

THE RIVERSIDE GROUP LTD. – WRITTEN EVIDENCE (EUC0064)

The economics of Universal Credit

1. Introduction and background

- 1.1 The Riverside Group Ltd (known as Riverside) is one of the largest charitable housing association groups in the country, owning and managing over 53,000 homes across England and Scotland. With a substantial national profile and over 90 years of experience of developing affordable housing, we work in some of the country's most challenging neighbourhoods. In addition to general needs accommodation, our large supported housing and retirement living division - Riverside Care and Support - provides high quality support to more than 12,000 service users with a diverse range of housing needs.
- 1.2 Currently, almost 9,000 Riverside tenants are in receipt of Universal Credit, we anticipate that this is almost half of the total eligible tenants. On average, just over 300 Riverside tenants make a new Universal Credit claim every month.
- 1.3 Riverside welcomes the opportunity to respond to this call for evidence. Our response will focus mainly on the first question; 'How well has Universal Credit met its original objectives?'
- 1.4 We will use evidence from a survey carried out by BMG Research on behalf of Riverside in 2019. The survey was used to assess the impact of Universal Credit on Riverside tenants in receipt of the benefit. In total, 368 Riverside tenants responded to the survey. This is representative of Riverside tenants nationwide and is accurate to a +/- 4.9% confidence interval. Further evidence from the Trussell Trust report "*#5weekstoolong: Why we need to end the wait for Universal Credit*" is also used. This report includes analysis of data provided by Riverside.
- 1.5 In summary, our research has shown that Universal Credit claimants face destitution and financial hardship in particular due to the five week wait for their first Universal Credit payment. This has led to increased use of foodbanks and increased rent arrears.
- 1.6 In order for Universal Credit to be successful in meeting its objectives, the five week wait should be ended. This will give claimants the opportunity to remain on top of their rent payments and household bills as soon as they switch to Universal Credit and prevent them from having to take out additional loans / advance Universal Credit payments.

2. Reducing poverty

- 2.1 We believe that Universal Credit has failed to reduce poverty.
- 2.2 The Joseph Rowntree Foundation define poverty as “when your resources are not enough to meet the cost of your minimum needs”¹ and that destitution is a level of poverty where you “can’t afford to eat, keep clean and stay warm and dry”.²
- 2.3 Our 2019 Universal Credit survey shows that as a result of Universal Credit, many claimants are unable to afford food, with 40% of respondents relying on help from foodbanks. Many respondents also stated that they were struggling with household bills. When asked what help and support they had received, one respondent said they “had to go to a food bank each month more or less because payment of Universal Credit wasn’t enough to pay bills plus keep on gas and electric as well as feed my family.”
- 2.4 The five week wait for Universal Credit has impacted heavily on claimants, with 80% of respondents to Riverside’s Universal Credit survey stating that the five week wait had caused them to fall into financial hardship.
- 2.5 Research from the Trussell Trust³ shows that the five week wait for Universal Credit has led to acute and immediate financial hardship, including destitution, housing insecurity and indebtedness. Their report states that “unless they had friends or family who could support them during the wait for the first payment, people struggled to afford food. Some households were missing meals frequently, and some were unable to buy food during the entire period.” Furthermore, “foodbanks in the Trussell Trust network in local authorities where Universal Credit has been rolled out for at least a year have seen a 30% increase in emergency food parcels provided over the 12 months from when Universal Credit went live.”
- 2.6 Using data provided by Riverside, the Trussell Trust research also shows that “claimants on Universal Credit have seen a 42% increase in average rent arrears, compared to a 20% fall for Housing Benefit claimants, since rollout began in 2015.”
- 2.7 Advance payments, designed to help claimants whilst they wait for their first Universal Credit payment, are often making the situation worse. Over 60% of respondents to Riverside’s Universal Credit survey stated that the

¹ <https://www.jrf.org.uk/report/uk-poverty-2019-20>

² <https://www.jrf.org.uk/our-work/what-is-poverty>

³ https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf

repayment process for the advance had caused them financial hardship. Many felt that they had no choice but to take the advance payment, but that the repayment process left them unable to keep up with bills and resulted in them taking loans from family and friends.

3. Making work pay

- 3.1 Whilst we do not have the data to fully understand how successfully Universal Credit is 'making work pay', evidence from Riverside's survey shows that those who are in work are still facing increased financial hardship and poverty. Of those respondents who were in employment, 75% had to rely on help from family / friends / loan companies as a result of Universal Credit. Furthermore, over half of those respondents in work said that their debts had increased, 30% said their debts had stayed the same and just 10% said their debts had decreased.
- 3.2 Respondents to the survey who were in work described the impacts moving on to Universal Credit had on them. One respondent stated that whilst they "managed quite well" whilst in receipt of working tax credits, "since being on Universal Credit I struggle every month and have to rely on other family members for help." Another respondent, said that as a supply teacher their work was unpredictable and due to school holidays there were many weeks they couldn't work. They felt that there was a lack of understanding when it came to this type of work and that the system didn't deal well with it.

4. Benefit simplification

- 4.1 We agree in principle that the simplification of the benefits system is necessary. However, we believe that the five week wait is having such an impact on claimants that they are unable to benefit from the simplification of the system.
- 4.2 In the 2010 DWP White Paper "*Universal Credit: welfare that works*" it was suggested that the simplification of the system would increase take up. Results from our survey show that in 2019, over 50% of respondents were still reluctant to take up Universal Credit. Many of these said that the reason for this was the extended wait they knew they would face until they received their first payment.
- 4.3 Furthermore, it is important to recognise that the circumstances of some claimants are complex. For those with unpredictable or irregular work (for example as referenced in paragraph 3.2), alternative payment patterns or complex personal circumstances, the simpler system often doesn't work. One example of this can be found in a response to our Universal Credit survey, where the claimant had previously had a stroke. Whilst they had access to a computer, their circumstances meant that they found the online system and communication more confusing.

- 4.4 In our survey, when asked "Is there any other help and support you feel would have helped you?" several people referenced the online system, stating that "being able to speak to somebody about a claim" would have been a help to them. This suggests that for some, the move to the online system has made the process more complicated.
- 4.5 Alternative payment arrangements go some way to support those claimants with more complex circumstances. However, they are unable to completely alleviate the pressure caused by the five week wait as claimants are still required to wait five weeks for their first payment even if they have an alternative payment arrangement in place.

5. Recommendations

- 5.1 In order for Universal Credit to successfully meet its objectives, the five week wait should be ended. At the very least, there needs to be a reduction in the wait so that the debt built up by claimants whilst they are waiting for their first payment is not so significant.
- 5.2 Advance payments need to be redesigned so that they do not push claimants further into debt. Allowing advance payments to be repaid over a longer period of time would go some way to preventing increased debts continuing after claimants receive their first payment. Ultimately, the repayment process needs to become more flexible to accommodate claimant's circumstances.

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