

Written evidence submitted by Bright Blue (BSW0024)

In February 2019, Bright Blue published a report, *Helping hand? Improving Universal Credit*, which explored the impact of the unique and key design features of Universal Credit (UC) on current claimants during three critical stages: accessing UC, managing on UC, and progressing on UC. It proposed original policies to minimise some of the common challenges faced by a sizeable minority of claimants, and to ensure some of the positive experiences of many claimants can also be enjoyed by others. Our research was based on a broadly representative sample of 40 interviews with UC claimants, conducted in August 2018.

What reforms are needed to the benefits system and should there be further devolution of powers?

With social security powers continuing to be primarily reserved to the UK government (with the exception of those explicitly devolved by the *Scotland Act 2016*), our UK-wide research examined ongoing issues and proposed 11 recommendations which would improve UC for claimants across the UK, including in Wales.

Recommendation: all new claimants of UC should receive a one-off upfront 'helping hand' payment

A large volume of evidence, including our own research, shows that most claimants moving on to UC do not have the financial resources to manage for the initial five-week period without any benefits. Few low-income households have sufficient savings. In fact, as our research showed, many claimants initiate their UC claim in debt.

Advance payments have been made available to UC claimants, which they need to repay from future UC awards. However, the maximum value of such an advance is equal to 100% of a claimant's expected monthly award. This can be inadequate when stretched across the at least five weeks claimants are required to wait.¹ Furthermore, the repayment of these advance payments can be burdensome, and the initial waiting period for the UC award is proving difficult and distressing for most claimants. We recommend that all new UC claimants should be offered a one-off upfront 'helping hand' payment of equal to 25% of their estimated initial UC award. This would be equivalent to a week's worth of their future UC award payments, thereby reducing the financial impact of the initial waiting period.

¹ . DWP, "Rent boost for millions of claimants moving onto Universal Credit", <https://www.gov.uk/government/news/rent-boost-for-millions-of-claimants-moving-onto-universal-credit> (2018).

This 'helping hand' should be paid as soon as possible after successfully registering on UC to the claimant's chosen bank account, would be non-repayable, and could only be received once by a claimant over a long time period.

Recommendation: claimant commitments should be rewritten to include obligations of individuals and institutions that support UC claimants. If these obligations are not met, the Independent Case Examiners should determine whether compensation to claimants is paid in their next UC award

The claimant commitment is first introduced to a claimant in their initial interview with their work coach at the JobCentre Plus. It outlines the conditions a claimant must meet to receive their UC awards.

But the claimant commitment is concerned only with the obligations of claimants, who are told what is required of them but not what they are entitled to expect in return from the individuals and institutions that support them. The penalties of claimant non-compliance – including being sanctioned – are made clear, but the reciprocal obligations of work coaches and the DWP are not.

Hence, we recommend that claimant commitments are rewritten to reflect not only the obligations of claimants, but also the obligations of the individuals and institutions that are delivering UC. If these obligations are not met, there should be consequences.

For example, if claimants feel their work coaches are not meeting their obligations, they should be able to seek redress via the Independent Case Examiner, who could investigate and determine whether financial compensation should be paid to them in a future UC award.

If these types of late payment occur, a claimant should easily be able to get an investigation and judgement from the Independent Case Examiner. They would determine whether the delay was caused by an administrative error that occurred through no fault of the claimant, and as such whether compensation should be granted to claimants.

Recommendation: enable claimants, through their online accounts, to grant continuous explicit consent for their advocates and to opt-out and personalise the default frequency and destination of their future UC awards

Our research points to a significant minority of claimants struggling to manage financially with being paid monthly in arrears. There is also widespread scepticism

among claimants with the housing element of UC being paid directly to claimants in the social rented sector.

Another issue that emerged was the new need to establish explicit consent from vulnerable claimants. Claimants are required to give explicit consent for an advocate to conduct each piece of business with the DWP or Jobcentre Plus. Considering the time and practical pressures placed on claimants, advocates and JCP staff, there is a compelling case to simplify this process.

The Government has responded to all these concerns by emphasizing that some claimants can apply, via their work coach, for alternative payment arrangements. This includes split payments, bi-monthly payments and 'managed payments', which divert rent payments from the housing element of UC directly to landlords. However, it was clear from our fieldwork, that these alternative payment arrangements are neither widely understood nor proactively offered.

To address the above issues, claimants should be granted the power to change the frequency and distribution of their UC awards that they will receive at the end of their next assessment period through their online accounts, giving claimants greater control. This would partially follow the system of Scottish choices in Scotland, where all claimants have an active choice between fortnightly and monthly payments and are able to pay directly to the landlord.

Recommendation: cap the number of UC claimants all work coaches can be assigned

The relationship between claimants and their work coaches is integral to the support claimants receive and, ultimately, the success of UC. Indeed, it was commonplace for our interviewees to speak positively about their engagement with work coaches, especially in their initial interview.

As of February 2020, on average there were 85 Intensive Work Search claimants per work coach, with the number rising to 224 in May 2020 before falling back 117 in March 2021.² However, the number varies significantly in different districts, ranging from 85 to 152 in March 2021.

While the Government has taken action to recruit more staff, with the fall after May 2020 was partially driven by recruitment of 13,500 additional work coaches, it is important to keep the caseload low to preserve the generally positive relationships which have characterised claimants' experiences of UC to date and, ultimately, the success of UC in improving employment rates. Hence, we recommend capping the number of UC claimants a work coach can be assigned.

² National Audit Office, "Employment support", <https://www.nao.org.uk/wp-content/uploads/2021/06/Employment-support.pdf>, (2021).

Recommendation: extend the 12-month exemption from the Minimum Income Floor (MIF) for self-employed UC claimants, so a further separate 12 months of exemption can

Self-employed claimants' UC awards are subject to, after 12 months, a 'Minimum Income Floor'. This means that when their UC award is calculated, their earnings are assumed not to fall beneath a certain level. If a claimants' earnings fall beneath the MIF, their UC entitlement will not be increased to reflect the lower earnings.

The existing 12-month grace period preceding the activation of the MIF is intended to give self-employed claimants the time to develop profitable businesses. The MIF is then intended to prevent UC being used to prop-up unsuccessful businesses.

MIF was suspended for all self-employed claimants between April 2020 and July 2021 due to the COVID-19 pandemic, and until August 2022, work coaches have the ability to suspend MIF for self-employed Universal Credit claimants for up to two months at a time, with a total limit of six months, in addition to the existing 12 month start-up grace period, if their business is still affected by the pandemic. But this flexibility should be made permanent, continuing beyond the pandemic, as many self-employed workers with an established and viable business can face significant income volatility and short suspensions can help them through periods of difficulty, especially for seasonal businesses.

Hence, we recommend that UC claimants are given an additional but separate 12 months' exemption from MIF after the grace period. Claimants will be able to choose which months the exemption will apply to. To ensure that UC is not used to prop-up unprofitable businesses, the additional but separate 12 months should only be granted if approved by a claimants' work coach.

About Bright Blue

Bright Blue is an independent think tank that champions liberal conservatism. Our work is guided by seven research themes: bountiful economy; clean environment; good lives; rewarding work; empowering government; just institutions; and connected communities. We were shortlisted for the 2016, 2017 and 2018 and 2019 UK social policy think tank of the year and UK environment and energy think tank of the year in the prestigious Prospect Magazine annual awards.

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