom have lost out and are experiencing harm as a result of Universal Credit. We also consider specifically the experiences of a growing number of women who access our services and are involved in 'survival sex' as a direct impact of recent welfare policy.

1.3 Our key messages:

- Universal Credit has played a significant role in creating and exacerbating hardship and deprivation for people experiencing multiple disadvantage.
- People who are experiencing multiple disadvantage are losing out under the Universal Credit system, many of whom do not have the digital literacy to access the benefit, and who are particularly vulnerable to harm as a result of loss of income and excessive rates of repayment.
- We are increasingly concerned that growing numbers of women have been getting involved in 'survival sex' as a direct impact of Universal Credit, creating significant risks to their safety and wellbeing.
- We recommend the following specific changes to Universal Credit to better support people experiencing multiple disadvantage:
  - Make Universal Credit more accessible to people who are digitally excluded, by ensuring there are a range of ways that people can apply – including from within prison. This must be supported by wider action to promote digital inclusion across the population.
  - Remove the five week wait for first Universal Credit payment, and introduce new measures to ensure that delays do not result in either potentially harmful backdated payments, or excessive rates of repayment for Advance Payment.
  - Introduce single payment by default for Universal Credit payments, and verification of third party bank accounts where necessary, to protect people from financial exploitation.

### **2 Universal Credit and social exclusion**

2.1 For people experiencing social exclusion as a result of multiple disadvantage, Universal Credit, combined with other changes to the welfare system, is making it even harder to move on from poverty and deprivation.

- 2.2 A survey of our projects conducted in 2018 showed that Universal Credit has resulted in significant numbers of the people we work with experiencing hardship. The key issues contributing to this, highlighted through our survey and our wider experiences of delivering services to people who are eligible for Universal Credit, are set out below.

### **Digital exclusion**

- 2.3 Many of the people we support are digitally excluded. They frequently have no formal identification (e.g. birth certificate or passport), no bank account, and are not digitally literate and have no access to the internet – making it practically impossible to claim Universal Credit. From the moment they are transferred onto Universal Credit they are at an absolute disadvantage, in everything from proof of identity to receipt of payment. In some of our services, we find that up to one-third of the people we support are choosing not to even apply for Universal Credit, which highlights the pressing need for the benefit to be made more accessible to those who need it most.

### **Loss of income**

- 2.4 For most of the people we support, changeover to Universal Credit from a previous benefit has resulted in a reduction in their weekly or monthly income. Most commonly, this was caused by being moved from Employment Support Allowance to Universal Credit, where the housing element was lower than previous payments.
- 2.5 The timescale for processing a new claim is commonly five to six weeks – but in our experience many claimants have to wait between five and 12 weeks for the payments to start. During this time, the people we support may be without any income at all.
- 2.6 For people who are involved in the criminal justice system, this challenge is particularly stark – because they cannot apply for Universal Credit in advance of their release, they are particularly vulnerable to reoffending simply to make ends meet.
- 2.7 Similarly, for people experiencing active addiction, the system can cause considerable harm. Once a Universal Credit payment is set up, a claimant can be eligible for back-dated awards, often totalling significant sums of money. Our staff repeatedly report that this process can have a hugely destabilising impact, especially for people experiencing addiction, who will often then spend all their award in the course of a few days.

### **Excessive repayments**

- 2.8 While it is possible to access Advance Payments while a claim is being processed, rates of repayment are excessive and non-negotiable, leaving people in extreme financial hardship. In our experience, this is a departure from the previous system, where the Department for Work and Pensions (DWP) would take a more flexible approach to making smaller deductions over a longer period to recover overpayments. Often, people are left with such small amounts to live on that it is impossible to sustain their health or welfare at even the most basic level.

2.9 Further, because any Universal Credit deductions are taken from the one 'universal' benefit, here is no capacity to protect rent, for example, as the previous system would have provided with a separate housing benefit entitlement. This is particularly challenging because many who are given an Advance Payment are not given any indication of how long this will last. The impact of these pressures is that many of the people we support are unable to pay their rent and are running up higher rent arrears; some are borrowing money and running up debts (e.g. with utilities providers) just to cover basic living costs; and some have resorted to using foodbanks.

### **3 Universal Credit and survival sex**

3.1 A recent inquiry by the Work and Pensions Committee into [Universal Credit and survival sex](#) highlighted the challenges experienced by a growing number of women who are involved in 'survival sex'. By survival sex, we mean the exchange or sale of sex in order to meet immediate needs such as food or a place to sleep, in the absence of any other options. The Committee concluded that Universal Credit is a significant factor in increasing the vulnerabilities that may lead people to becoming involved in survival sex.

3.2 Changing Lives gave [oral](#) and [written](#) evidence to the inquiry, based on our experience of supporting women and men involved in survival sex, sex work and sexual exploitation over the past 14 years<sup>1</sup>. Most of the women we work with come to us with a range of vulnerabilities, alongside survival sex. Many report trauma and abuse as children continuing into adulthood, poor mental health and addiction, poor education and employment opportunities, homelessness and experience of the criminal justice system.

3.3 We share the view of the Work and Pensions Committee that Universal Credit is compounding women's existing vulnerabilities and exacerbating their poverty and deprivation. A 2019 survey of our specialist women's services found that three-quarters of services have supported people who have disclosed involvement in survival sex or sex work as a direct result of Universal Credit, and half of our services have reported an increase in people disclosing survival sex and sex work since the introduction of Universal Credit.

3.4 Our peer research, conducted in five cities across the north of England<sup>2</sup>, highlights the overwhelming correlation between selling sex and poverty, deprivation and social exclusion. Women disclosed they were turning to survival sex to meet their immediate needs; to pay for food, for a place to stay, laundry, to fund an addiction, and often to support their children.

3.5 Over the 12 years we have conducted our research, women's circumstances have not changed. What has changed significantly, however, is the number of

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<sup>1</sup> Our first project supporting women selling sex was launched in the North East in 2006, and we are now the largest provider nationally covering Northumbria, York, Doncaster, Merseyside and Wolverhampton and Walsall. We are also the leading provider of specialist services for women in prison with experience of selling sex. We also support a smaller number of men involved in selling sex.

<sup>2</sup> Changing Lives has conducted five peer research projects<sup>2</sup> to highlight the experiences of women selling sex. <https://www.changing-lives.org.uk/expertise/research-expertise/>

women faced with destitution. They see selling sex as their 'only option' when faced with unprecedented levels of financial hardship. They tell us time and time again that this relates to welfare reform - specifically the roll out of Universal Credit. We see women doing this for the first time; we see women returning to sex work years after they have left; we see up to a third of women we support choosing not to apply for Universal Credit at all. They all say selling sex is their 'last resort'.

*'I started [selling sex] again because my money got stopped, that f\*\*\*ing Universal Credit where everything is 4 to 6 weeks till I get a first payment. I didn't have a choice.'*

- 3.6 Women who are involved in survival sex relating to Universal Credit many of the same challenges described above: they are frequently digitally excluded, and are vulnerable to loss of income and excessive rates of repayment. However, they are also frequently exposed to serious physical and sexual harm, and exploitation. Because all payments under Universal Credit must now be paid directly into bank accounts, the women we work with are at greater risk of financial exploitation as many rely on payments being made into the accounts of a partner. There is often also an assumption that payments can be made jointly where both partners are eligible for Universal Credit. This is clearly problematic where women are being coerced into selling sex by others.
- 3.7 Will Quince MP, now Minister for Welfare Delivery, has acknowledged this issue and highlighted the importance of ensuring that people's lived experiences matches the government's policy intent. As yet, however, the Government has made no official response to the Work and Pensions Committee's inquiry.

#### **4 Conclusions and recommendations**

- 4.1 Changing Lives believes that welfare reform, and specifically Universal Credit, have played a major role in increasing levels of deprivation and hardship, especially for people experiencing complex needs and facing social exclusion. The people we work with are both those most in need of an effective safety net, and most at risk when that safety net fails. In the words of one of our worker, Universal Credit is a *'failed experiment; the only things being experimented upon are people's lives'*. We hope this inquiry is an opportunity to address these failings and finally move the Government towards reform.
- 4.2 We recommend the following specific changes to Universal Credit to better support people experiencing multiple disadvantage:
- Make Universal Credit more accessible to people who are digitally excluded, by ensuring there are a range of ways that people can apply – including from within prison. This must be supported by wider action to promote digital inclusion across the population.
  - Remove the five week wait for first Universal Credit payment, and introduce new measures to ensure that delays do not result in either potentially harmful backdated payments, or excessive rates of repayment for Advance Payment.
  - Introduce single payment by default for Universal Credit payments, and verification of third party bank accounts where necessary, to protect people from financial exploitation.

*28 February 2020*