

## RUTH MELIA – WRITTEN EVIDENCE (EUC0071)

### The economics of Universal Credit

#### Ruth Melia UC recipient and additional comments included from friends.

	<p><i>The Lancet published a report into the findings of Universal Credit that might have been presented already as evidence. Effects on mental health of a UK welfare reform, Universal Credit: a longitudinal controlled study</i></p>	<p><i>All responses are based on an individual with no housing costs and an advance, a debt of previous Working Tax Credit and Social Fund.</i></p>
1	<p><i>How well has Universal Credit met its original objectives?•</i></p>	<p><i>If the objective were to have one system were communications could be monitored. This has partly been successful for debt during the transition to Universal Credit. This has been successful for daily contact with Advisor. This is more complex with outside departments who do not have Universal Credit access, or contacts who do not provide a reply option or do not reply.</i></p>
2	<p>Were the original objectives and assumptions the right ones?</p>	<p>The system has developed during the last two years with additional functionality added that provides financial information on a monthly basis that gives information about the original advance and balance still to pay.</p>
3	<p>How should they change?•</p>	<p>The purpose of the benefit system was to ensure that people had an income that provided a safety net whilst not in work. Universal Credit is to encourage work. A living wage is deemed to be £9.30 per hour and the National Minimum Wage is £8.72 per hour. The purpose of Universal Credit has to be clear if it is a safety net that when providing financial support that it provides a safety net or that it has an assumption that it encourages work.</p> <p>To encourage work the amount that is deducted could be amended and a example could be: For instance if a Universal Credit claimant has 3001 in savings then a deduction is made from the basic Universal Credit rate because of over the limit savings. Say an deduction of £1 is made, this allows savings of £3000 and a £1 is deducted from £71.30 and the claimant is paid £70.30. This claimant has in their account £3071.30. If a Universal Credit claimant has no savings a basic payment of £71.30 and has a part time job that paid</p>

		<p>£100.00. They have a deduction of £60.00 and allowed to keep £40.00. In their bank is £111.30. The deductions do not allow for encouraging savings to the limit that are allowable to claim Universal Credit. The deduction doesn't allow for additional in work costs e.g. transport or increases to council tax. (There is help for these during the beginning of employment from other agencies)</p>
4	<p>What have been the positive and negative economic effects of Universal Credit?•</p>	<p>The positive effect is that those in receipt of a benefit who have had a benefit freeze have saved the government welfare budget. Approximately £329.00 over 5 years per claimant based on 1.7% increase inline with inflation each year. Personal debt has increased and reduced spending by recipients on necessities. The Brexit and benefit freeze in addition to rising inflation that increases households costs were unforeseen during the introduction in 2013.</p>
5	<p>What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?</p>	<p>The welfare state is not only benefits and includes health, housing and education and the effects on people to maintain good health and being in affordable housing and to achieve skills, has had some limitations.</p>
6	<p>•Which claimants have benefited most from the Universal Credit reforms and which have lost out?•</p>	<p>For families with younger children the practical purchasing on a monthly basis when people shop in general more regularly can be complicated.</p> <p>Also actual working tax support has reduced.</p>
7	<p>How has the world of work changed since the introduction of Universal Credit?</p>	<p>Decrease in larger prominent high street and travel stores. Increased Digital technology and online services. Reduced Public services</p>
8	<p>Does Universal Credit's design adequately reflect the reality of low-paid work?</p>	<p>Can not comment except for the deductions mentioned in point 3.</p>
9	<p>•If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?</p>	<p>1) Negotiated Deductions should be agreed in writing either via Universal Credit or in writing before deduction to ensure that these are understood. Allowing more time between deduction to enable financial budgeting. Deductions can be made from benefits automatically without notification and these should not be permitted.</p> <p>2) Low Paid workers, could include part time work, zero hours, carers, seasonal and health. The reforms could be more flexible with expectations on the notion</p>

of full time work.

To allow or enable savings before deductions, working tax was awarded and was based on full time work only for single people therefore work under full time wasn't considered for additional support and could prevent take up of lower hours work.

3) The Universal credit payments are made monthly and this could be due to bank holidays from 27 days to 32 days and payment is calculated on a monthly rate as opposed to the actual daily rate.

This can be confusing as the amount remains the same although the time could be as much as 5 days difference and this is not always allowed for. The assumption was to help with people moving to work, although the amount that is given when in work would be greater and therefore easier to budget.

The difference between 4 weekly and monthly is important, as weekly is more regular and a payment made on a day of the week and is an exact 7 days or 14 days, whereas a monthly calendar date payment can be any time as the date is on any day and introduces uncertainty.

The help that is available to make payments on a weekly or fortnightly basis are not offered initially or widely known and unavailable to all.

4) During the winter, heating and lighting costs aren't always predictable and different housing heating vary in efficiency. The reforms could be more individualized based on the real costs within areas, as some areas do not have the same access to financially competitive deals with Household Utilities and more expensive transport and living costs.

5) The Universal Credit housing deductions for people with spare rooms doesn't allow for lifestyle eg extended families or people visiting. With the increase in costs of living the additional housing deductions are unaffordable and would assist if no longer deducted.

6) Consideration to longer term UC claimants access to higher level skills support.

7) If you can't afford basics, and are not digitally literate, and 6 out of 10 aren't, they don't have the technology to participate.

If you can't afford the basics, having smarter technology is an assumption to participate with UC. If

		<p>it were, then this would be perceived as a household necessity. This is more often during financial difficulties an allowable cost, although these costs aren't throughout regions. The UC payments to attain the technology and pay monthly data charges are often not affordable and therefore not possible for people to participate. In addition, there is time required to attain the skills for digital technology.</p> <p>8) The moving to a monthly system, also is a monthly contact with advisors that can impact on motivation and lead to isolation, and having a detrimental impact of mental health. Previous contact was weekly.</p> <p>If the consideration to return to a person to person and written communication was considered, this would provide equal access unless additional digital technology and skills are provided to recipients. All DWP staff have to still to have access allowed to them.</p> <p>The UC could still be a valuable additional system.</p>
--	--	---

*1 March 2020*