

CITIZENS ADVICE SWANSEA NEATH PORT TALBOT – WRITTEN EVIDENCE (EUC0042)

The economics of Universal Credit

Universal Credit continues to have a disproportionate impact on our service: the second highest number of all the issues we help clients face relate to Universal Credit. The people we meet come from a wide variety of backgrounds; a large number of them are reliant on low incomes to survive and to support their family. These are the people Universal Credit was intended to benefit most; to guarantee that work 'pays'.

Cases by office or outreach & main issues



Office or outreach

Office

New cases

	Benefits & tax credits	Benefits Universal Credit	Consumer goods & services	Debt	Discrimination	Education	Employment	Financial services & capability	Health & community care	Housing	Immigration & asylum	Legal	Not recorded/not applicable	Other	Relationships & family	Tax	Travel & transport	Utilities & communications	Grand Total
Citizens Advice Swansea Neath Port Talb.	1,971	1,334	59	1,112	25	9	144	63	30	170	73	78	140	105	178	25	40	41	5,492
Grand Total	1,971	1,334	59	1,112	25	9	144	63	30	170	73	78	140	105	178	25	40	41	5,492

Clients with a new case

	Benefits & tax credits	Benefits Universal Credit	Consumer goods & services	Debt	Discrimination	Education	Employment	Financial services & capability	Health & community care	Housing	Immigration & asylum	Legal	Not recorded/not applicable	Other	Relationships & family	Tax	Travel & transport	Utilities & communications	Grand Total
Citizens Advice Swansea Neath Port Talb.	1,636	1,207	58	937	25	9	139	62	30	164	70	77	135	100	174	24	40	38	4,354
Grand Total	1,636	1,207	58	937	25	9	139	62	30	164	70	77	135	100	174	24	40	38	4,354

The following provides examples of some of the most common and dramatic issues we face within the criteria set out by the inquiry. Suggestions to remedy this are included at the end of each section.

Variable income

A very large number of our clients are reliant on part-time, low income contracts, including zero hour contracts. As an example, Amazon Inc. is a large employer across our two local authorities, providing large numbers of temporary and zero hour contracts particularly over the Christmas period. Universal Credit promises that over the longer term of several months, the amount of money you receive from work and benefits overall should balance out, as Universal Credit tracks your income in real time during each assessment period (however this is dependent on employers submitting income details to HMRC correctly... see below). In practice, this appears to be making it very difficult for people to be able to plan ahead, to budget and manage their finances

effectively. This is particularly true for those whose capability to budget is more limited, and it has been submitted many times that living on a low income (including those on Universal Credit) correlates tightly with stress levels and poor mental health. Irrespective of this however, Universal Credit appears to be consistently failing to compliment workers' lived experiences right across the variable income category.

Alan works in the construction business.¹ He came to us to find out how much he could receive while on Universal Credit to help him through a difficult (but common) time for him. Like many others in our area, he has been dependant on picking up low wage, part time and temporary contracts for a long time. Our adviser tried to calculate what Alan could expect as an overall income from month to month, but as his hours in work fluctuate so frequently, it was impossible to give Alan a stable, reliable figure. We could only give him a series of rough estimations for his Universal Credit entitlement by hypothesising a number of scenarios and telling him what income he might receive from Universal Credit monthly in each scenario.

This is different from how Tax Credits worked, where you would receive some income from Working Tax Credits each fortnight, providing you were working a certain number of hours, and telling HMRC about each change of circumstances you received. The lived experience now appears to be that, even though Universal Credit will balance things out overall, you're far more likely to find yourself without money for a week or more, rather than for just a few days.

Given that he would need to wait a whole month between receiving his Universal Credit payments (or to find out he'd be getting nothing that month) he didn't know how he could possibly budget reliably to avoid debt or crisis with this information.

"I get the theory of it, like how Universal Credit is supposed to be paid and the breakdown of payments is on my account but I haven't got a clue where I am or what's going on most of the time to be honest."

Suggestions for improvement: Alternative Payment Arrangements (APAs) can be requested by claimants who are acknowledged by the DWP to have limited capability to manage monthly payments. If granted, these allow a person to be paid Universal Credit fortnightly, but are awarded on a discretionary basis only: we help lots of people whose applications for APAs have been turned down. An easy means of improving Universal Credit for these claimants would be to make APAs available to all who feel they could more easily budget with fortnightly payments. Fortnightly payments could also have the potential to reduce the number of money-less days which claimants on low incomes must sometimes survive through, reflecting the approach taken in previous benefits designed to reward being in employment.

¹ This client's details have been anonymised to protect their identity whilst also continuing to reflect the issues they face.

Incorrect wage reporting by employers

We have already submitted to previous inquiries that earnings are incorrectly reported by employers to HMRC.² Since we published our report on Universal Credit, we have seen no change in the frequency of such problems arising. Where these workers are reliant on a low income and so are dependent on Universal Credit to establish some sort of stability, they are finding that speaking to HMRC or to their Employer, or to their work coach through their journal, does not guarantee a resolution. The result is that the wage figure in each assessment period can be incorrect, leading to incorrect Universal Credit calculations, or calculations which do not actually reflect the lived experience of the individual, leaving them more likely to find themselves without money at any given time.

David made a claim for Universal Credit to support their income, and came to us for help with a disability benefits form.³ David works part time as it's all he can manage at the moment due to his poor health, but his employer consistently submits details of his paid wages incorrectly, both to himself on wage slips and to HMRC. For example, he will receive payment for 10 out of 16 hours a week worked one month, and then the missing 6 hours will appear on next month's payslip, so it looks like he's worked 22 hours' worth of work. The amount David receives from work each month is still the equivalent of 16 hours a week, but Universal Credit use his employer's information, not his bank statement.

As a result, some months David receives no Universal Credit or severely reduced payments, leaving him much worse off for that month. The fact that it balances out over the following month or two is not enough to fix David's empty bank account in that moment, for the remainder of that assessment period. This leaves him vulnerable to falling into debt, or worse, in any month.

Suggestions for improvement: Investigative attention must be given to how incorrect details regarding payment of wages can be addressed as quickly as possible, to avoid negatively impacting a blameless claimant. An impact assessment of any current dispute resolution mechanisms that are currently meant to be in place would be advisable, and should include an assessment of how well-known it is that these mechanisms exist and how frequently they are utilised when appropriate to do so.

The advance payment system

We have repeatedly called for an amendment of the advance payment system, as it tries to reflect the world of work where such a reflection is inappropriate.⁴ People are reliant on the benefits system to protect them from destitution as they struggle with a low income or search for new or increased employment: the advance payment system and 5-6 week wait for a first payment is inappropriate and unnecessarily punishing in such circumstances. The advance payment is treated as a loan, which is deducted from future

² For full details please compare our submission to the Welfare Committee, which evaluated the effectiveness of the benefits system to act as a safety net for claimants in today's world. This can be found here: <https://citizensadvicesnpt.org.uk/wp-content/uploads/2019/01/UK-Parliament-Work-and-Pensions-Committee-safety-net-Inquiry-2018.pdf>.

³ David's details have been amended to protect his identity, but the essential facts of the case are the same.

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Universal Credit payments at a basic rate of 30%. However, the repayment period is not also automatically extended. The result is greater pressure on individuals, including those in work, because they will be entitled to a smaller advance payments than in the past: the maximum amount you can receive on an advance payment is now 30% of your standard allowance multiplied by 12 months, rather than 40%, leaving people with significantly less money from Universal Credit to survive the 5-6 week wait for the first payment. The result is that people have to turn to other credit and loan sources to survive.

Suggestions for Improvement: To protect people facing crisis and destitution, the advance payment and extensive wait for a first payment on Universal Credit should be revised, if not scrapped entirely, to reflect the fact that most people claim benefits to protect themselves from crisis, not to learn how to wait for a wage packet.

The plight of disabled workers

Wales has one of the highest rates of disabilities and health conditions in the United Kingdom,⁵ so a very considerable number of our workers are disabled workers. This category should be given considerable attention to avoid exacerbating the inequalities already present within the United Kingdom.

The impact on disabled workers on those who have never claimed a disability-related means tested benefit is markedly unfair and contrary to the flagship principle of Universal Credit: that it always pays to be in work.

Consider the experience of Karla; a woman with considerable degenerative physical disabilities.⁶ Fiercely independent, she has pushed herself to work full time in an office job at the minimum wage. She gets Personal Independence payment at the standard rate for daily living, which meant that she was awarded a disability premium on her Working Tax Credits. She could live on this.

As her health conditions deteriorate, she finds she can only manage to work about 24 hours a week. Now she is automatically worse off. Trusting in the promise that Universal Credit can only leave you better off for being in work, she applies for Universal Credit. Her tax credits stop; she must wait 5-6 weeks for a UC payment... and discovers that she is an entire £50 a week worse off on Universal Credit: or £2500 a year.

On top of this, because of the way in which Tax Credits was calculated, she is informed that she has been 'overpaid'. This is treated like a debt, and Karla finds that she receives even less Universal Credit, as a large percentage of it is deducted to pay off the debt before it even reaches her.

Now consider the scenario where Karla was part of a couple. She splits from her partner, a common occurrence; perhaps she is even forced to move to another local authority, surviving domestic violence. She is forced to claim Universal Credit

⁵ Consider the statistics provided by the ONS here:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/articles/disabilityine nglandandwales/2013-01-30>

⁶ Karla is an anonymized example of the clients we see. Due to the sensitive nature of the circumstances some of our clients face, Karla's situation has been adapted to reflect the experience of more than one client.

as her Tax Credits claim is closed and she cannot make a new claim, for that or for Housing Benefit. The result is the same, if not worse, as now she has no partner for financial support (if she had been receiving it).

We have found ourselves in a situation where the people who have striven to work in spite of their disabilities are now being punished by the very system which promises to reward them.

Suggestions for improvement: Special care must be taken to ensure that Universal Credit champions equal treatment of all workers in accordance with the Equalities Act 2010, and correct application of such a policy should acknowledge the difference in capabilities between different workers. Disabled workers should not find themselves inherently worse off simply because they are disabled.

Compromising Routes into Work

The legacy benefit Employment and Support Allowance (ESA) allowed for what was known as "Permitted Work". This meant that someone who suffered with disabilities, health conditions and learning disabilities was allowed to work and earn up to £131.50 a week, without this affecting their ESA payment. This allowed a person to try and build up their employability, their skills, their confidence and so on; this approach could be considered as in keeping with Universal Credit's founding principle of encouraging people back into work, ensuring that you can only be better off once in work. However, this has been completely removed from the Universal Credit system. As a result, claimants such as those recovering from an operation or accident for example, are not permitted to gradually ease themselves back into the working world whilst also being rewarded for doing so – as someone else would be on a phased return to work. This approach runs contrary to the expectations set by Universal Credit.

Work related activity groups are comparatively inflexible: if you are considered to be capable of work by the DWP, you are expected to work or seek work full time, unless one of the accepted exceptions applied to you. Illness is not considered one of these exceptions. A claimant can only submit sick notes from their GP for up to two months before the DWP ask you whether you are capable of work, or if you are not. There is no middle ground which can be maintained for the medium to longer term. The DWP opinion overrides any sick note provided by a GP or other health professional once they have conducted their own limited capability for work assessment, which can leave a person who wants to work but can't, in considerable difficulty and at risk of sanction.

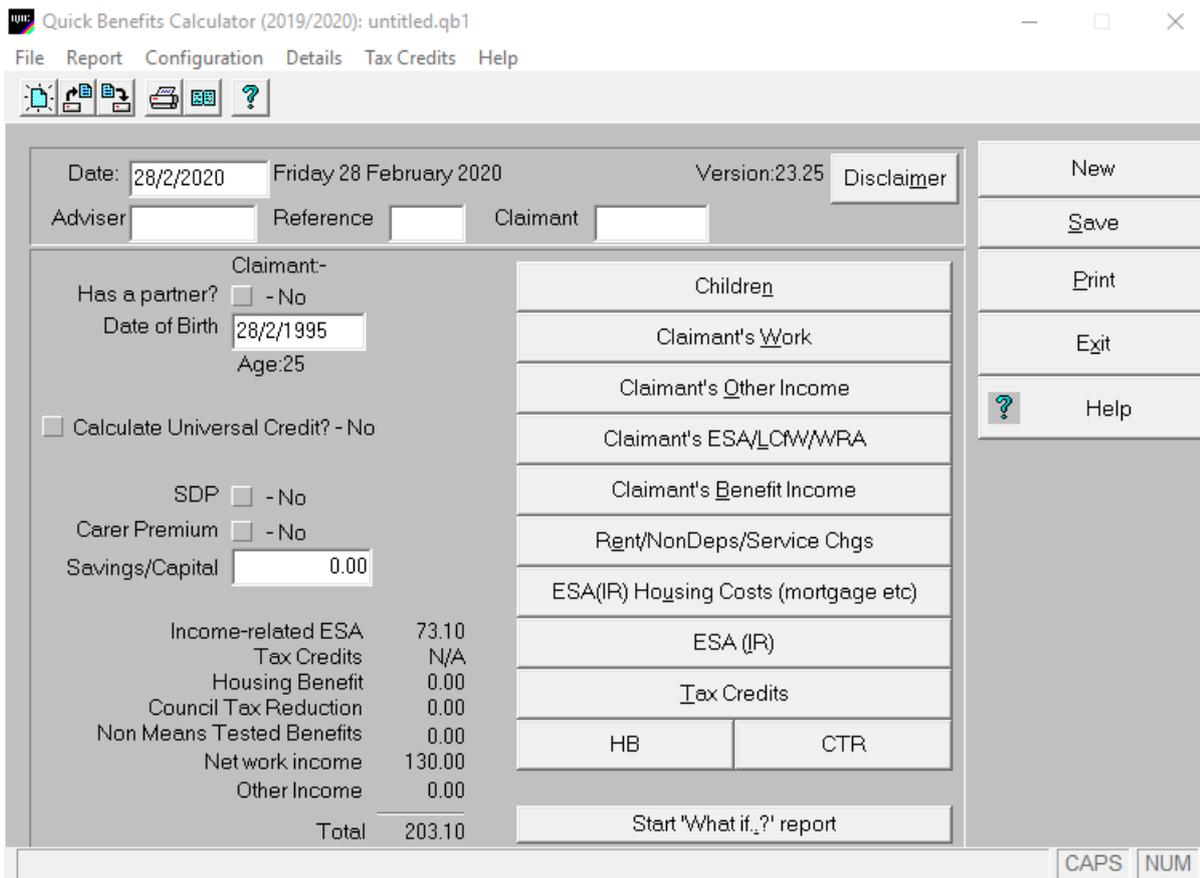


Figure 1: Basic statement of claimant's benefits entitlement whilst receiving permitted work of £130 a week.

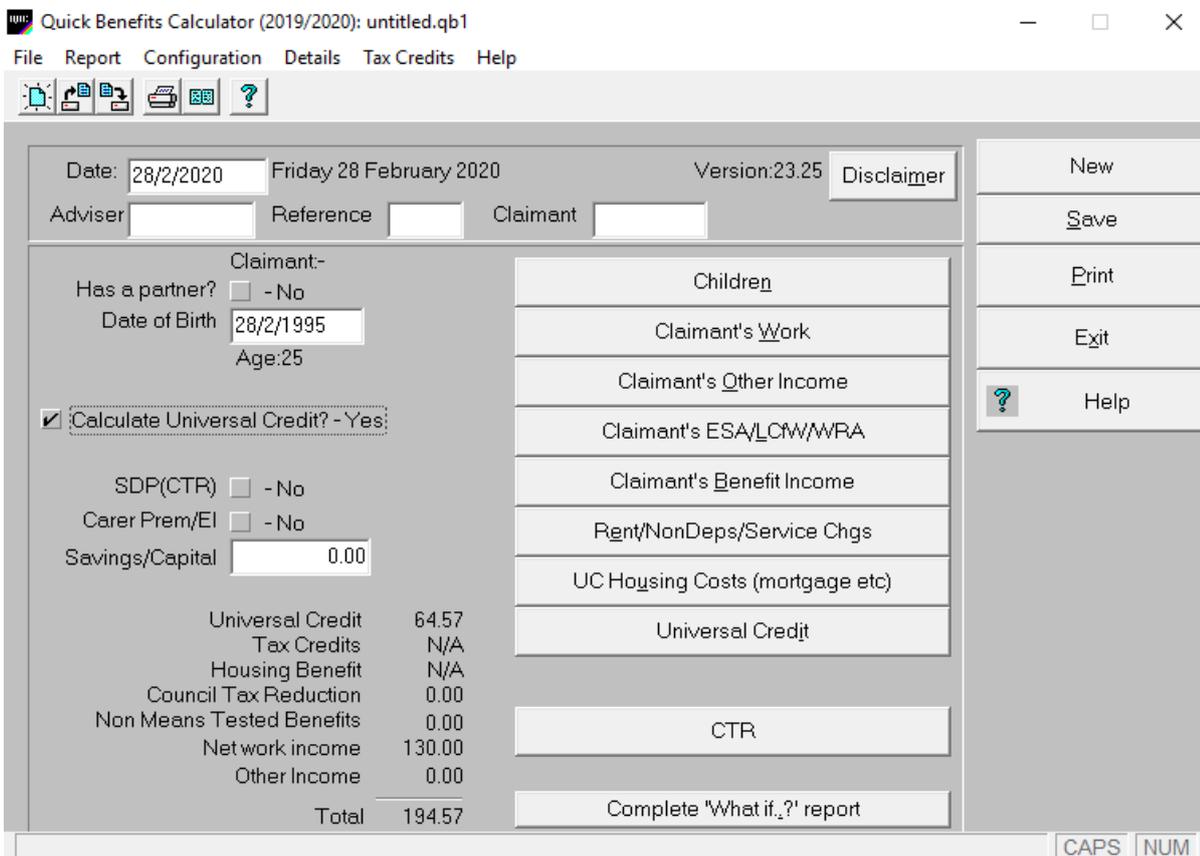


Figure 2: If the same person claims Universal Credit, they are almost £10 a week worse off financially, which equates to just under 5%. This does not reflect the reduction in their quality of life and chances of progressing back into work successfully.

Suggestions for improvement: more flexibility regarding work related activity groups for disabled workers would more accurately reflect the world of work and the needs of any individual who wishes to return to it, making it more likely that they will be more successful in their return. This could include guidance for work coaches on how to respond appropriately and effectively to the changing circumstances and health of claimants, for example.

28 February 2020