

Written evidence from the Children's Society [UCW0031]

Introduction

The Children's Society is a leading national charity committed to improving the lives of thousands of children and young people every year. We work across the country with some of the most disadvantaged children and young people through our specialist services. We also engage with decision makers to help disadvantaged families get the support they need to escape poverty and give their children the best start in life.

- The Children's Society has a number of concerns about the way in which Universal Credit is currently administered, and although some changes have been implemented to improve the Universal Credit system, we believe there is much more to be done to mitigate against the current five-week wait for the initial payment.
- We have concerns over the current rules whereby if somebody claims Universal Credit after losing employment, they are expected to use their final salary to cover the initial five-week wait. If the employer makes the payment late, the claimant's final salary is considered as income for the first Universal Credit award period, which means the first Universal Credit payment may be delayed another month, increasing the total wait time for the initial payment from five weeks to nine weeks.
- Limited backdating means that claimants who are unable to submit a claim on the day they meet the entitlement criteria for Universal Credit will miss out on entitlement and will wait longer than five weeks for their first payment from the point at which they first became entitled to Universal Credit.
- The advance payments introduced to support claimants during the five-week wait are effectively loans, which must be repaid from ongoing monthly payments, putting families in debt from the start of their claim. Deductions for advance payments during the Covid-19 pandemic are particularly problematic for both new and existing claimants who are likely to be facing greater financial insecurity at this time.
- Monthly assessment periods do not reflect the earnings periods for many low-paid workers, who are often paid weekly, fortnightly or four-weekly.

To mitigate against these issues, we recommend that:

- **The Government should introduce more generous backdating rules**, to ensure that a Universal Credit claim begins from the date the claimant requires support, rather than from the date that a claim is submitted – this would also enable first payments to be made more quickly in many instances.
- **Those making a claim for Universal Credit after leaving employment should have their final earnings treated as being paid on the day they finish work**, this would help to address the issue that late payment of final wages from employment can count as income for a claimant's first month of entitlement to Universal Credit – and lead to many households facing a 9 week wait for a first payment rather than the standard five
- **The Government should immediately suspend deductions for Universal Credit advance payments from benefit payments** during the Covid-19 crisis.
- **In the near future, advance payments should become non-repayable grants for certain vulnerable groups**, using the Department for Work and Pensions own criteria for vulnerability.
- **However, in the longer term, the assessment period should decrease from a monthly to a weekly or fortnightly assessment period, and averaging of**

earnings over multiple periods should be allowed, to best reflect the way in which a particular household's earnings are actually paid.

1. To what extent have the mitigations the Government has introduced so far (e.g. Advance payments) helped to reduce the negative impact of the five week wait for UC claimants?

As originally designed, Universal Credit is intended to be paid a month in arrears, with an additional week to process the application and, normally, with a week's waiting period before the claim even begins. In total, this means that as standard, new claimants would be left with a period of six weeks to cope before they receive their first Universal Credit payment. In response to concerns about this, the Government made three key provisions:

Firstly, the waiting period before the claim begins was abolished – effectively meaning that the standard delay before the first payment is received was reduced from six weeks to five (the first month before a payment in arrears can be made, followed by a one week processing period).

Secondly, for existing Housing Benefit claimants, a non-repayable run on was allowed – meaning that if a claimant moves from Housing Benefit to Universal Credit, Housing Benefit will continue to be paid for two weeks after the claimants begins claiming Universal Credit. From July 2020 this run on is extended to income based JSA, ESA and IS.

Thirdly, advance payments of Universal Credit can be made to support people through the five-week delay in their first Universal Credit payment being made. Initially these could only be requested in the first three weeks after a claim had initially been made, and only covered a maximum of half the claimant's total entitlement for a month. However, both of these restrictions have since been lifted, and advance payments can now cover the full amount of the claimant's predicted entitlement for the first month of their claim.

However, whilst welcome, there are a number of limitations to the value of this assistance.

Firstly, whilst the reduction from six weeks to five weeks as standard is welcome, this is still a considerable amount of time for a family to wait for the first payment of Universal Credit and this long wait may push families further into poverty. We know from our previous research that problems with the benefits system were the most commonly cited cause of financial crisis, and frontline workers reported issues with Universal Credit.¹

Our research found that the initial five-week wait for new claimants was causing problems, with claimants beginning their claim in rent arrears and debt because of the waiting period. One of the local outreach advice workers in our research reported that most of the clients who sought help from her about Universal Credit were already seven or eight weeks in rent arrears, because of the waiting period and because they start off from being in a position of debt.²

Furthermore, if someone claims Universal Credit because they have lost their job, they are expected to use their final salary payment to last them through the five weeks they are waiting for their first payment. However, if the employer makes this payment more than a

¹ The Children's Society. *Not Making Ends Meet: the precarious nature of crisis support in England*. May 2018. <https://www.childrensociety.org.uk/sites/default/files/not-making-ends-meet-2018.pdf>

² *Ibid.*

week after the claimant makes their Universal Credit claim, their final earnings are treated as income for their first Universal Credit award period, meaning that their first payment may be delayed by a further month, and they have to wait nine weeks for a payment instead of five.

Secondly, whilst the benefit run-ons for Housing Benefit (and in the near future for income based JSA, ESA and IS) are very welcome, they only cover two weeks of the initial waiting period, and not all benefits are included – in particular there is no run-on for Tax Credits.

Thirdly, whilst advance payments can help to address the lack of income experienced during the five-week wait, these payments are effectively loans which need to be paid back through deductions from following benefit payments. This puts families into debt from the very start of their claim and subsequently reduces their monthly award for up to 12 months, which is likely to put strain on household budgets.

Deductions are particularly important to consider during the Covid-19 crisis, when many families across the country face increased financial insecurity. It is welcome that during the Covid-19 crisis, the Government has temporarily suspended deductions for the recovery of Universal Credit and legacy benefit overpayments, as well as Social Fund Loans and Tax Credit debts.³ However, we urge the Government to suspend also the recovery of advance payments through deductions to Universal Credit payments. This would reduce a level of stress and anxiety faced by families and leave them with more income to support themselves during this unprecedented time.

2. What is the best way of offsetting the impact of the five week wait?

Beyond more short-term measures to support Universal Credit claimants during the Covid-19 crisis, there are a number of long-term solutions that would offset the five-week wait and improve the system.

Introduce backdating to begin a claim on the date that a claimant began requiring support, rather than beginning the claim on the date that it was submitted. Under current Universal Credit rules, claims are not automatically backdated. Up to one month backdating is possible in exceptional cases, for example because of illness or where sufficient evidence can be provided to demonstrate there was an error with the online system which prevented the claim being made at the right time.⁴

There may be a number of circumstances in which an individual becomes entitled to Universal Credit but is unable to make a claim from their very first day of entitlement. One example of a group who may be affected by this is new parents. New parents are likely to become entitled to a higher amount of Universal Credit after having their first child, and because of frequent loss of earnings around the same time. It is extremely unlikely that new parents would submit a claim for Universal Credit as soon as they become entitled. As new parents are not explicitly exempt from the Universal Credit backdating rules, they may miss out on their full entitlement.⁵

If claimants are not able to backdate their claim, they not only miss out on entitlement, but also wait longer than the standard five weeks for their first payment from the point at which they first met the entitlement criteria for Universal Credit - since their first monthly

³ <https://www.gov.uk/government/news/recovery-of-benefit-overpayment-suspended>

⁴ The Children's Society. Universal Credit, Children and families – 10 important problems. 2018. <https://www.childrensociety.org.uk/sites/default/files/uc-children-and-families-budget-briefing-2018.pdf>

⁵ *Ibid.*

assessment period will begin from the point of claim, rather than the point at which they meet the entitlement criteria.

So for example, an individual has a change in circumstances (such as a new child) which brings them into entitlement for Universal Credit on the 18 August, but they do not make a new claim until 1 September.

Their first assessment period starts on 1 September. Their assessment period then runs for a complete calendar month from 1 September to 30 September, with a new assessment period beginning on 1 October.

They will receive their first payment on 7 October – around 7 weeks after they first met the entitlement criteria.

If a month of automatic backdating were allowed, the first assessment period would begin on the 18 August, and their first payment would be made on the 24th September.

We recommend that backdating under Universal Credit reflects the more generous rules seen under the legacy benefits system where many claims for support could be backdated to the date at which a claimant became entitled, rather than the date at which they applied, and the Tax Credits system, where claims were usually backdated automatically up to 31 days.

These more generous rules would ensure that claimants receive the full award they are entitled to under Universal Credit, and reduce the period those making a claim after they meet the entitlement criteria have to wait before their first payment is made.

Those making a claim for Universal Credit after leaving employment should have their final earnings treated as being paid on the day they finish work. This would help to address the issue that late payment of final wages from employment can count as income for a claimant's first month of entitlement to Universal Credit – meaning they may have to wait nine weeks for a payment of benefit, rather than the usual five weeks.

In the near future, advance payments should become non-repayable grants for vulnerable groups. We understand the Department's reservations regarding the replacement of advance payments with grants, as this would incur a significant cost. However, without changes to the way in which the assessment period operates, it is difficult to see an alternative way to ensure that people can *both* receive a payment of Universal Credit without having to wait a full five weeks *but also* not face significant deductions from their ongoing Universal Credit award for the following year.

However, in the longer term, the Government should consider **a reduction in the assessment period for Universal Credit, from monthly to weekly or fortnightly- and allow averaging of earnings over multiple periods to best reflect the way in which a particular household's earnings are actually paid.** Universal Credit currently operates on the assumption that workers are paid monthly and so entitlement is calculated – and earnings assessed – on a monthly basis. However, for many low-paid workers paid weekly, fortnightly or four weekly, this is simply not the case.

A weekly assessment period would allow entitlement to be calculated after the first week, with a first payment made within two weeks, and weekly from then onwards.

This would necessitate the averaging of earnings over multiple assessment periods to be allowed (otherwise those paid less frequently than weekly would have some periods in which they were said to earn nothing, and other periods in which they are said to have a high level of earnings.) However, averaging of earnings over a time period which best fits a household's earnings profile is necessary anyway, to address problems already arising for households where earnings are not paid monthly as standard, or face significant fluctuations between months.

We suggest that to mitigate against this uncertainty, assessment periods should be changed to weekly or fortnightly, similar to the way in which Housing Benefit is calculated. Income from earnings can be averaged out over a longer period, to account for any fluctuations, and then converted to a weekly or fortnightly amount to show average earnings over the period to calculate the Universal Credit award. This would also mean that claimants are only required to wait one or two weeks for their initial payment, instead of five.

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