

THE GUINNESS PARTNERSHIP – WRITTEN EVIDENCE (EUC0105)

The economics of Universal Credit

Introduction

1. The Guinness Partnership is a 65,000-home housing association operating across over 150 local authorities in England. We were founded in 1890 to improve people's lives and create possibilities for them and that mission continues today. We welcome the opportunity to respond to this inquiry.
2. Universal Credit (UC) is the welfare system for people of working age and will be for the foreseeable future. It is in both our and our customers' best interests to do all that we can to ensure it works as well as it can. We work closely with the DWP with this goal in mind.
3. We have extensive experience of helping our customers manage their UC claim. Our 20-strong customer support team provides intensive support to customers that need it. Last year, of the 8,000 cases it dealt with, 40% were exclusively to do with UC. To date this financial year, of 10,000 referrals to the team, 65% are related to UC.
4. As of 30 January 2020, Guinness has well over 11,500 customers claiming UC. Of those, 85% have needed some level of support from our customer support team. This ranges from help with making the claim, identifying elements of UC the claimant may not be receiving, providing support where a claimant has been sanctioned, and where third-party deductions are made.
5. Our experience to date is that rent arrears for UC claimants is high compared with people of working age claiming legacy benefits. However, through careful management and support provided to our customers claiming UC, we have more than halved the arrears rates of those customers claiming UC since 2017.

Inquiry response

How well has Universal Credit met its original objectives?

6. The original objective of UC was to simplify the welfare system and increase work incentives, with the ultimate goals of combatting worklessness and poverty. Our assessment is that there is more work to be done to achieve these objectives, but that changes introduced over the last two years are a positive step in the right direction. However, it remains the case that customers claiming UC are more likely to be in rent arrears and at risk of eviction, and need more support than those claiming legacy benefits.
7. The most common UC related challenges our customers face include:
 - The five-week waiting period for the first payment. The wait can leave people with little to no money and increases their chances of falling into

financial hardship. It can leave people struggling to meet expenses for food, gas, electricity, and travel. In our experience, customers who have finished or lost a job do not have a financial buffer to carry them through the waiting period. Moreover, their first UC payment can be “nil” as their previous wage has been taken into account. While the advance payment can help to bridge a gap, it puts people in debt before receiving their first benefit payment. Many of our customers struggle for a year to pay it back.

- The application process. While many claimants appreciate the online simplicity of an integrated system, there are also many who are unable to complete the application without help, even customers who are in work and / or digitally literate. If not correctly supported, customers risk not receiving their full entitlement.
- Sanctions. These can be harsh, inflexible and quickly applied. This risks leaving people in very difficult financial circumstances.
- Information sharing. We welcome the work DWP is doing to improve the Landlord Portal and data sharing as historically sharing information on, for example, our customers moving to UC, was slow. The faster we receive such information, the sooner we can provide the right support to those customers.

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

8. Guinness supports the objective to create a streamlined, easy-to-use benefit system that supports people into work and therefore reduces poverty. However, we disagree with the assumption that strengthened conditionality and strict sanctions provide greater incentives for people to meet their obligations. Sanctions have been unhelpful to some of our customers and we have seen little evidence that they are effective.
9. In one case, a customer in full-time employment was living in a 3-bedroom property with his family but developed a severe gambling habit resulting in the loss of his family and job. The customer moved onto UC but had a shortfall in his rent due to underoccupancy. As the customer’s mental health significantly declined, he missed a work coach interview and didn’t update his journal. Sanctions were applied leaving him with almost nothing. Although he was receiving his housing costs, it did not cover the total rent and he had zero personal allowance. By the time the customer was referred internally to our customer support team for hardship support, he had run out of money for food and his electricity had been cut off.
10. Guinness recommends reviewing the effectiveness of sanctions and we support the Work and Pensions Committee’s recommendation made in its November 2018 report to evaluate the impact sanctions have on a claimant’s

financial and personal wellbeing.

What have been the positive and negative economic effects of UC?

11. Customers claiming UC are more likely to be in debt, at risk of eviction and in need of emergency support than other Guinness customers. The average arrears for customers on UC as a percentage of their rent debit is around 10.5%; equivalent to £798.83 per person. That is significantly higher than the average rate of arrears across all Guinness tenants in receipt of housing benefit (2.65%), and our average arrears rate across all tenants (3.4%).
12. We welcome the Government's decision to restore higher work allowance levels for families and disabled people in 2019. We have found that customers already in regular employment have seen a positive effect on their income by moving onto UC. For example, a single parent customer living in London with two children and two jobs improved her situation by moving onto UC. She was earning around £2,100 per month but after paying her rent, council tax, food and utility bills there was very little money left. We worked with her to apply for UC, where she was £500 per month better off.
13. The five-week wait, however, continues to present a serious challenge in the form of financial hardship. It has left some of our customers with little to no money and can push them into debt while they wait for the first payment. For example, one of our customers had to take time off work for a hip replacement. She was not entitled to any statutory sick pay. She made a UC claim, but as she needed a home visit due to her injury, accessing an advance would take at least two weeks. She had no money, was not well enough to attend a foodbank and was going to be disconnected from both gas and electricity. She only required our assistance for a short amount of time. She has now returned to work, but faster support through the welfare system would have helped her avoid the precarious financial position she had found herself in.
14. We proactively provide significant support to customers claiming UC in the first three months to prevent them from falling into debt and help them learn to manage UC early. With around 500 customers moving onto UC per month, the resource requirement from Guinness to perform this service is substantial. Generally, we've found that after approximately 12 months people get used to the monthly payments, and rent accounts stabilise.

What effect has fiscal retrenchment had on the ability of UC to successfully deliver its objective?

15. We welcome changes made to UC since the November 2016 Budget including: reducing the taper rate to 63%; increasing the work allowances for some claimants; reducing the advance payment repayment rate; introducing a two-week run on of housing benefit for those moving onto UC; and the

intention to introduce an additional payment of a claimant's out of work legacy benefits from later in 2020.

16. However, we have seen an increase in customers facing food and fuel poverty in recent years. In 2017/18, 22% of requests for financial assistance from customers were for emergency energy top-ups and food. In 2018/19 this rose to 38%. So far in 2019-20, it's 70%, and we have provided emergency financial support to 141 customers experiencing hardship linked to UC. Through these requests we provide our customers with support to meet their basic needs, including emergency food and heating, essential white goods and basic furniture.

Which claimants have benefited most from the UC reforms and which have lost out?

17. Based on the experiences of our customers, there are many who appreciate UC's simplicity and intuitive monthly payments. We've found that those in regular employment mostly benefit from UC. For example, one customer increased her income by £400 per month by moving onto UC. She was in full-time work and in receipt of partial housing benefit but did not qualify for tax credits under the legacy system. With our support, she recognised that she would be better off on UC.
18. For others, UC has been a less positive experience. We've found that customers who are more likely to lose out include the self-employed, single parents under 25 and in receipt of Job Seekers Allowance, and people with disabled children. For example, one self-employed customer was left £400 a month worse off after moving onto UC. She cares for her son who has learning difficulties and experiences seizures. When she moved onto UC, the minimum income floor was applied leaving her worse off than under legacy benefits.

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

No comment.

If UC does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?

19. Guinness welcomes the recent improvements made to UC. If it is to deliver on its original objectives, further changes are needed. From our experience of helping our customers to claim UC, we have identified the following potential improvements:
20. Consolidation and consistency – a national Partnership Manager for national organisations. There are 637 Job Centres across the UK each with their own Partnership Manager. There are also 26 DWP Service Centres. A single point of contact for Job Centres and Service Centres would help national organisations like Guinness resolve issues more swiftly and effectively.

21. Faster processing of Alternative Payment Arrangements. This would prevent our customers falling into rent arrears whilst waiting for the APA to start.
22. Improved data sharing between the DWP and social landlords. The landlord portal has helped us to understand which of our customers is moving onto UC and when, which helps us provide support more quickly. However, if it was possible to share a wider range of data with social landlords, we would be able to provide more targeted support. As a trusted partner, it would be helpful for consent to be implicit when we contact the DWP on behalf of customers. This would help to ensure the right support is provided swiftly, especially where those customers are particularly vulnerable.
23. Reduce or end the five-week wait at the start of a claim. We have observed that the five-week wait can cause our customers hardship and poverty in some cases. While the advance payment can help bridge a gap, taking it means people fall into debt before they have even received their first payment.
24. Evaluate the effectiveness of sanctions. Sanctions have caused hardship for some of our customers. We support the Work and Pensions Committee's recommendation from its November 2018 report that evaluation into the impact sanctions have on UC claimants' financial and personal well-being be carried out.

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