

MARILYN HOWARD AND UK WOMEN'S BUDGET GROUP – SUPPLEMENTARY WRITTEN EVIDENCE (EUC0118)

The economics of Universal Credit

Following the oral evidence session on 3 March I promised to send in additional information. This note covers further information in response to Q26 of the transcript, assessments of impact on gender equality, separate payments to each partner, and some immediate reflections following Budget 2020 within the context of the Covid-19 crisis.

Data about women, austerity and Universal Credit

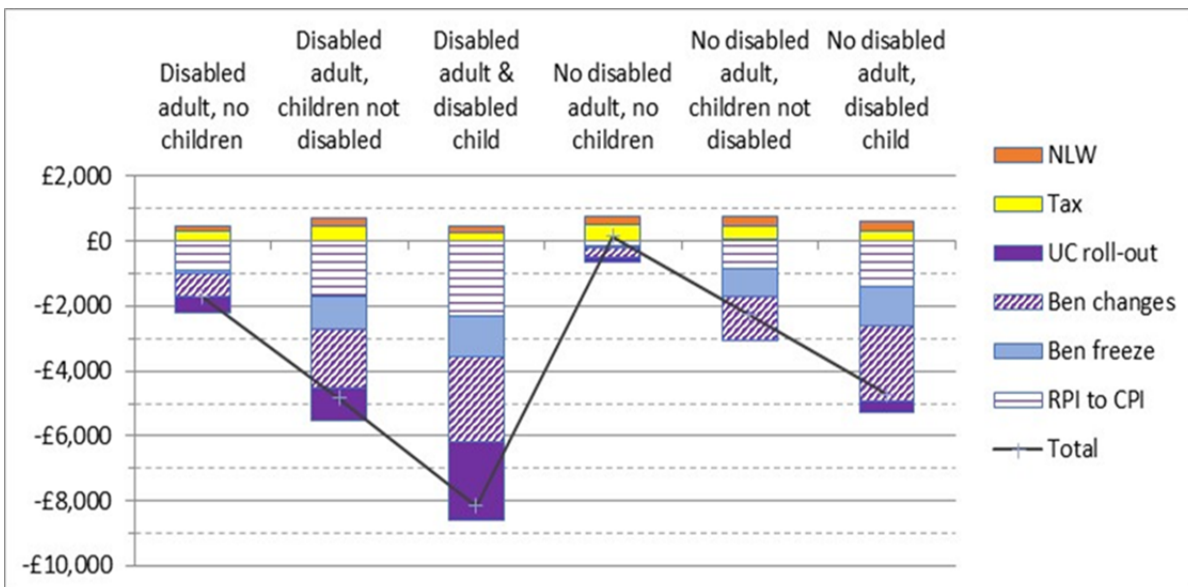
Have the social security spending cuts since 2010 impacted disproportionately on women?

The statistics I quoted on disability and children's centres came from a December 2018 presentation by Professor Diane Elson, Essex University; this was a compilation of data and briefings produced by the UK Women's Budget Group (WBG), available on the WBG website¹.

Concerning disabled people, the data quoted by Professor Elson is from this briefing on austerity and disabled women², showing that:

- 38% of households include a disabled person but contribute 71% of cuts;
- Households with at least one disabled adult and a disabled child lose over £8,000 (over 18% of their net income);
- Households with a disabled child are set to lose twice as much as households with non-disabled children.

Below is a chart from the presentation, which also highlights Universal Credit (UC) impacts.



I also referred to 1,240 fewer children's centres than in 2010, also from Professor Elson's presentation. This refers to data concerning Sure Start children's centres in England³. This too is a compilation of data contained in WBG briefings such as on local authorities, social care, health, Violence Against Women and Girls. The most up to date versions of those briefings can be found on the WBG website⁴.

Had there not been an austerity policy after 2010 and, therefore, not the cuts in social security that have disproportionately hit women, would there have been any gender difference in the impact of universal credit?

It can be difficult to isolate the effects of UC from other reforms which happened over the same period. However, the design of UC design would still have affected women, because of features as listed in the WBG submission to the committee, which includes: the single household payment, poor work incentives for second earners, the extension of work-related conditionality particularly affecting parents and carers, single parents being particularly vulnerable to sanctions, differential treatment of maternity payments. The five-week wait and monthly assessment / payment also create hardship for women who are often managing low family budgets.

Had UC been paid at the same rate at previous benefits then the distributional impact would not have been so severe but these structural, design issues would still remain.

Methodology

A major source of data was the 2017 report 'Intersecting Inequalities: The impact of Austerity on Black and Minority Ethnic women in the UK'⁵. This provides a cumulative impact assessment of the changes to taxes, benefits and public spending on services since 2010 on Black and Minority Ethnic women by WBG and the Runnymede Trust.

The methodology includes both qualitative and quantitative methods, and is set out in the appendices to this report⁶: The distributional effects of tax and transfer (benefit, tax credit and UC) policies were made using a tax-benefit microsimulation model which was originally written by Landman Economics, and which is maintained jointly by Landman Economics, the Resolution Foundation and the Institute for Public Policy Research (detailed in Appendix 1 of this report). The model produces distributional results on the assumption of no behavioural change between base and reform tax-benefit systems. It uses data from the Family Resources Survey (FRS) to analyse the impact of direct taxes, benefits, tax credits and Universal Credit, and the Living Costs and Food Survey (LCF) to analyse the impact of indirect taxes. The information in the FRS and LCF allows payments of direct taxes and receipts of benefits and tax credits to be modelled with a reasonable degree of precision for each family in the surveys using either the current tax/benefit system which is in place at the moment, or an alternative system of the user's choice. Landman Economics has also produced a public spending model

Qualitative methods included interviews and focus groups in Coventry (Appendix 2) and in Manchester (Appendix 3).

Assessments of (gender) equality impacts

As discussed and noted in the WBG submission, Equality Impact Assessments (EIAs) under the Public Sector Equality Duty, which include gender analysis, have been undertaken of UC though these have been found wanting⁷. As noted by the recent WBG briefing on EIAs, meaningful assessments should consider cumulative impact, intersectional impact, the impact on individuals as well as households, impact over a lifetime and the impact on unpaid care⁸.

In the 2020 Budget, delivered on 11 March 2020, the Treasury yet again failed to publish a comprehensive EIA of the 2020 Budget. The only impact assessment relating to protected characteristics in the Budget documents are the Tax Information and Impact Notes⁹ produced by HMRC. Few measures were recognised to have any equality impact at all and even here the analysis is cursory, based on limited evidence and with a poor understanding of equality impact.

In the absence of a meaningful cumulative equality impact assessment of the Budget as a whole it is impossible to judge whether the Treasury has met its obligation under the Public Sector Equality Duty to have 'due regard' to equality.

The Equality and Human Rights Commission, the House of Commons Treasury Select Committee and Women and Equalities Select Committee have called on the Treasury to do more to demonstrate that it has met its Public Sector Equality Duty obligations¹⁰.

Separate payments of Universal Credit to each partner in a couple

In the written submissions from me and the WBG we point out that means-tested benefits assess entitlement by adding together income and savings from both partners. Means-tested benefits differ from other benefits which are based on individual entitlement such as 'categorical' benefits (e.g. Carers Allowance and Personal Independence Payment) and 'contributory' benefits (e.g. Jobseekers Allowance; Employment and Support Allowance). It is important to keep this distinction in mind when talking about payments to each partner – the difficulties arise in means-tested benefits like UC, and how income and savings can be individualised within a system that is based on aggregating a couple's resources.

Question 25 concerned the desirability of UC 'split' payments. The WBG describes routine payments to each partner as 'separate payments' (to distinguish this from the discretionary, temporary split payments currently available to claimants on grounds of financial mismanagement or domestic abuse).

The Scottish Government has a policy of developing separate payments and at the time of writing is in negotiation with the Department for Work and Pensions (DWP) about how to achieve this. The Scottish Government's aims are to *'ensure that everyone has access to an independent income based on their individual circumstances, and to promote equality in the welfare system'*¹¹.

How UC could be apportioned between two partners is not easy. The House of Commons Work and Pensions Select Committee outlined two approaches for dividing up the maximum award – either in proportion, using a percentage; or by entitlement to the various components of UC¹². However, many claimants have an award that is below the maximum as it is reduced by earnings, other income, sanctions or deductions, thus how to allocate the deductions between partners is tricky. Potential options under consideration by the Scottish Government in 2019 included:

- allocating each partner 50% of the standard allowance and dividing the rest by entitlement to components;
- housing costs component left outside of any such split (to be decided);
- earnings and deductions either to be offset half-and-half to each partner, or solely to the partner to whom it applies¹³.

At the time of writing no option has been announced.

The DWP has stated that UC is one benefit, referring to section 8 of the Welfare Reform Act that an award is the balance of the maximum award less any deductions¹⁴. However, both the legislation and statements of awards refer to the different components¹⁵, and these can in practice be identified separately (such as where the housing costs element is paid direct to the claimant's landlord).

If the components and earnings could be separately identified and attributed to each member of a couple it may make it easier to determine how to allocate an award to each partner. It is not clear how far the DWP's IT system is a barrier to implementing separate payments. In the early stages of UC, Ministers stated that there would be IT capability if needed¹⁶, though by 2018 this was considered a low priority for future automation¹⁷ (currently, discretionary split payments are processed manually).

A further question by the Committee concerned whether the monthly assessment could help the situation where for example earnings fluctuate. In Australia, unused work allowances can be accumulated over time, which allows for fluctuations in income to be smoothed out. Something similar within UC that gave each individual a 'disregard' and allowed this to be carried over into a different assessment period may help up to a point. However, the rigidity of the whole month assessment (which does not necessarily align with income / wages and can produce arbitrary results depending on when a change of circumstances happens) needs to be tackled at the same time.

There may be lessons here from the Australian system of means-tested benefits, which enables 'partial individualisation' through each partner having a 'free area' (like the UC work allowance, or disregard of earnings / income as it was formerly called)¹⁸. Only where income is above that level does it affect the partner's award. The other feature of note is that Australia has distinct means-tested benefits for different purposes, which enables sequential tapering of payments. This is similar to the UK tax credits, where the Working

Tax Credit element is reduced first, followed by the childcare element, then the Child Tax Credit child elements.

Having one calculation may look simpler for administrative purposes but this has at the same time removed some policy and delivery flexibility. The issue of separate payments may be an example of where the drive to a particular kind of simplification, and accompanying IT rigidity, has obscured other policy goals.

Thoughts about Universal Credit post-budget and the Covid-19 crisis

Budget 2020 on 11 March 2020 and subsequent announcements (20 March 2020) contained some temporary measures to deal with the Covid-19 crisis and some minor changes to UC.

In relation to UC, the Budget announced that the minimum income floor for self-employed people has been temporarily lifted; for those staying at home because of the virus the mandatory work search and work availability requirements will be removed to account for a period of sickness¹⁹, and people will not be sanctioned for not attending a Job centre.

On 20 March the Chancellor announced an increase in the UC standard allowance for a year (£1,000 per annum or just under £20 per week) and the housing component increased to cover the lowest 30% of market rents²⁰.

Minor changes to UC from Budget 2020 are not due to come into effect for over 18 months:

- Reducing the maximum rate for deductions to 25%, and the repayment period for advances is to be extended to 24 months from October 2021.
- Extending exemptions from the shared accommodation rate for under-35s claiming housing benefit and UC housing costs to survivors of domestic abuse (predominantly women) and trafficking, and other groups like young rough sleepers and care leavers; from October 2023.

Whilst increases to UC rates and the relaxation of rules for work-related conditionality are welcome, at a time of the most severe health and economic emergency that this country has seen since the Second World War, much more needs to be done. Covid-19 has highlighted how threadbare the social security system has become, and of the inadequacies of UC in providing a safety net. Even with the measures announced, for the thousands more who will need to claim because of job loss, self-isolation, sickness, the structure of UC will mean that, for example:

- People have to wait five weeks for payment so to meet their immediate needs will have to claim an advance, which is then clawed back from their entitlement, giving lower monthly awards;

- People with incomes or savings just above the limit, or whose partners have such income/savings, will be unable to claim UC at all;
- The level and frequency of awards is likely to create hardship when people need access to money immediately to buy essentials such as food and to pay housing costs / utility bills.

Covid-19 is placing unprecedented strain on social and economic life, and without adequate finances, people will be in financial hardship and the economy is likely to worsen as demand falls.

Budget 2020 and subsequent announcements have failed to recognise the scale of the emergency being faced by thousands of families and individuals across the country. UC is already inadequate and is no longer fit for purpose in a context where people are losing their jobs or having to reduce their hours. Other work-related rules (such as the 'No Recourse to Public Funds' rule) must be waived, and payments increased to cover the additional costs of buying more meals at home and compensation for children not receiving free school meals. Maintaining UC's structural emphasis on work incentives when people are being advised to stay at home is perverse.

Some kind of emergency, individual payment to those who have to stay at home, self-isolate, are sick or who have lost their job is needed.

Our earlier submissions to the committee summarise what we recommended for the longer term: but the need is upon us now, so must be developed as a matter of urgency.

The WBG has produced a policy briefing on Covid-19 and gender which highlights the health and economic impacts of the virus and the government's response to it thus far; whilst this is a fast-moving situation, the WBG also urges immediate action on a range of issues including UC²¹.

Ultimately social security should be based on meeting needs of *individual* citizens across the life cycle, which is accessible to them when they need it the most. In conjunction with improved arrangements for paid leave from work (such as for parenting or caring), this could be achieved through 'categorical' benefits (current examples are Carers Allowance and Personal Independence Payment) and 'contributory' benefits (currently Jobseekers Allowance and Employment and Support Allowance), or a Basic Income for each individual - a temporary / emergency scheme has been suggested as a means of providing economic security in these uncertain times²².

NOTES

¹ <https://wbg.org.uk/resources/the-impact-of-austerity-on-women/>

² <https://wbg.org.uk/wp-content/uploads/2018/10/Disabled-women-October-2018-w-cover-2.pdf>

³ The Guardian (5 April 2018) '1,000 Sure Start children's centres may have shut since 2010' (<https://bit.ly/2Gz9PDb>)

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- ⁴ <https://wbg.org.uk/analysis/uk-policy-briefings/2020-wbg-briefings/>
- ⁵ <http://wbg.org.uk/wp-content/uploads/2018/08/Intersecting-Inequalities-October-2017-Full-Report.pdf>
- ⁶ <https://wbg.org.uk/analysis/intersecting-inequalities/>
- ⁷ <https://www.equalityhumanrights.com/en/effect-tax-and-welfare-reforms>
- ⁸ <https://wbg.org.uk/analysis/uk-policy-briefings/2019-wbg-briefing-equality-impact-assessments/>
- ⁹ <https://www.gov.uk/government/collections/budget-2020-tax-related-documents#tax-information-and-impact-notes>
- ¹⁰ <https://wbg.org.uk/wp-content/uploads/2020/03/Budget-2020-EIA.pdf>
- ¹¹ https://www.parliament.scot/S5_Social_Security/General%20Documents/20190212_CabSecSSOP_to_Conv_UC-split_payments.pdf
- ¹² https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1166/116607.htm#_idTextAnchor069
- ¹³ https://www.parliament.scot/S5_Social_Security/General%20Documents/20190212_CabSecSSOP_to_Conv_UC-split_payments.pdf
- ¹⁴ <https://www.parliament.uk/documents/commons-committees/work-and-pensions/Correspondence/Letter-from-Permanent-Secretary-to-Chair-relating-to-UC-split-payments.pdf>
- ¹⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/719089/Example_of_a_UC_monthly_award_notice.pdf
- ¹⁶ Lord Freud, House of Commons *Hansard*, 23.1.12, col. 909; Ministerial Statement, 22 October 2012, Northern Ireland Assembly: <http://www.niassembly.gov.uk/assembly-business/minutes-of-proceedings/archive-minutes/session-2012-2013/monday-22-october-2012/>; Northern Ireland Assembly written answers 13 May.2013 AQW 22544/11-15.
- ¹⁷ Q536 <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/oral/82052.html>
- ¹⁸ <https://www.austaxpolicy.com/fresh-approach-universal-credit-lessons-australia/>
- ¹⁹ <https://www.understandinguniversalcredit.gov.uk/coronavirus/>
- ²⁰ <https://www.gov.uk/government/speeches/the-chancellor-rishi-sunak-provides-an-updated-statement-on-coronavirus>
- ²¹ <https://wbg.org.uk/blog/briefing-covid-19-and-gender-issues/>
- ²² <https://www.thersa.org/about-us/media/2019/coronavirus-and-a-temporary-ubi-rsa-statement>

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