

COMMUNITY HOUSING CYMRU (CHC) – WRITTEN EVIDENCE (EUC0062)

The economics of Universal Credit

About Us

Community Housing Cymru (CHC) is the representative body for housing associations and community mutuels in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales.

CHC members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Introduction

We welcome the opportunity to provide evidence to the House of Lords Economic Affairs Committee inquiry into the economics of Universal Credit (UC).

In this response, we focus on the impact the move to UC has had on housing association tenants in Wales, and on associations themselves. We base this response on a study into the impact of UC which CHC commissioned from Opinion Research Services. This study was conducted between January 2018 and May 2019. Its final report was entitled *Monitoring the Impact of Universal Credit on Rent Arrears in Wales*¹. We also refer to input we have received from members with regards to the specific questions raised by this inquiry.

Based on this evidence, we recommend that the Government should act to end the hardship caused to claimants by the five week wait for initial payments under UC. We call for the introduction of an interim payment (not a loan) during this time.

We also advocate greater data sharing on UC with trusted partners, in order to help prevent fraud, homelessness and situations that escalate into crisis for claimants.

CHC response to Committee questions

1. How well has Universal Credit met its original objectives?

The Government's stated intentions when introducing UC were to:

- simplify the benefits system;
- create a fairer approach to the way we pay housing costs to help bring stability to the housing market; and
- establish a system of welfare payments that more closely reflected the way in which the majority of people receive their wages and pay their rent.

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UC is a 10-year programme to transform the way that people on low incomes are supported to increase their income, through work where possible. Housing associations work across the UK to revitalise local communities and support tenants.

Since the introduction of UC, our members have shared data and information with the DWP about the experiences of tenants and the impact that the new benefit has had on the stability of the social rented sector.

To a certain extent, UC has made progress in achieving its original aims in relation to social housing. *Monitoring the Impact of Universal Credit on Rent Arrears in Wales* demonstrated that one of the most important factor in helping to achieve this aim is that the Government has responded to evidence from stakeholders and made changes to the system to ensure it works for both claimants and for social landlords.

However, significant concerns remain, and change is needed if full migration is to be successful in achieving the Government's intentions and in mitigating the risk of hardship for claimants. We provide evidence below to support this assertion, and outline the steps that should be made to ensure UC is able to deliver its intended outcomes for housing association tenants and the social rented housing sector.

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

2.1 Increase in rent arrears under Universal Credit

The *Monitoring the Impact of Universal Credit on Rent Arrears in Wales* study found that, within the 24 housing associations surveyed:

- 84% of tenants claiming UC were in rent arrears
- Housing association tenants who claimed UC were more likely to fall behind in their in rent than non-UC tenants
- Average rent arrears for housing association tenants who claimed UC were more than double the amount who claimed Housing Benefit.
- Total arrears reported were £4.6 million, with around £1.1 million of this felt to have arisen since the start of these tenants' UC claims.

2.2 Impact of the initial five week wait for payment

Alongside this quantitative research, Opinion Research Services carried out six in-depth case study interviews with housing association staff.

Interviewees explained that arrears often increase when tenants initially transition to UC. This is because they are required to wait five-weeks before receiving the money needed to pay their rent.

The five-week waiting period between making a claim and receiving payment is intended to immediately shift claimants to budgeting their money on a monthly schedule. However, this requires a significant adjustment for those who are used to the weekly schedule of Housing Benefit payments, particularly as some are also paid more frequently than monthly by their employers. In addition, housing association tenants are

less likely to have the financial reserves required to avoid falling into debt during this waiting period.

2.2 Unintended consequences of advance payments

Since the introduction of UC, the Government has introduced advance payments in order to reduce the impact of the initial waiting period. These advance payments function as loans which claimants pay back through deductions from their monthly UC payments over twelve months. The maximum amount that can be claimed is equivalent to an estimation of the monthly UC payment a claimant is likely to receive.

Opinion Research Services' in-depth interview participants explained that these advances can be very problematic for housing association tenants. This is because they 'struggle to pay the money back (especially single tenants who do not receive much money from benefits and those on zero-hour contracts), or simply spend the money rather than using it to pay rent'².

*One interviewee said "We do have to be careful with the advance; if we're dealing with vulnerable people they can potentially have 10 or 11 hundred pounds the day after they've claimed – and if that money suddenly disappears (i.e. they spend it!) they're going to be in even more trouble."*³

*In addition, interviewees felt that Jobcentre Plus work coaches were not adequately explaining to tenants that the advance payment is a loan, which will need to be paid back. One explained "Someone is offered money and it seems brilliant, but they don't understand the impact of having to pay it back over 12 months. The fact that this money is supposed to go towards their rent is not being explained to them thoroughly enough and it almost gives them a false impression of how much money they're going to be getting."*⁴

Interviewees advocated a more individualised approach, in which repayment plans are agreed on a case-by-case basis, reflecting the individual circumstances of claimants.

2.3 Positive developments

Opinion Research Services' interview participants felt that the impact of UC on arrears had not been as significantly negative as they had feared. They felt that some tenants had been able to 'claw back' the money over time.

They attributed this partly to the gradual roll out of UC, and improvements to the system which the Government has made since it was introduced. These included:

- the Housing Benefit run-on;
- a reduction in the number of delays in tenants receiving their first UC payment; and
- the increase in awareness and use of Alternative Payment Arrangements (APAs) and third party deductions.

² *Monitoring the Impact of Universal Credit on Rent Arrears in Wales*, Opinion Research, September 2019

³ Ibid

⁴ Ibid

They also identified internal changes that housing associations have made which have mitigated key risks, such as:

- undertaking more pre-tenancy work to identify tenants who may struggle UC as early as possible;
- creating in-house UC support teams specifically for support tenants; and
- modernising IT systems to better monitor and manage UC claimants.

2.4 Barriers to supporting UC tenants

One of the changes introduced by UC in order to establish a system of welfare payments that more closely reflected the way in which 'the majority of people receive their wages and pay their rent' was to pay housing costs directly to claimants rather than landlords. This has resulted in a reduction in the data and information that social landlords hold in relation to their tenants' circumstances.

One Opinion Research Services interviewee explained the impact of this, saying

"The DWP have a history of inviting people to claim, rather than transferring people – you'd think if it had everyone's data, they could just swap everyone over to UC. But instead everyone who was going onto UC were sent a letter saying their payments would stop and that they would have claim by XX date – if they do that to 2,000 of our tenants in one go, what if they don't open their mail or can't read? Do they have access to a computer so they can make a claim? Do they have support needs? We don't know every single person who has support needs, and if the DWP aren't going to share that information with us and make it a fair and transparent process for vulnerable people, their money will be stopped they may struggle to make the claim and lose any protections and rights they had linked to their previous claim."

In their response to this inquiry, CHC members Coastal Housing raise the point that greater data sharing is needed between the DWP and trusted landlords on UC, particularly in light of fears over the impact of full migration. They state that 'An amendment to the Welfare Reform Act, similar to that for the Benefit Cap and Removal of the Spare Room Subsidy (bedroom tax), could allow landlords, DWP and Local Authorities to share data to identify support for those who will lose out'.

2.5 Fears over full migration

Given all of this evidence with regards to the challenges of implementing UC, CHC has significant concerns over the impact of full migration.

Opinion Research Services' interviewees explained that as the number of UC tenants increase, so will the proportion of 'complex' cases of tenants who at greater risk of falling into greater levels of rent arrears. In turn, they felt that this may put sustainable tenancies at risk.

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

CHC recommends that the new Government make the following adjustments to the system in order to ensure the success of UC:

3.1 Better support before the first payment

We could stop people falling into real hardship if people could get a payment (not a loan) before the end of a 5 week wait and if people were given more support to claim on time.

3.2 Delay the start of managed migration

People should not be moved over from the existing system until we know that we have the right systems of support in place, and people will receive the correct amount of money on time.

2.3 Better data sharing with trusted partners

UC needs to work better for the millions of people who rely on it. With better data sharing between DWP and social landlords we all could provide more support to the people that need it. This could help prevent fraud, homelessness and situations that escalate into crisis, and build on the success of the landlord portal.

28 February 2020