

UNITE THE UNION – WRITTEN EVIDENCE (EUC0110)

The economics of Universal Credit

This submission is made by Unite the Union, the UK and Ireland's largest trade union with over 1.3 million members across all sectors of the economy including manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union.

Unite remains convinced that Universal Credit (UC) is not fit for purpose. Numerous independent studies have shown that the experience of Universal Credit claimants has been overwhelmingly negative and that the promises of the system have not been met. Unite is calling for the process of rolling Universal Credit out to be stopped immediately and for the system to be scrapped.

In 2018, Unite, amongst other trade unions and interested parties, submitted evidence to the Social Security Advisory Committee and government that pointed to the deep flaws in the Universal Credit system¹. Our submission included reference to studies by the National Audit Office (NAO)², The Resolution Foundation³, OBR⁴ and even the DWP's own survey⁵ which all pointed to serious failures.

Sadly the government continues to wilfully ignore these regular expositions, including criticism of the shambolic process of implementation and wide-ranging cases of how claimants are being penalised.

Last year Unite released [*Universal Credit: Not Fit for Purpose*](#)⁶, a report of a survey of 1,173 Universal Credit claimants and over 500 people on legacy benefits. Our report found that the experience of Universal Credit claimants was overwhelmingly bad, and many claimants believe they are not getting the money they are entitled to. It highlighted the cruel and unfair impact of benefit sanctions and the direct relationship Universal Credit has with food poverty, food bank use, debt, rent arrears and homelessness. The survey found many cases where Universal Credit was negatively impacting on claimant's mental health, driving suicides and ill health as well as cases of claimants forced into prostitution and illegal activity such as theft in order to survive. It also found that the system was discriminatory, disproportionately impacting on disabled people, ethnic minorities, carers and parents.

All of these terrible outcomes have an economic impact, creating added costs to other areas of more costly acute public services, such as homelessness, mental ill-health, crime and child poverty. They also represent a tragic waste of potential for those lives left in its wake.

Rather than reproduce all the evidence here, Unite strongly urges the committee to read the report in full (see attached). While the statistics speak to a terrible failure of policy, it is the numerous real quotes from respondents that hammer home the deep human impact that Universal Credit is having on claimants.

¹ https://apps.groupdocs.com/document-viewer/Embed/24eb8be5877596aac2ac3c84f88eae98b22e80a02abf7b2011ff8af35c075670?quality=50&use_pdf=False&download=True&print=False&signature=3uI4bStxNIfhISDsTEsvPHrQzo8

² <https://www.nao.org.uk/report/rolling-out-universal-credit/>

³ <https://www.resolutionfoundation.org/app/uploads/2017/10/Universal-Credit.pdf>

⁴ <http://obr.uk/wtr/welfare-trends-report-january-2018/>

⁵ <https://www.gov.uk/government/publications/universal-credit-full-service-claimant-survey>

⁶ https://unitetheunion.org/media/2631/8869_universal-credit-report_a4_finaldigital.pdf

Unite believes that by definition welfare reform should serve to improve the lot of poorer, lower paid sections of our society. By doing so it creates a social safety net that provides the bed rock for a sustainable and prosperous economy. Instead, Universal Credit is harming poorer, low waged people, reinforcing economic inequality and creating huge false economies of wasted potential and desperation. In all, some seven million households, including one million low paid part-time workers could be financially worse off as a result Universal Credit. This is totally unacceptable.

The Universal Credit system institutes cuts as a fundamental part of its design. These include reductions to the 'work allowances' from April 2016, limiting child tax credits and Universal Credit to two children for new claims and births after April 2017, removing the family element in tax credits for new claims from April 2017 as well as freezes to benefit rates.

The government refrain that Universal Credit 'makes work pay' has also been exposed as a lie as Universal Credit claws back 63p of every £1 earned for some claimants. When compared with the top rate of income tax of 45 percent on incomes over £150,000 a year, this demonstrates just how unfair Universal Credit is for the UK's lowest income households.

Examples of the false economies include reports from people in part-time work of being forced to give up work that suits their disability or caring responsibilities in order to take up worse paid full-time work or risk sanctions. Universal Credit brings in the loss of Severe and Enhanced Disability Premiums which mean single disabled people lose around £2,000 per annum and a disabled couple over £4,000 per annum.

Claimants are still expected to wait for their first payment, with many then driven into debt by receiving advanced payments. Such a system ignores the reality of the 1.5m workers who struggle on zero hours, insecure jobs or forced self-employment. Claimants need to be paid from day one.

The inflexibility of the monthly assessment period also needs to change, as it penalises workers who receive more payments in certain calendar months. It is impractical to ask employers to change payment dates, meaning that the claimant can be penalised through no fault of their own.

In addition, there are serious concerns on the impact on self-employed people who have to submit monthly, instead of the current annual income, before any benefit payment. The self-employed are disproportionately impacted by the unnecessary Minimum Income Floor (MIF) with many low-income self-employed people thousands of pounds a year worse off due to the MIF. This is likely to lead to small businesses closing, damaging the economy and disproportionately impacting on single parents and carers who often work as self-employed to manage their caring responsibilities.

The Real Time Information pay data (RTI) at the centre of Universal Credit is also not fit for purpose as it links payments to information provided from employers and penalises the claimants if their employers provide incorrect or late information. This makes claimant even more vulnerable to bullying and mistreatment from their employers and places unnecessary extra administrative costs on employers.

Unite also stresses its intense opposition to in-work conditionality. The idea that there are extra hours or higher paid work for the large numbers of these affected workers is simply not the case in much of the UK's low paid economy. This clause of Universal Credit places the emphasis on individuals who often want more hours of work – and not on the employers who benefit from short hours and insecurity.

Unite is also concerned that there has not been a sufficient Equality Impact Assessment on this system that will clearly discriminate against many groups with protected characteristics.

Lastly, there are insufficient processes for public monitoring and assessment of the impact of Universal Credit implementation. Again given the widespread concerns with the system such an approach showcases the cavalier and uncaring agenda that lies at the root of this policy.

Unite believes that Universal Credit is a system imposed on poorer people both in and out of work that serves only as a punitive regime. Universal Credit is inflicting unacceptable and unnecessary suffering.
It must be scrapped.

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Unite the Union

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