

CORNWALL HOUSING – WRITTEN EVIDENCE (EUC0038)

The economics of Universal Credit

How well has Universal Credit met its original objectives?

In some ways it has and in others it has not.

Making working pay for example: As there is no limit on the number of hours you need to work (as was the case with tax credits) people can still get a top up when they didn't before. As people earn more Universal credit tapers off.

Simplify the benefits system: As Universal credit is one benefit, it is easier for people who maybe were unemployed and then go into work because they don't have to make a new claim for a new benefit they just need to report their change of circumstances. Similarly, when people lose their jobs they do not need to make new claims.

People do not keep asking for benefits to be reprocessed when income changes as it done every month as part of the Universal credit process automatically. With housing benefit and tax credits before there were often overpayments created. This is less likely to happen with Universal credit as income is accessed monthly.

Were the original objectives and assumptions the right ones?

The objectives to Incentivise paid work & Simplify the benefits system are good objectives however whether this is the case for claimants depends on their circumstances.

- Simplifying the benefits system has worked for some tenants, giving claimants the ability to be able to do everything online, write notes and get a response for example really suits them and they do not have to take that extra long lunch hour to get on the phone for example.

Re: Incentivising paid work:

- For some people they are still better off financially by claiming tax credits and housing benefit, rather than Universal credit and they are on less income by claiming Universal credit. This is not always the case as some people can be better off by claiming Universal credit.
- For some claimants: making the claim and logging on to their online journals and understanding their payments is less than simple & causes stress we have seen.

What have been the positive and negative economic effects of Universal Credit?

Negatives:

- We've seen tenants struggle with the wait for U/C and have to rely on foodbank vouchers to feed themselves and family.
- We have seen tenants that have never been in arrears slipping into arrears due to the wait, skipped payments or taking out advance payments at the start of the claim, which then leaves them short & unable to make up the shortfall.
- Deductions often reducing payments so much it is difficult to make the money last a month when on such a low income already. Many claimants are receiving less than their maximum entitlement due to deductions for an overpayment of tax credits.
- Mistakes made by Universal credit processors take a long time to rectify and often claimants do not even know when mistakes happen examples include the housing element amount not being correct or premiums being missed off, as well as untidy tenancies for joint couples that have become single tenants have caused tenants to go without their full benefits for months on end. This has meant they have struggled to eat, heat their property and pay their rent.
- Recent examples include: the wrong amount of housing element being paid as the tenant multiplied their weekly rent by 4 instead of working out a per calendar month amount. As a landlord we then verified their rent costs (with the weekly amount) but the difference was not picked up and it should have been, and as a consequence the tenant received less housing element for 7 months before an advisor spotted the discrepancy.
- The 4 week UC payment run for alternative payment arrangements causes problems for landlords as depending on claimants pay day landlords often don't get the rent payments up to 8 weeks after they are due and as a consequence it seems that their rent accounts are getting further into arrears. All U/C claimants pay dates should be on the same day altogether, stopping tenants missing the payment dates and their rent & arrears not being paid as a consequence.
- Also, with 4 weekly payments there is always one month we do not get payments. The 4 weekly payment UC payment run does cause a lot of problems for our residents as well as having a huge impact on the housing providers arrears.
- Although claimants can get an advance prior to their first payment: if this includes an amount towards their housing costs often they do not pay this to the landlord (especially if they have a history of rent arrears). In the case where an APA has already been applied for then if the advance of housing element can be paid direct then they would prevent their arrears increasing.

Positives:

- You don't have to work a minimum number of hours to get an in-work top up. Claimants who work less than 16 hours may get more of a top up than they would have previously when they could not apply for tax credits and may have only got help from housing benefit.
- Claimants who work and have variable wages can be better off with Universal credit. They can be paid more Universal credit if they have less hours one month and will get less if they work more hours. This can work well for people who work in seasonal occupations where their hours drop in the winter months.

Which claimants have benefited most from the Universal Credit reforms and which have lost out?

- Claimants who work and have variable wages can be better off with Universal credit. They can be paid more Universal credit if they have less hours one month and will get less if they work more hours. This can work well for people who work in seasonal occupations where their hours drop in the winter months.
- Claimants who work less than 16 hours may get more of a top up than they would have previously with just housing benefit.
- It does not work for some people who are paid weekly or 4 weekly as due to the way they are paid they could be knocked out of Universal credit one month and then have to do a rapid reclaim claim. It also really does not work when a persons UC payday is around the same day as their work payday. I have worked with one tenant who keeps getting knocked out of UC as she is often paid early by work due to weekends etc. Her only real option is to stop the claim and then wait over 6 months before claiming again so she will have a different UC payday. Employers are not always able or willing to report the wages paid on the day it is due and not the day it is actually paid.

How has the world of work changed since the introduction of Universal Credit?

I think there is a rise in employers offering zero-hour contracts however I am not sure whether this has increased specifically with the introduction of Universal credit.

Does Universal Credit's design adequately reflect the reality of low-paid work?

- One way it does not reflect the reality of low paid work is with seasonal work which is very common in our area (Cornwall). If people are employed and their hours drop in the winter or if work stops altogether Universal credit can be more beneficial than the legacy benefit system, however if they are self employed in seasonal work then they will still be counted as earning the national minimum wage when they may not be bringing in an income for a number of weeks/months.

- The reality of low paid work is often that hours worked are variable. Again, with seasonal work in the summer when people may do lots more hours they could then be knocked out of Universal credit and may not always know they can do a rapid reclaim and may then miss out on UC in following months when hours go down again.

If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?

- If a claimant gets knocked out of Universal credit for one month due to working extra hours keep the claim open for an extra month, instead of closing it right away. I.e. Give them a month's grace.

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