

Written evidence from USDAW [UCW0044]

Usdaw welcomes the opportunity to submit comments to the Work and Pensions Committee inquiry into the 'wait for a first payment of Universal Credit'.

Usdaw has urged the Government to stop the roll-out of Universal Credit and fundamentally reform the Social Security System to ensure it is a safety net that provides everyone with enough money to live on without falling into poverty, debt or relying on food banks or other forms of charity.

The five week wait has been one of the fundamental flaws of Universal Credit, and is one of the key problems that need to be addressed for Universal Credit to achieve what it initially claimed to do – to make work pay.

Usdaw is the UK's fifth largest Trade Union and operates solely within the private sector. The Union has over 400,000 members across many sectors including retail, warehousing, transport, food manufacturing, call centres and wholesale.

We represent hundreds of thousands of members working in low paid industries, such as retail. Workers are often employed in insecure work on short-hours contracts and many of our members rely on one or more elements of in-work Social Security.

The retail sector is the largest private sector employer in the UK, employing around three million people and contributes 11% to the UK economic output. Usdaw works hard to negotiate with employers the best pay deals for our members, most of whom work in retail, one of the lowest paid sectors in the UK economy.

However, the Government has a responsibility to recognise that wages are not always enough to meet the cost of families' outgoings and that it is the responsibility of the state to support working people struggling to make ends meet.

The current crisis has shown the true value of low paid workers in the retail and distribution chain. The commitment shown by these individuals has kept the country running and supported our communities when they need it most. It is vital that we, as a country, get the support that Universal Credit claimants need right – to make sure low paid workers are also supported when they face financial uncertainty.

There are fundamental flaws in the design and policy of Universal Credit. The basic principle – to 'make work pay' – has been undermined by a series of cuts to the original design; the introduction of the benefits cap, the reduction of working allowances, plus the removal of the first child premium and two child limit for new claimants, mean a real cut in support for low paid working claimants.

All of these changes from the original design of Universal Credit mean that many working people who are in receipt of benefits are now worse off than they would have been had they remained on so called 'legacy benefits'.

Claimants are also adversely affected by faults in the Real Time information system.

In addition to this, the five week (minimum) wait for payment that is 'baked in' to the design of Universal Credit only goes to exacerbate the financial hardship people face, at a time when they need financial support.

The current system of Advance Payment loans only creates further debt, that people are often in little position to repay, and just reduces future payments for claimants.

For the purpose of this submission we will focus on the first three questions from the inquiry, as these relate most directly to Usdaw's Universal Credit work, and the experience of our members. These questions are:

- 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?
 - What problems do claimants still experience during the five week wait?
- What is the best way of offsetting the impact of the five week wait?
 - Is it possible to estimate any costs or savings to third parties (for example, support organisations)?
- Are different mitigating options needed for different groups of claimants?

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

People who are on very low incomes or out of work, often do not have access to affordable loans, or even credit cards; so for those people who are in immediate need of funds at the point at which their claim is approved, Advance Payment loans are often the safest option to get cash to meet a family's immediate needs such as housing or rent. Other options include payday lenders, informal loans from family or friends, or loan sharks. In this respect, Advance Payment loans do offer a lifeline to those who need it.

However, Usdaw would challenge whether this payment should be repayable and if so, over what period of time.

The simplest way to ensure families are not plunged even deeper into poverty after they make a Universal Credit claim is to scrap the five week wait or at the very least make the Advance Payment in Universal Credit a non-repayable grant, rather than a loan.

This would effectively mean that for those with the greatest need, Universal Credit would be paid from day one of a successful claim and would eliminate the five week wait for those households.

If loans must be repaid, then the repayment period must be extended to ensure the monthly repayment amounts are not creating an unnecessary burden on the claimant. Usdaw welcomes the announcement in the budget that repayment period will be extended from 12 months to two years and in doing so, the Government acknowledge that a 12 month repayment period is not practical for many.

We would challenge whether two years is long enough, and in the cases where the advance Payment Loan is substantial, a longer repayment period would clearly alleviate some of the financial burden that families often face, particularly at the beginning of a claim.

What problems do claimants still experience during the five week wait?

Even with the current Advance Payment scheme, we see far too many people seeking financial help from unreliable or even dangerous sources such as loan sharks. Recent research by debt charity Step Change suggests that 7% of their clients took a loan from

an unlicensed lender or loan shark, to cover the five week wait before their initial Universal Credit payment is made.

While the Advance Payment alleviates the immediate financial pressure, the repayment means it is simply deferring the financial pressure, rather than removing it.

The evidence of food bank use is abundant. Usdaw's Time For Better Pay survey of members revealed that nearly one in ten Usdaw members – all working people – have accessed food banks at least once and food poverty charities such as the Trussell Trust have carried out evidential research that backs this up.

2. What is the best way of offsetting the impact of the five week wait? Is it possible to estimate any costs or savings to third parties?

To be clear, Usdaw's approach to the five-week wait for Universal Credit, is that it should be removed.

Uzdaw agrees with the TUC that there is no justification for the five-week wait for the first payment of Universal Credit. The assessment cycle designed with a monthly payment in arrears 'to mirror the world of work', fails to take in to account the fact that most low paid workers do not have enough savings (if any) to get them through this wait. The assumption by government that people should have savings to get them through this five week wait is not supported by evidence. Universal Credit should be restructured to avoid the wait in payment for all claimants.

However, Usdaw also acknowledges that some groups have a greater and more urgent need than others. In particular, families or individuals at risk of chronic poverty, or succumbing to bad debt must be protected as a matter of urgency. (Please see response to Q3)

Uzdaw as an organisation is not in a position to estimate the cost to a government department of any amendments to the Universal Credit scheme. However, we believe there is significant evidence that savings would be seen elsewhere in society, by making such a change.

Reduction in foodbank usage, lowering credit card debt, reducing users of unlicensed lenders and loan sharks. The knock-on effect this could bring to families, could have lasting effects on the outcomes for children in those homes, as well as improved long term employment prospects for the claimants themselves.

3. Are different mitigating options needed for different groups of claimants?

Whilst Usdaw is opposed to the five week wait for all Universal Credit claimants, and has urged the Government to stop the roll-out of Universal Credit and fundamentally reform the Social Security System, we would acknowledge that in the short-term, those with the very greatest need should be protected first.

There are measures that could be implemented that could act as a safety net to provide money for those most in need, to prevent these families from falling further into poverty, bad debt or relying on food banks.

With this in mind, Usdaw calls upon the Government to abolish the five week or at the very least **transform the Advance Payment from a loan into a non-repayable grant.**

The Advance Payment loan scheme does not apply to all applicants, as there are some applicants who can withstand a five week wait.

We would ask in the short term that this 'fix' is just applied to those people who receive an Advance Payment loan, and would just be an amendment to the Advance Payment scheme – not the fundamental fabric of Universal Credit.

The change should also be applied retrospectively, so those currently paying off a loan should have that debt erased.

Case Study

Finally, we would like to share the case of an Usdaw member whose case we believe helps to demonstrate the points we raise regarding the wait for the first payment, and a number of other issues.

Chris:

Chris is currently a 'team leader' working in grocery retail. He is contracted to work for 25 hours a week although every week he is required to work additional hours. His hours vary from week to week. He has four dependent children – a son in full-time further education and three children aged 8, 6 and 5. His wife is a full-time student.

He first claimed Universal Credit five years ago before which he was in receipt of Child and Working Tax Credits, Housing Benefit and Council Tax Support.

His Tax Credit awards came to an end when he became unemployed. This prompted him to claim Job Seekers Allowance. He was informed by the DWP that he was eligible for and would be 'better off' on Universal Credit, which he claimed.

"Since day one everything went wrong."

It took two months for a payment to be made and when it was finally paid it was less than he had expected. By this time he had fallen into arrears with his Council Tax and his rent. At this time the private landlord from whom he was renting put the rent up hoping that this would force Chris and his family out.

He then got a job as a driver on a zero-hours contract. His hours of work and earnings varied widely from week to week. During the Christmas period he managed to earn £1,600. This meant he did not receive a Universal Credit payment in January. This caused him to fall into further debt.

He was asked to leave his home by the landlord.

He moved into a bigger home for less rent. However, during the move he broke his foot. He lost his job. He informed the Universal Credit that he was unfit for work. His Universal Credit claim stopped and he was told to reclaim. He did not receive a new payment for two months. No rent had been paid during this time.

He was evicted again and he and his family had to move in with a family member where overcrowding was a serious issue.

He started to work for his current employer in a 'team leader' role. His assessment period runs from the 16th to the 15th of every month. He is paid four weekly, not monthly, so has

13 pay days each year. Last March/April he was paid twice during the assessment period. He lost his entire April payment of £867. In May his employer did not forward his payslip to the DWP. They submitted this payslip the following month alongside his June payslip – effectively he was paid twice again. This led to his losing his Universal Credit payment again.

He had budgeted for a holiday paying a certain amount every month. He was no longer able to make these payments and so he lost the holiday and the money he had already paid out. Eventually his employer compensated him for the money he had lost but this did not compensate him for the loss of the holiday.

Furthermore he was originally informed that he was not subject to the benefit cap. Last year he was informed that he was, his award was reduced and then reduced further as the DWP began to recover the overpayment from his current award.

He has said that the uncertainty and confusion has put his relationship with his wife under great strain. He is behind with his rent, his electricity and his gas bills. He is behind with his Council Tax which has led to the Local Authority instructing bailiffs. He has no 'credit' given the amount of debt he has accrued.

He will again lose almost a £1,000 in February as the assessment period contain two pay days.

When he has informed the Job Centre that he cannot afford to lose the entire month's payment when he is paid twice (which after this month will have happened three times in the last 12 months) he is told that it's tough and advised to approach a foodbank.

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