

THE HYDE GROUP – WRITTEN EVIDENCE (EUC0039)

The economics of Universal Credit

The Committee “will examine whether Universal Credit is meeting its original objectives and whether the policy assumptions reflected in its design are appropriate for different groups of claimants. It will also examine the extent to which Universal Credit meets the needs of claimants in today’s labour market and the changing world of work.”

How well has Universal Credit met its original objectives?

The system is simpler as there is only one benefit for residents to manage rather than having to manage tax credits, an income benefit and housing benefit. This should reduce the potential for overpayments of benefits. For many claimants, those who can manage an online account and easily meet the claimant commitment, it will be a better system.

However for those who do not have internet access either due to poverty or skills there is a problem. Whilst some are managed by phone and letter there are cases that are online that fail. Poverty means that claimants cannot always afford an internet provider, data on their phone or even electric to charge their device. **Offering phone and paper claims where appropriate.**

Skills mean that they often cannot access their account or do not realise the need to keep checking their ‘To do list’. These claims often fail as claimants have missed a ‘To do’ and the claim is closed. We have had many cases where the resident says they have not realised that their claim had been closed

There has been much publicity about the delay in the first payment that has now been addressed through Short term advances. Short Term Advances has caused problems in that they then reduce ongoing payments. It would be better if a clearer explanation of the calculation were given to a claimant at the start of a claim so that they can ask for a realistic amount.

Solution create a template for Jobcentres to use to explain likely monthly income and impact of Short Term Advance repayments.

A big problem for the most vulnerable claimant is the difficulty in making the first claim. Getting correct advice on claims is difficult leading to a delay in making a claim. This can lead to a loss of Universal Credit that the resident should have received but was not aware that they should have claimed or have

not had the skills or equipment to claim. This gap in income can be difficult to overcome, a month's money that has been missed will mean a month's rent arrears and debt from managing without an income. As the ongoing income from Universal Credit is very minimal it can be very difficult to pay any rent arrears occurred leading to eviction. These claimants are often people who have been found fit for work with their ESA ended or who had been surviving on a low paid job, are facing a relationship breakdown or bereavement.

Solution would be to allow up to 6 months backdating for the first Universal Credit claim without needing to show good cause. This would also help reduce evictions.

Were the original objectives and assumptions the right ones? How should they change?

The old system left many claimants without a need to consider whether they could return to the work place or a need to increase their earning capacity. Work coaches are very variable but a good work coach who is realistic about a claimants ability can restore a claimants confidence and encourage a more positive approach.

Conversely some work coaches can be intimidating and over zealous in the use of sanctions.

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

For claimants on zero hour contracts it can be much easier to see adjustments to their benefits. This should make it easier for claimants to take flexible working

Making work pay has not been met for single people who have faced the loss of the £100 work allowance. As most work involves some kind of travel cost, in our area the cost of a weekly bus ticket is 25.30 which is £109.63 a month, working can mean being worse off. **Solution reinstate the £100 work allowance.**

For claimants over 60

The legacy system recognised that people over 60 often struggle to find work and that they may have reduced capacity for full time work. Under the legacy system they benefited from being able to apply for tax credits if they worked for 16 hours a week. Again this have been compounded by the loss of the work allowance for childless claimants.

Sanctions can have a devastating affect on a claimant. There should be very clear guidelines and support to a claimant affected by a sanction. They often appear to affect those who may have undiagnosed hidden disabilities.

What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?

It is impossible to consider this without impact of Universal Credit in isolation. There are many claimants who have fallen out of the Employment and Support Allowance system incorrectly. They find themselves unable to resolve this without being able to claim Universal Credit. The key questions to be answered on ESA is the following. Why are so many decisions on Work Capability incorrect and why should claimants and advisers have to spend over an hour to get through to query a situation.

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

Benefited

Those on zero hour contracts

Those in the highest group following a work capability assessment, Limited Capability for work related Activity Element.

Lost out

Single people and couples without a work allowance

Young families as they would have received the over 25 rates when they had a child on legacy benefits.

How has the world of work changed since the introduction of Universal Credit? Does Universal Credit's design adequately reflect the reality of low-paid work?

On Tax Credits it was relatively easy to drop below the hours requirement which could lead to an overpayment. This will not happen on the new system

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

There should be more support on how to claim and understand Universal Credit journals and payment pages

It should be possible to see previous claims on the journal. At present it disappears from view which make it very difficult to help claimants who are vulnerable.

There should be some system to check work coaches work to ensure they are supportive rather than oppressive.

Poverty is caused by the low level of standard allowances.

Work allowances should be available for all claimants

The additional payments for Limited Capability for work Element should be restored.

The benefit cap should be abolished as this affects families in the majority and penalises them for not finding work. There is a sanction system for this. They should not have to face a further burden.

As said previously it is impossible to look at this in isolation as other issues that affect poverty are housing situations. If your rent is £200 a week as opposed to £90 it is obviously more difficult to lift yourself above the need for support from a benefit system. The raising of the pension age has brought a wider group into the Universal Credit age range, The very difficult Work Capability Assessment system, the raising of Council Tax at a time that local authorities have introduced new Council Tax reduction schemes. Should a wider range of children qualify for Free School Meals?

This has been put together very quickly due to the need to fit it in between casework.

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