

OLIVIA NEWMAN – WRITTEN EVIDENCE (EUC0059)

The economics of Universal Credit

Universal Credit was designed for the main part to;

Tackle the existing problems of worklessness by smoothing the transition in to work, ensure that no-one is made worse off by working, to make it fairer and make it simpler and cheaper to deliver.

But there are several design faults that need fixing and until these are resolved UC cannot be regarded as a success.

There has already been wide criticism such as the 5 week wait, which puts people into debt and the advance loan, which also puts claimants into debt and leaves them struggling to live on vastly inadequate funds for the duration of the repayment period.

Harsh sanctions are in place to ensure complicity but are often applied unreasonably. Sanctions are causing desperately poor people into further poverty and adversely, impacting the lives of millions of children.

The aim of UC is for the claimant to earnestly and tirelessly seek work of any kind, which will not only make them more economically active but boost their income and 'make work pay'.

Of course, getting a job will help but single people are immediately hammered with the 63% 'poverty tax' on their UC payment for every £1 earned. This is much higher than the top rate of income tax the most wealthy pay on their earned income. The hourly rate at minimum wage becomes worth only £3.03 per hour or less, if, the worker is under 25.

A person responsible for a child or who has limited capability for work cannot earn more than £287 a month - that is, around 8 hours a week on minimum wage, before they also start paying the 63% 'poverty tax'.

Pension income is taken pound for pound. There are no allowances on pension income at all.

As harsh as all this is, the underlying message of UC is, 'give those without work the very minimum to survive on, with a system which encourages work and ensures there is no sudden cliff edge to fall from as their income increases'.

But:

UC was designed with able bodied, working-age people in mind and has had little regard for the adverse affect it has on the sick, the disabled or low-income pensioners.

People with both long and short term health problems and disabilities have always been financially disadvantaged and UC has done nothing to help alleviate this issue. (The PIP and ESA assessments have received enormous criticism with a very high percentage of refused claims being overturned on appeal). The LWC aspect of ESA / UC is the same rate as an ordinary job seeker despite their clear disadvantages in

being able to work, find suitable work or be able to maintain work, if found.

Sick and disabled people are therefore far more likely to be in and remain in, poverty than their fit for work peers. If this was an intended objective of UC it shows clear discrimination against the sick and disabled. If this was not an intended outcome, then the original, higher payment for ESA / WRAG and LWC / UC should be reinstated.

UC never set out to harm pensioners and yet the rules around 'mixed age' couples, where one is of pension age and the other is not, do just that.

Poorer pensioners with younger partners are being unfairly discriminated against and financially penalized, compared to ALL other pensioners.

Single pensioners and pensioner couples are, by and large, unaffected by UC. If they qualify, they are able to claim Pension Credit, Council Tax Support and Housing Benefit to supplement their pensions.

However, changes were made to the rules around 'mixed age' couples, where one is of pension age and the other is not. Mixed age couples are now no longer entitled to claim Pension Credit or Housing Benefit and any entitlement to Council Tax Support is also likely to be reduced or removed.

The government made the unfair assumption that the younger spouse or partner of a pensioner should be treated the same as every other working age person but ignored the fact that the pensioner may be relying on the younger partner for their care needs and may not be safe if left alone all day or, the younger partner may be sick or disabled and therefore unable to work or greatly disadvantaged in their ability to work. No allowances were made for couples where one may be disabled or caring for someone who is.

If a mixed age couple were to have a change of circumstances that triggered a closure of their 'Legacy' benefits and a new claim for UC or if they make a new benefit claim for the first time they are subject to these harsh cuts that have come about and will undoubtedly suffer from a reduced level of income and the knock-on effects of poverty such as having to choose between heating or eating.

This decision should be reversed.

Under the old Housing Benefit system a different formula is used to calculate the amount of Housing Benefit they may be awarded, which takes into account the individual circumstances of each household member. The Applicable Amount was set by the government as an accepted level of income each type of household should have before any rent or council tax is charged.

Applicable amount for couples

One or both over state pension credit age, but both aged under 65	255.25
One or both have reached pension age	270.60

Premiums are added for children, carers, or those with severe disabilities etc. The difference between the actual income and the applicable allowance is then subject to a 65% charge to the client towards their rent. Council tax used a similar formula at

20%, however this now varies across the regions.

Case-study 1.

Sam is 67 years old and retired. He worked hard all his life and saved into a company pension scheme. His state and company pensions amount to £260 a week. Linda, his wife is 10 years younger. She also worked hard before she had to stop working due to ill health. She gets lower rate daily care PIP (which is ignored when working out benefit entitlement) and contributory ESA at £111.65 per week. Sam is her carer and also has to do most of the housework and cooking, etc but is finding it hard to manage everything and now needs his wife to help him dress, cut his toe nails and other intimate care. He does not qualify for Attendance Allowance.

The couple live in a council house. Their savings of £3,000 are disregarded as are below the lower savings limit of £10,000. They are entitled to Housing Benefit and Council Tax Support from their local council although they do have to pay a weekly contribution of £41.73 for rent and £13.00 for council tax.

Income source (per week)		Applicable Amount	
State Pension	160.00	One or both of state pension age	270.60
Company/Private Pen's	100	Carer Premium	36.85
Wages	0	Total	307.45
ESA	111.65	Excess (Income minus Applicable)	64.20
PIP (not counted)	(58.70)	Client contribution (Excess multiplied by 65%)	41.73
		Total H.B received	78.27 (per week)
Total	371.65	(Total rent	120.00)

Sam receives a small inheritance which makes their total savings worth around £26,000. The upper savings limit is £16,000 and therefore, they lose all entitlement to HB and CTS. The couple are afraid to spend any of their money on themselves as they now have to make their savings stretch as far as they can. The couple estimate their excess money will cover the difference for the next two years, after which, their savings would fall below the upper limit and under the old rules, their entitlement to HB and CTS would have resumed but as a mixed-age couple they will no longer qualify for housing benefit and any CTS they may have been entitled to would likely be reduced or removed. If Sam were a single pensioner he would have been entitled to reclaim HB and CTS at this point.

Under the new rules for mixed-age couples they would have to make a claim for UC. Under UC the new upper limit for savings is reduced to just £10,000 but unfortunately, even when Sam and Linda's savings have gone below the upper limit and even the new £6,000 lower limit, they still cannot claim UC as their income is now considered too high to qualify.

Universal Credit monthly allowances.

Couple, both over 25 £498.89

Housing £520

Carer element £160.20

Disability or health condition £126.11

Total before adjustments £1305.20

Taken off for earned income (your salary) £0.00

Taken off for unearned income (benefits, pensions and savings) £1610.48

Total adjustments £1610.48

Total payment for the month £0

Sam and Linda will have to continue paying their rent out of their savings until all their money is gone, by which time Linda will be only 62 and still not entitled to any means-tested benefits, leaving the couple worse off by at least £339.17 per month after paying their rent, (not including any council tax payable) struggling to get by with no more savings to fall back on, for another 5 years until she can claim her state pension and housing benefit can resume; by which time Sam will be over 77 years old.

Case-study 2.

Barry is 69 and receives his state and private pensions of £150 a week. His wife Mary is 55 and receives Carer's Allowance of £66.15 a week because she is looking after her husband. Below we compare their entitlements under both systems.

Please note: these figures assume a rent of £440 per month and does not include any Council Tax support. Entitlements may be different with different housing costs.

Pension Credit (per week)

Standard Pension Credit guarantee (£255.25)

carer addition (£36.85)

Total £292.10 per week

Minus total weekly income of £216.15

= £75.95 per week Pension Credit

As their total weekly income of £292.10 is below the applicable amount they would receive full Housing Benefit and full Council Tax support and be exempt from the 'bedroom tax'. Under Pension Credit there is no upper limit for savings; only a gradual decrease in benefit for savings over £10,000 but no upper limit. As their savings are below £6,000 they are unaffected.

Universal Credit (per month)

Both aged over 25 Standard amount (£498.89)

Housing (£440)

Carer element (£160.20)

Total £1099.09 per month (or 253.63 per week)

Minus total monthly income of £936.65

= £162.44 per month Universal Credit

Leaving them out of pocket by £38.47 per week (or £166.70 per month) even *before* their monthly rent of £440 is paid.

They would be out of pocket by a whopping £606.70 per month after their rent is paid.

They may also have to pay at least some of their council tax depending on their local authority's scheme and they would not be exempt from the 'bedroom tax, (should it apply).

As you can see this squarely puts low-income mixed-age couples at a clear disadvantage, risks poverty and all the health inequalities associated with that.

Poorer pensioners with younger partners are being unfairly discriminated against and financially penalized, compared to ALL other pensioners.

Please ensure pensioner's rights are restored for mixed-age couples.

Olivia Newman

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