

## Written evidence from Joseph Rowntree Foundation [UCW0076]

### Summary

1. The minimum 'five-week wait' for the first Universal Credit ('UC') payment can pull people in a range of circumstances into hardship. It has been raised by claimants in almost all of our UC research, and recent conversations with claimants confirm it continues to be a problem, even with the now widespread use of UC advances.
2. It results in most claimants getting into debt from the start of their claim, through taking out an advance or borrowing elsewhere. Deductions to repay advances mean most claimants receive lower UC payments than already tight headline entitlements.
3. We estimate that 2 in 5 claimants still due to move to UC over the remaining rollout period will be unable to afford basic living costs during the five-week wait. Of these, a third will continue to face a shortfall over the following year as they repay advances.
4. To provide immediate help during the Covid-19 outbreak all deductions from benefits, including repayments of UC advances, should be suspended for a temporary period of at least 12 months. This would allow UC claimants to access support quickly during the five-week wait without money being taken away for repayments.
5. In the longer term, redesigning UC's rigid monthly assessment period could solve several broader problems, while eliminating the five-week wait without additional ongoing Annually Managed Expenditure ('AME'). We suggest two such options.
6. In the more short to medium term, targeted upfront non-repayable grants should be provided for those who need them. We set out a range of costed options. If the Government is unable to implement a targeted approach quickly and efficiently, it should look to provide non-repayable grants to all new claimants.
7. Two-week 'run-ons' of Child Tax Credit should also be introduced to help support families with children with the extra costs they face during the five-week wait.
8. Alongside these measures, many of the problems caused by the current rigidity of UC's assessment period - including the five-week wait - could be alleviated by making UC more flexible. This includes: less restrictive backdating rules; a more flexible and supportive debt recovery approach; and more choice for claimants over payment frequency, assessment period dates, and possibly even assessment period durations.

### The Joseph Rowntree Foundation and our research on the five-week wait

9. The Joseph Rowntree Foundation ('JRF') is an independent social change organisation working to solve UK poverty. We recently specifically investigated the long wait for the first UC payment and potential solutions.<sup>1</sup> We also draw on our wider UC research and conversations with claimants, including two reports being published in spring 2020.<sup>2</sup>

### Why is there a minimum 5-week wait 'baked in' to UC?

10. UC's design is based on paying monthly in arrears, using actual earnings received during the month to calculate entitlement. The claimant must therefore wait until the end of

the first monthly assessment period - around four and a half weeks after claiming – before their award can be calculated. It then takes a few days to process payment.

11. However, five weeks is the *minimum* time anyone will have to wait because:
  - a) Around 15% of new claimants are still not paid by the Department for Work and Pensions ('DWP') within five weeks of submitting their claim (based on data from before Covid-19).<sup>3</sup> This equates to tens of thousands of people every month.
  - b) Some claimants can spend days or weeks after first attempting to register their digital UC account before they're finally able to submit their claim. This can be due to difficulties like navigating the online system, accessing the internet (e.g. having to make multiple trips to the library) or having the correct documents available.<sup>4</sup>
  - c) Many people do not or cannot attempt making a claim as soon as they become eligible for UC. For example: claiming on the day of giving birth to a child is often not practical; many people try to get by without support for a while after losing a job; others may expect to start a new contract soon which then falls through.

### The impact of the five-week wait on people

12. The five-week wait has been raised in almost every piece of research we've undertaken that asks claimants about their experiences of UC. We will not restate here the large body of evidence produced by many organisations on its detrimental impacts. But recent conversations with claimants and new research we are publishing soon remind us that it is one of the greatest challenges claimants face when moving onto UC.
13. For example, one claimant told us recently that: *"The five-week wait worsened my anxiety and since then I have also been experiencing panic attacks. It has affected my life, my relationship with my son and consequently either the chance to get better or prospect of looking for at least some part time or voluntary jobs."*<sup>5</sup>
14. Another said: *"I thought the wait was unbearable. I had to put my life on hold for five weeks. I prayed that each day would end quickly so that the five weeks would come quickly. By chance I had managed to save a little bit of my jobseekers when I applied for UC. It was still so tough and if I hadn't I would have been out on the streets. It was a nightmare experience."*<sup>6</sup>

### Who does the five-week cause difficulties for?

15. UC was designed to be paid monthly in arrears partly to "mimic work and receipt of a salary".<sup>7</sup> Following this logic, someone losing their job would have a final monthly pay cheque to see them through the five-week wait. But this is founded on a misunderstanding of the lower end of the labour market, where most workers on UC don't get regular monthly wages, even if the majority of workers overall do.<sup>8</sup>
16. Many people are paid weekly or fortnightly or have irregular pay patterns and may face a problematic income gap as a result of the five-week wait. For instance, someone who is paid fortnightly and claims UC as soon as they lose their job will only have enough money from their final pay cheque to survive less than halfway through the month until their first UC payment arrives.

17. People moving from legacy benefits to UC will also face a gap in income resulting from the five-week wait. For example, Jobseekers Allowance ('JSA') is generally paid fortnightly and many people receive tax credits weekly.
18. The Government has recognised this problem, introducing in April 2018 a two-week 'run-on' of Housing Benefit after someone claims UC. The Government is extending these run-ons to JSA, Employment and Support Allowance and Income Support in July 2020, but no equivalent support is planned for tax credit claimants.
19. The Government may expect people to rely on savings during the five-week wait. But it is unlikely that most people making a claim to UC will have sufficient savings. We estimate that more than 9 in 10 people due to move onto UC over the remaining rollout period will have insufficient savings to get them through the five-week wait. Of these, around 15% will also already be falling behind on bills and debt repayments.<sup>9</sup>
20. Even for people who may have had some savings or a monthly pay cheque, many will have exhausted these by the time they submit their UC claim for the reasons described in paragraph 11. Problems can also arise for others because UC includes housing cost support and the minimum five-week wait is longer than a monthly rent cycle.

### Why is it still a problem, even with widespread access to advance payments?

21. The Government recognises that the five-week wait is a problem as it regularly highlights that new claimants can access an advance to help them through it. However, advances are loans that have to be repaid via deductions from UC over the following year. This significantly reduces people's UC income below a level that many already find difficult to survive on.
22. Recent examples highlight in particular how advance payments simply push people into debt from the start of their claim and do not represent a solution for many:
  - a) *"When applicants are in a vulnerable position, Universal Credit staff pressure you into getting all these type of loans, which means you pay them back, which means you're left with barely any money for an extended period."*<sup>10</sup>
  - b) *"It was a good sum of money [advance payment], but now, no it's hard trying to budget. Because they take £120 and then I've got bills coming off that. So, I'm only left with about £300 to last a month."*<sup>11</sup>
  - c) *"At the time even the advance was not enough to pay all the backed-up bills so five weeks is quite a long time to wait, it's too long."*<sup>12</sup>
23. Recent data on advances shows that:
  - a) Around 60% of new UC claimants take out an advance, a rate that has been broadly consistent over the last 12 months.<sup>13</sup>
  - b) In November 2019, almost 60% of UC claims (around 1.3 million claims) had some form of deduction taken. Almost 60% of these (around 740,000 claims) had over 20% of their UC standard allowance deducted.<sup>14</sup> For a couple, a 20% deduction equates to losing around £120 per month from their UC claim.
  - c) Repayments of advances make up over half the money deducted from UC claims in aggregate.<sup>15</sup>

24. This demonstrates that UC advances are now an institutionalised and widespread part of the system, with most new claimants relying on one and receiving significantly less UC each month than their headline entitlements as a result of repayment deductions. The five-week wait is clearly a big structural problem with a big structural impact, resulting in most claimants having to fall back on loans as a result.
25. We also know that many claimants end up borrowing money from other sources to get through the wait, in addition to or instead of an advance. For example, one claimant recently told us: *“I was borrowing money off of friends and family, things like that, to survive that first month but, as I say, I’m still catching up with everything.”*<sup>16</sup>
26. Another said: *“I had to fall back on a credit card that I never wanted to use in the first place and I’m still paying interest and I can’t even get to pay it off because the interest is quite high so if you pay the interest you never get to pay the money itself... so it’s quite depressing that I had to use it at the time because I was so backed up in bills.”*<sup>17</sup>

### How big will the problem continue to be?

27. In our recent work with Policy in Practice we analysed how widespread the problem of people not being able to afford to get through the five-week wait is likely to be over the remaining period of UC’s rollout, including the effects of advances.<sup>18</sup>
28. This analysis was undertaken before the Covid-19 outbreak and the delay in expected UC rollout completion date announced in early 2020.<sup>19</sup> Our analysis would ideally be updated to take account of these events, but the original results are still instructive:
  - a) 2 in 5 claimants still due to move to UC over the remaining rollout period will be unable to afford basic living costs during the five-week wait.
  - b) Of these, around a third will continue to face a shortfall in what they need to cover basic costs as they repay their advance payment loan over the following year.

### Covid-19 and immediate help during the five-week wait

29. Recent conversations with claimants highlight how the Covid-19 outbreak is putting unprecedented pressure on people’s incomes and essential outgoings. For example, one person told us: *“Some people are going a whole day without food, and charities and food banks can’t cope with the scale of the demand. Some people would starve if not for friends, volunteers and mutual aid schemes, including local mosques delivering food.”*<sup>20</sup>
30. Pressure on the social security system has inevitably risen too, with around 1.4 million new applications for UC during the four weeks starting 16<sup>th</sup> March 2020. DWP would usually expect around 220,000 applications over a normal four-week period.<sup>21,22</sup>
31. More than ever, the social security system is an essential public service we should all be able to rely on when circumstances risk pulling us under. People must be able to access this lifeline as fast as possible during this turbulent time; and the Government must use whatever mechanisms it can to offset the five-week wait as quickly as it can.
32. As an immediate policy response, the existing UC advance payment mechanism could be used – but with repayments temporarily suspended - to ensure people turning to UC can access the cash they need quickly during the five-week wait, without the Government taking it away again via immediate repayment deductions.

33. This principle should be applied to suspend all deductions from benefits at this time, so that the Government is not giving cash to people with one hand whilst taking it away with the other. Repayments of a small set of benefit debt categories have already been suspended for three months, but crucially this does not include UC advances.<sup>23</sup>
34. **Recommendation: To provide immediate help during the Covid-19 outbreak all deductions from benefits, including repayments of UC advances, should be suspended for a temporary period of at least 12 months. This would allow new UC claimants to access support quickly during the five-week wait without money being taken away for repayments. It would also give fast relief to existing claimants repaying an advance.**

### Long-term solutions to the five-week wait

35. Tackling the structural root of the problem – by redesigning UC’s rigid monthly assessment period - would require significant development time and resource. However, over the longer term, it would be right to consider doing this.
36. Firstly, it could solve the five-week wait without resorting to ‘bolt-on’ measures that try to compensate for the underlying design issue. Bolt-on measures could add complexity for claimants and are likely to require additional ongoing AME.
37. Secondly, although beyond the scope of this submission, we note that the five-week wait is just one of several undesirable outcomes arising from UC’s rigid monthly assessment period structure. JRF and others have described these elsewhere, but they include:<sup>24</sup>
  - a) Month-to-month fluctuations in UC awards for people with earnings patterns that are different to UC’s calendar month assessment period, even where claimants are paid consistent and regular (e.g. fortnightly) wages. This can cause unpredictability and anxiety for claimants, making budgeting difficult and lives more complicated to manage, even disincentivising people from taking on more work.
  - b) People being forced to suddenly shift from well-established budgeting methods they are used to, based on e.g. fortnightly income, to a new monthly pattern as they move onto UC. This adds further challenges at a time likely to already be turbulent.
38. Redesigning the assessment period could fix some of these broader problems, whilst also eliminating the five-week wait. Two options are:
  - a) Move to a shorter assessment period (e.g. weekly), alongside the ability to average earnings over multiple periods. This would allow the first UC payment to be paid much sooner and ongoing payments to be paid more frequently. However, it would be a significant departure from UC’s current monthly structure.
  - b) Continue assessing entitlements on a monthly basis but add interim payments midway through each month based on estimated earnings. At the end of each month, the calculation would be reconciled using actual earnings and the month-end payment adjusted to account for any differences. This would allow claimants to receive twice-monthly payments on an ongoing basis, with the first payment two weeks after submitting the claim.
39. These options essentially entail pulling part of the current month-end UC payment forward in time by a few weeks. They should not, therefore, have material ongoing AME

implications, although they would require a one-off increase in the Government's working capital. The second option, however, would allow the Government to keep much of the existing monthly-based architecture.

40. **Recommendation: In the long-term, the Government should look at options to redesign UC's monthly assessment period in a way that eliminates the five-week wait at the same time as solving other problems. This could include a shorter assessment period. If the Government wants to prioritise keeping the current monthly architecture and minimise additional AME, it should explore an 'estimate and reconcile' method of interim payments midway through each month.**

### **Short to medium-term solutions to the five-week wait**

41. Redesigning the assessment period will take time to develop. But millions of people may need support from UC before that can happen. In addition, even if the longer term solutions were in place, people can be in extremely stressful and tumultuous circumstances at the point they make a UC claim. UC needs to be a supportive force for people at these difficult times and not add to complexity and hardship. There will always be some people whose circumstances mean they will need extra help at the point of moving to UC.

### **Non-repayable grants during the five-week wait**

42. For these reasons, some form of non-repayable grant should be available for those who most need it at the point of moving to UC. In our recent work with Policy in Practice we set out a range of costed options for a targeted non-repayable grant, depending on how tightly targeted the Government wanted to make grants and how much they were willing to spend.<sup>25</sup> The existing advance payments system could be used to administer the grants, modified to make them non-repayable.
43. Again, the figures below are based on pre-Covid-19 projections, but still give an indication of relative costs. Based on people being able to receive a non-repayable grant of the same value they can currently access as an advance payment:
  - a) A grant to all new claimants would cost £4.3 billion over the remaining UC rollout period;
  - b) A grant targeted to those unable to afford to get through the five-week wait (around 2 in 5 claimants) would cost £1.3 billion over the remaining UC rollout period.
  - c) A grant targeted to those unable to afford to get through the five-week wait nor able to afford advance repayments over the following year (around 1 in 6 claimants) would cost £300 million over the remaining UC rollout period.
44. The grant could of course be targeted based on other criteria, such as the number of different 'challenge factors' a claimant is facing (which we describe further in our report) or using criteria similar to those already used by DWP or local authorities to determine Hardship Payments or Discretionary Housing Payments.
45. Access to the grant should be based on a combination of rights-based entitlement criteria (based on factors such as those described above) with some discretionary scope to allow for the range of difficult circumstances people can face. Northern Ireland

already has a system of non-repayable discretionary grants, via the UC Contingency Fund ('UCCF'), available specifically to people facing difficulties after making a UC claim.

46. If the Government is not able to quickly implement a system of targeted grants because the targeting process is deemed too difficult to implement or too onerous for claimants, it should consider making non-repayable grants available to all new claimants. This would cost more, but this should be seriously weighed against the impact on claimants of not getting the support they need during the five-week wait.
47. Finally, if the Government were willing to spend that amount of money, then non-repayable grants for all claimants would also likely be the fastest and simplest method of offsetting the impact of the five-week wait in the long term as well, negating the need to restructure the assessment period specifically to solve this problem.
48. **Recommendation: Targeted upfront non-repayable grants should be provided for new UC claimants who need them, via the existing advance payment mechanism. We set out a range of targeting options costing between £300 million and £4.3 billion over the remaining UC rollout period. If the Government is unable to implement a targeted approach quickly and efficiently, it should look to provide non-repayable grants to all new claimants.**

#### Extension of 'run-ons' to Child Tax Credit

49. As noted in paragraph 18, the two-week run-ons of legacy benefits already implemented or announced by the Government explicitly exclude support for children. This is difficult to justify, particularly for parents facing multiple challenges with the transition to UC and the higher poverty rates for families with children.
50. Child Tax Credit run-ons might be a technically difficult or costly change for HMRC to deliver. However, the payment could be made by DWP instead, in a similar manner to the targeted grant outlined above, calculated on the basis of children in the household.
51. **Recommendation: Two-week 'run-ons' of legacy benefits when claimants move to UC should be extended to Child Tax Credit. This would help support families with children with the extra costs they face during the five-week wait. It would cost around £430 million over the remaining UC rollout period.**<sup>26</sup>

#### Making UC more flexible would also help offset the five-week wait

52. With or without the other measures described above, many of the problems caused by the current rigidity of the assessment period - including the five-week wait - could be alleviated by introducing a more flexible approach:
  - a) UC claims can only be backdated by up to one month under very strict circumstances requiring a high threshold of proof. An example is needing evidence from a doctor that the claimant was unable to make the claim because they were ill in hospital. These rules should be relaxed, allowing people to backdate claims under any reasonable circumstances without being held back by burdensome levels of proof. This would allow more people to get the full support they are entitled to and enable many to receive their first payment sooner because the first assessment period could start before their claim submission date. For instance, someone who

successfully submits their claim three weeks after losing their job could receive their first payment just two weeks after submitting their claim.

- b) In the wake of the Covid-19 outbreak we are recommending an immediate suspension of all deductions from benefits, including UC advances. But in the longer term, more flexibility in how UC advances and other debts are recovered would also help people to manage difficult circumstances throughout the life of their claim, whilst potentially offering further help to offset the impacts of the five-week wait.
  - c) Everyone should be able to choose a UC payment frequency that best fits the reality of their lives. Currently, after the first month, Scottish claimants are able to choose twice-monthly payments ('Scottish Choices') and in Northern Ireland twice-monthly payments are the default option. In England and Wales, some claimants can receive payments twice-monthly after the first month via an 'Alternative Payment Arrangement' but DWP only agrees to these in limited circumstances.
  - d) Letting people change the day of the month that each assessment period begins on would allow them to better align them with their pay dates, avoiding some of the fluctuations in UC awards that can occur as a result of pay dates being too close to the end of an assessment period.
  - e) If considering longer term structural changes, such as shorter assessment periods (see paragraph 38), looking at allowing different people to have different assessment period durations according to their circumstances. For example, people with regular monthly wages could continue to be assessed and paid monthly, whereas those on fortnightly wages could choose a fortnightly assessment period. This would also enable these people to receive their first payment after two weeks.
- 53. Recommendation: More flexibility and choice should be introduced into UC, which would help offset the five-week wait and solve other problems too, including:**
- a) allowing backdating of UC claims under any reasonable circumstances, with lower thresholds of proof;**
  - b) more flexibility in how UC advances and other debts are recovered;**
  - c) giving everyone the choice of UC payment frequency in the way that is already offered in Scotland;**
  - d) letting people move their assessment period start dates to better align with their pay dates;**
  - e) if considering longer term changes to the assessment period, looking at the feasibility of allowing each claimant to choose their assessment period duration.**

## References

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- <sup>2</sup> Joseph Rowntree Foundation (publications due spring 2020) Universal Credit in Northern Ireland / Glasgow
- <sup>3</sup> Letter from Peter Schofield CB, Permanent Secretary for the DWP, to Rt Hon Stephen Timms MP, Chair of the Work and Pensions Committee (3 April 2020). Available at: <https://publications.parliament.uk/pa/cm5801/cmselect/cmworpen/correspondence/Letter-from-Peter-Schofield.pdf>
- <sup>4</sup> Joseph Rowntree Foundation & Britain Thinks (2018) Learning from experiences of Universal Credit. York: JRF. Available at: <https://britainthinks.com/news/learning-from-experiences-of-universal-credit-a-report-for-the-joseph-rowntree-foundation>
- <sup>5</sup> Recent email exchange between Joseph Rowntree Foundation staff and a claimant, via London Unemployed Strategies.
- <sup>6</sup> Ibid.
- <sup>7</sup> Department for Work and Pensions (2012) Universal Credit impact assessment. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220177/universal-credit-wr2011-ia.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf)
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- <sup>13</sup> Letter from Peter Schofield CB, Permanent Secretary for the DWP, to Rt Hon Stephen Timms MP, Chair of the Work and Pensions Committee (3 April 2020). Available at: <https://publications.parliament.uk/pa/cm5801/cmselect/cmworpen/correspondence/Letter-from-Peter-Schofield.pdf>
- <sup>14</sup> Parliament (2020) Universal Credit: Deductions: Written question – 20637. Asked by Chris Stephens MP on 25 February 2020, answered by Will Quince MP on 3 March 2020. Available at: <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-02-25/20637/>
- <sup>15</sup> Parliament (2020) Universal Credit: Deductions: Written question – 5465. Asked by Chris Stephens MP on 20 January 2020, answered by Will Quince MP on 27 January 2020. Available at: <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-01-20/5465/>
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- <sup>17</sup> Ibid.
- <sup>18</sup> Joseph Rowntree Foundation & Policy in Practice (2019) Financial resilience and the transition to Universal Credit. Available at: <http://policyinpractice.co.uk/new-analysis-financial-resilience-and-the-transition-to-universal-credit/>
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- <sup>23</sup> Department for Work and Pensions (2020) Press release 3 April 2020: Recovery of benefit overpayment suspended. Available at: <https://www.gov.uk/government/news/recovery-of-benefit-overpayment-suspended>
- <sup>24</sup> See for example: Joseph Rowntree Foundation (2020) Written evidence to the House of Lords Economic Affairs Committee inquiry into the economics of Universal Credit. Available for download at: <https://committees.parliament.uk/work/31/the-economics-of-universal-credit/publications/written-evidence/?page=6>
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- <sup>26</sup> Ibid.

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