

DEPAUL UK – WRITTEN EVIDENCE (EUC0049)

The economics of Universal Credit

About Depaul UK

1. Depaul UK is a charity that prevents homelessness and provides support to vulnerable people. Last year we provided services including emergency accommodation, longer-term housing and community outreach to over 3,000 mainly young people. Our Nightstop emergency volunteer hosting network operates across the UK and we deliver many other services across London, the North East, Greater Manchester and South Yorkshire.

Summary of submission

2. **The benefits freeze, combined with aspects Universal Credit's design, mean that it does not function as an adequate safety net for young people.**

Recommendations:

3. **The government should scrap the five week wait, claimants should receive their first payment after two weeks, as is the case with benefits that Universal Credit is replacing.**
4. **Instead of applying a flat rate of maximum deductions, the government should calculate a minimum amount of standard allowance that both under and over-25s will be left with after deductions are applied.**

Submission in detail:

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

5. The benefits freeze, combined with aspects Universal Credit's design, mean that it does not function as an adequate safety net for young people.
6. The Universal Credit Standard Allowance for unemployed people under-25 is £58 a week. It has been paid at this amount since April 2015, there have been no inflationary uplifts. Young people have to meet all of their costs apart from rent with this amount. Young people using Depaul's services find this extremely difficult. George, who lived in one of our supported accommodation projects, has kindly shared his weekly budget:

<i>Item</i>	<i>Allocation in weekly budget (£58 UC Standard Allowance)</i>
Food	£10
Gas and electricity	£11
Three days travel, including to Jobcentre and volunteering	£10
Water	£6
Mobile phone	£5
Council tax	£3
Everything else - including clothing, toiletries, household supplies.	£13

7. The five week wait helps explains why most claimants have deductions made from their standard allowance.¹ They means that Universal Credit is designed in such a way that young people are sometimes left with just £41 a week standard allowance to meet all of their non-rent costs.

The five week wait

8. People making new benefit claims have to wait five weeks for their first Universal Credit payment, whereas they had to wait two weeks in the old system. Young people who are homeless rarely have `any savings or a paycheque to rely on when they are waiting for their first payment.
9. The five week wait leaves young people having to choose between trying to survive with no money - relying on handouts or borrowing money. They can ask the Jobcentre for an advance, which means they get up to 100 per cent of their monthly entitlement to cover the five weeks. This advance, however, has to be paid back through automatic deductions from future Universal Credit payments.
- 10. The government should scrap the five week wait, claimants should receive their first payment after two weeks, as is the case with benefits that Universal Credit is replacing.**

Automatic deductions

11. Up to 30 per cent of people's Universal Credit standard allowance can be automatically deducted before it is paid to them. Automatic deductions are taken to pay back advances, as well as money owed for rent areas, electricity, gas, water and court fines.

¹¹ <https://www.theguardian.com/society/2019/nov/23/million-families-cut-universal-credit-benefits-debts>

12. Deducting 30 per cent of £58 leaves young people with just £41 with which to try and pay for everything apart from rent. Young people we are working with, trying to survive on this amount, cannot meet all of their essential living costs with such a small weekly payment. They have to use foodbanks and often end up getting into more debt.

13. The current flat rate deduction of 30 per cent is applied under and over-25s. Over 25s received considerably more Standard Allowance than the under-25s.

14. **Instead of applying a flat rate of maximum deductions, the government should calculate a minimum amount of standard allowance that both under and over-25s will be left with after deductions are applied.**

28 February 2020