DR KATE SUMMERS AND DAVID YOUNG – WRITTEN EVIDENCE (EUC0058)

The economics of Universal Credit

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1. We are writing as qualitative social policy researchers whose expertise centre around working age means-tested social security benefits, including Universal Credit. Our research has considered how the policy design features of Universal Credit that have been identified as 'simple' by policymakers are experienced by claimants themselves. Our methodological approach allows us to understand the micro dynamics of money management in people's everyday lives. A summary of the research can be found here, and the academic output here.

2. There are several findings arising from our research that we believe are of particular importance to the Committee's inquiry:

3. Universal Credit has been described as simplifying the benefits system. This, however, does not take adequate account of how simplicity differs according to perspective. From an administrative perspective there are many features of Universal Credit that can be described as simple. However, there is a problematic assumption that simplicity is also therefore experienced by claimants. As identified by the Committee, Universal Credit does not adequately reflect the lived experiences of claimants, and is at risk of introducing further complexity, and the burden of managing money, onto low-income claimants. This is evident in some key aspects of Universal Credit's design, including the monthly assessment period; monthly payment period and lump sum payment structure.

4. The fixed nature of the monthly assessment period can be misaligned with the timings of a claimant's income and act to destabilise their income flow. For example, if 5 weekly pay days fall within one monthly assessment period, or two monthly paydays fall within one monthly assessment period this creates an artificial imbalance where the claimant will be deemed to have much higher income in that month and therefore lower Universal Credit entitlement. The onus then falls on the claimant to manage these fluctuations in income.

5. The monthly payment and lump sum design features are at odds with how many households manage money on a low income. There is evidence both from the UK and internationally that strategies of short-termism, earmarking and subdividing income streams are used when managing in a context of low-income. Universal Credit removes frameworks for such strategies and creates a more challenging context for successful money management, again where the onus is placed on the claimant to cope.

6. The recommendations arising from our work include:

   a. That analysis of the efficacy of Universal Credit must include robust evidence on how the policy is experienced by claimants in their daily lives.
   b. That the Universal Credit system would be improved if claimants were able to choose their assessment and payment dates.
   c. That the Universal Credit system would be improved if claimants were able to choose to have payments separated out both at different temporal intervals and also into different 'pots' to support successful money management.
   d. That underpinning the above recommendations is the need to consider how benefit rates are set, and on what grounds they are considered adequate. The pecuniary amount of Universal Credit, and the challenges this creates for successful money management, cannot be separated out from other design considerations.

29 February 2020