

ENGENDER – WRITTEN EVIDENCE (EUC0078)

The economics of Universal Credit

Introduction

Engender is Scotland's feminist membership organisation. We work to highlight the impact of sexism for women and men and make visible women's economic, social and political inequality across society. We have been engaged with questions surrounding 'welfare reform' for nearly ten years, highlighting the negative impact of the UK Government's programme of 'welfare reform' on women and women's equality in Scotland, and latterly on the gendered impacts of devolution of some elements of social security in Scotland. For example, during the passage of the Welfare Reform Act we called for measures such as the single household payment and the family cap to be abandoned.¹

We therefore welcome this opportunity to submit our views to the House of Lords Select Committee's inquiry into the economics of universal credit (UC). Our years of work in this area and our feminist analysis of UC and its impacts leads us to conclude that UC is failing women. It is ensuring, increasing and embedding women's poverty and contributing to pervasive sexism whereby the state punishes women for decisions around their reproductive rights, motherhood and the labour market and is further reducing equality between women and their partners. Accordingly, the UN's Special Rapporteur for Extreme Poverty has described UC as a system which "If you got a group of misogynists together in a room and said 'how can we make a system that works for men but not women?' they wouldn't have come up with too many other ideas than what's in place."²

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

The aim of Universal Credit is to tackle the problems of poor work incentives and complexity within the current system of benefits and tax credits. The overarching aims are to:³

- "Encourage more people into work and to make even small amounts of work pay and be seen to pay;
- Smooth the transition into work by offering a single benefit that removes the distinction between being in and out of work;
- Offer a simpler support, with one system replacing multiple systems, therefore reducing administration costs and the propensity for fraud and error, and

¹ Engender (2012) Multiple Jeopardy: The impacts of the UK Government's proposed welfare reform on women in Scotland

² The Telegraph "UK's welfare system is cruel and misogynistic, says UN expert after damning report on poverty" < <https://www.telegraph.co.uk/news/2018/11/16/welfare-system-cruel-misogynistic-un-expert-warnsdamning-report/>>

³ UK Government (2012) Universal Credit Evaluation Framework https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/180879/universal-credit-evaluation-framework.pdf

- Tackle poverty both through increased take-up since the system will be simpler and from increased reward from employment for the customer.”

It is worth noting here that UC is intended to “remove the distinction between being in and out of work”, but this policy ambition raises some essential questions. Firstly, a UC payment is calculated on the basis of individual circumstances (such as childcare responsibilities or disability) and yet is paid at a household level. This is entirely unlike paid work, where salary or wages are paid to an individual who then determines how that will contribute to the household expenses, without their employer mandating, for example, that it be paid into a particular bank account. Secondly, the UC aims present an extremely narrow view of work, which ignores women’s propensity to perform unpaid work roles, such as childcare, unpaid care for disabled and elderly relatives, of the majority of household labour and household management.

DWP has described UC as **gender-neutral**, “as when women and men are in the same circumstances, they are treated equally under UC.”⁴ We consider that UC is, in fact, gender-blind and will consequently lead to poorer outcomes for women and their dependent children. This is because men and women are rarely in the same position in the first place because of gendered inequalities throughout our society. For example:

- Scotland continues to have a gender pay gap of 13.3%,⁵ women represent 66% of the paid workforce living in poverty in Scotland and are over-represented in the part-time workforce.⁶
- Childcare costs across the UK remain some of the highest in the world and the requirement under UC to pay upfront and reclaim exacerbates the difficulties in seeking paid work.⁷ Research shows that 25% of parents living in absolute poverty in Scotland have given up work, a third have turned down employment, and a further 25% have been unable to take up education or training due to impossible childcare costs.⁸
- Women continue to provide the majority of unpaid social care – 70% of all unpaid care work is undertaken by women and women are twice as likely as men to give up paid work in order to care for disabled or older relatives, and four times as likely to give up paid work in order to provide ‘sandwich’ care.⁹ Data from the DWP shows that women in the UK are more than 2.5 times more likely to receive Carer’s Allowance.¹⁰

3. Were the original objectives and assumptions the right ones? How should they change?

⁴ UK Government (2012) Impact Assessment: Universal Credit
<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf>

⁵ Close the Gap (2020) Working Paper 21: Gender pay gap statistics

⁶ Close the Gap response to the Social Security Committee inquiry into social security and in-work poverty

⁷ OECD (2017) Family Database: PF3

⁸ Save the Children (2017) Soaring childcare costs push parents out of work in Scotland

⁹ Carers UK (2014) Caring and Family Finances Inquiry; Carers UK and Employers for Carers (2012) Sandwich Caring Combining childcare with caring for older or disabled relatives

¹⁰ DWP Stat Xplore: Dataset: CA: Cases in Payment - Data from May 2018 III, IMeta Information| Table: Table 1 – Gender

No. UC was developed with a heavily outdated male-breadwinner-female-caregiver model in mind. Disconnecting payments from individual need and entitlements and restricting access and control to one member of the household makes assumptions about household dynamics, clearly does not reflect the way salary and wages are paid in the labour market, and seems antithetical to the UK Government's intention that "UC smooth the transition between unemployment and work." Because women continue to be over-represented in part-time work and insecure employment, they are more likely to have their wages supplemented by the benefits and tax credit system.¹¹

Since UC was first proposed, Engender has consistently argued that the single payment entrenches inequality between partners in a relationship, is a regression in women's right to social security, and puts women at an increased risk of domestic abuse and financial coercion by restricting their access to resources.¹² We were pleased that 88% of the respondents to the Scottish Government's consultation on Social Security called for the splitting of UC payments, predominantly due to concerns that household payments contribute to power imbalances in relationships and across wider society.¹³

A single payment of UC makes assumptions about the ways families manage household finances which particularly disadvantage women, who, for reasons outlined above, are less likely to have access to other forms of income.¹⁴ It ignores gendered dynamics within households and the persistent barriers to paid work faced by women, as well as those which push women into part time and low paid work where incomes are more likely be supplemented by UC.¹⁵ The design of social security has profound implications for women's capacity to be in paid work, and in their experience of poverty once they are employed. DWP figures show that 33% of UC claimants are in employment and 54% are women, and two-thirds of workers earning less than the living wage are women.¹⁶

Women who experience multiple discrimination across society are at particular risk of harm. The single payment has disproportionate impact on disabled women, young women, minority ethnic women, refugee women and unpaid carers, all of whom have less access to income as a result of additional barriers and layers of disadvantage.¹⁷

In March 2019 the UN CEDAW Committee recognised the harm to women of the single household payment, and Engender continues to call on the UK Government to reform its approach.¹⁸

¹¹ Labour Force Survey: Zero Hours Contracts Data Tables 10

¹² Engender (2016) Gender Matters in Social Security: Individual Payments of Universal Credit

¹³ Scottish Government (2017) Analysis of Written Responses to the Consultation on Social Security in Scotland (Supplementary Analysis)

¹⁴ Engender (2015) Securing Women's Futures

¹⁵ DWP Stat Xplore Dataset: People on UC II, III, I, IV | Table: Table 2 - Employment Status by Gender - women are more likely to be in employment and UC

¹⁶ Department of Work and Pensions (2019) UC Statistics: Data to 14 March 2019

<<https://www.gov.uk/government/statistics/universal-credit-29-april-2013-to-14-march-2019>>

¹⁷ Engender (2016) Securing Women's Futures

¹⁸ Engender (2019) Engender Annotated Concluding Observations CEDAW

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

The introduction of UC has ignored that women continue to have access to fewer resources and capacity to take on paid work or increase their hours because of caring roles, including both childcare and unpaid care for family members. Increased exposure to conditionality, cuts in work allowances, taper rates, the single monthly payment and the restriction of income for third and subsequent children due to the family cap work together to increase women's vulnerability to poverty and financial abuse.¹⁹

These factors particularly affect lone parents, 90% of which are women, the most, with 45% living in poverty.²⁰ One-parent headed households have been one of the worst affected groups by the introduction of UC, with reductions in entitlements amounting to around 25% of their net income.²¹ However UC also disproportionately affects other groups of women severely, including Black and minority ethnic women²² and disabled women.²³

5. What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?

Between 2010 and 2020, 86% of the net 'savings' from over the decade of austerity have come from women's incomes, including pensions, and services.²⁴ Women rely more on both public services and the cash transfers which have seen most reductions in spending, such as child tax credit and the value of the child element of UC. These cumulative effects have been noted by the Equality and Human Rights Commission, who state that "Women lose more than men from reforms at every income level. Overall, women lose around £940 per year on average, more than double the losses of around £460 for men."²⁵

Research for the Women's Budget Group has found that, compared with the original design of UC, employed claimants will be £1200 worse off on average per year by 2021, while unemployed claimants will be £500 worse off on average.²⁶

¹⁹ Women's Budget Group (2018) The Female Face of Poverty <<http://wbg.org.uk/wp-content/uploads/2018/08/FINAL-Female-Face-of-Poverty.pdf>>

²⁰ DWP (2019) 'Households Below Average Income' <<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201718>>

²¹ Equality and Human Rights Commission (2018) The cumulative impact of tax and welfare reforms

²² Women's Budget Group (2017) Intersecting Inequalities

²³ Women's Budget Group (2018) Disabled Women and Austerity

²⁴ Women's Budget Group (2016). The Impact on Women of the 2016 Budget: Women Paying for the Chancellor's Tax Cuts.

²⁵ Equality and Human Rights Commission (2017) Distributional results for the impact of tax and welfare reforms between 2010-17, modelled in the 2021/22 tax year <https://www.equalityhumanrights.com/sites/default/files/impact-of-tax-and-welfare-reforms-2010-2017-interim-report_0.pdf>

²⁶ Women's Budget Group (2019) <https://wbg.org.uk/wp-content/uploads/2019/10/Policy-note-EIA-of-UC-before-MM-FINAL.pdf> citing Distributional analysis carried out for: WBG (2019) Intersecting inequalities: the impact of austerity of Black and Minority Ethnic women in the UK <https://wbg.org.uk/analysis/intersecting-inequalities/>

Additionally, changes to UC and some additional legacy benefits which restrict access to payments for children to the first two children in a family penalise women and their dependent children with further vulnerability to poverty. Child Poverty Action Group (CPAG) suggests that the two-child limit represents a loss of up to £2,800 every year for each additional child.²⁷ We know from anecdotal evidence and news reporting that the family cap is forcing women to terminate wanted pregnancies, a serious affront to human rights.²⁸ The policy also ignores realities about women's choices in pregnancy - domestic abuse commonly includes elements of reproductive coercion.

The very existence of exemptions implies a difference between planned and 'unforeseen' children. The 'rape clause' in particular, undermines women's dignity by demanding that women disclose a trauma at a time and in circumstances not of their choosing in order to avoid or minimise poverty for herself and her children. There is no way that the state could gather the information necessary to make a determination about rape from women that would not seriously risk retraumatising women, and breach their and their children's right to privacy.

HMRC data shows that in the two years to April 2019, 8,540 families in Scotland were affected by the family cap.²⁹ In total 480 families received an exemption and of those 50 households in Scotland were affected by the rape clause.³⁰ This data represents only those able to go through the process of disclosure, or those for whom the alternative is even graver.

6. Which claimants have benefited most from the Universal Credit reforms and which have lost out?

There are a multitude of factors inherent to the design of UC that work together to embed women's inequality and insecurity, yet the UK Government continues to uncritically assert that UC is gender neutral, as if gender-neutrality was an appropriate aspiration.

When considering the impact of UC on women, the follow factors must be stressed:

- The five-week wait which puts families into arrears before their first payment (there is evidence that non-means tested benefits, including child benefit and carer's allowance, are acting as a safety net in these circumstances);³¹
- Rigid 4-week assessment periods poorly interact with pay, leading to fluctuating and unpredictable monthly values;

²⁷ Child Poverty Action Group. (2017). Two-Child Limit for UC: 200,000 more children put in poverty.

²⁸ Engender (2017) Parliamentary Briefing: Child Tax Credit and Child Element of Universal Credit

²⁹ Child Tax Credit and UC claimants: statistics related to the policy to provide support for a maximum of two children, April 2019, July 2019

³⁰ Child Tax Credit and UC claimants: statistics related to the policy to provide support for a maximum of two children, April 2019, July 2019

³¹ Women's Budget Group (2019) Women's Budget Group submission to Labour National Policy Forum: Rebuilding a just social security system

- The single household payment, which limits equal access to household funds, undermines gender equality and increases the risk of experiencing domestic abuse by making finances more easily controlled by a perpetrator;³²
- Disincentives for second earners, who are more likely to be women, undermine any attempt to disrupt the concentration of women in caring roles;³³
- The extension of conditionality to those providing a predominance of care fails to recognise the impact of caring roles and their demands on women's time;³⁴
- The requirement to pay out-of-pocket and then reclaim childcare costs; and
- Difficulties for individuals who seek to challenge aspects of the decisions made by DWP, for example, claimants being wrongly advised that decisions can't be appealed or that they need evidence which they do not.³⁵

The combination of these design flaws within UC and the introduction of the benefit cap, the benefit freeze, and the family cap which are applied to UC work together to not only keep women in poverty, but to undermine their life chances, their mental and physical wellbeing³⁶ and their rights and dignity.

7. How has the world of work changed since the introduction of Universal Credit? Does Universal Credit's design adequately reflect the reality of low-paid work?

DWP figures show that 33% of UC claimants are in employment and 54% are women and two-thirds of workers earning less than the living wage are women.³⁷ Women's employment creates different patterns to men's because of gendered differences in women and men's lives. Women are more likely to earn less,³⁸ work part-time hours,³⁹ see their employment concentrated in low-wage and under-valued sectors such as cleaning, social care, and retail⁴⁰ and to undertake lower-waged work after having children. For example, 48% of mothers on low to middle incomes take a lower-skilled part-time job on their return to work after having children, in order to balance work and childcare.⁴¹

³² Engender (2016) Gender Matters in Social Security: Individual Payments of Universal Credit

³³ Resolution Foundation (2013) All work and no pay: Second earners' work incentives and childcare costs under Universal Credit

³⁴ Citizens Advice Bureau (2015) Citizens Impact Assessment: Lowering the Benefit Cap 19

³⁵ CPAG (2019) Computer Says No: challenging decisions

³⁶ The Guardian (February 2020) Universal credit linked to rise in psychological stress, study finds < <https://www.theguardian.com/society/2020/feb/27/universal-credit-linked-psychological-stress-increase-study-benefits-uk>>

³⁷ The Poverty Alliance Why is the Living Wage Important? https://slw.povertyalliance.org/about/why_is_it_important

³⁸ Close the Gap (2020) Working Paper 21: Gender pay gap statistics

³⁹ ONS (2017) Labour Force Survey: Zero Hours Contracts Data Tables 10

⁴⁰ Engender (2016) Engender Parliamentary Briefing: Scottish Government Gender and the Workplace Debate

⁴¹ Alakeson (2012) The Price of Motherhood: Women and Part-time Work

These features of long-term economic inequality pre-date UC, but because UC did not adequately consider the distinct features of women's labour market participation it has exacerbated them in a number of ways, including:

- The childcare element of UC is inflexible and requires parents to pay in advance and claim back for hours monthly, affecting household cashflow and ignoring the extremely high cost of childcare in Scotland.⁴²
- Changes to the state pension age and 'mixed age' couple rules were introduced with little notice and have left women in their fifties and sixties required to work longer than planned for. Many women in this position have taken time out of the labour market in order to care and many experience barriers to finding good quality work, such as age discrimination.⁴³
- The design of the earnings disregard means that there is little or no incentive to enter or progress in paid employment for lone parents and second earners, the majority of whom are women.

In addition, the UK Government's own impact assessment shows that the freeze to working-age benefits and tax credit levels since 2016 has left 33% of women suffering a loss of income in real terms.⁴⁴ Women are more likely than men to live in poverty in the UK (21% compared to 19%),⁴⁵ with the gap widening for those of pensionable age.

This represents a looser attachment to the labour market and is a direct consequence of gendered roles and expectations about care and labour. As women are undertaking the majority of care work it is impossible to take on the hours and kinds of roles needed to "make work pay."

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

'Welfare reform' and UC have had such a devastating impact on women and women's equality because differences between women's and men's lives, roles, and needs were not systematically considered as the policy was developed. UC will not improve women's lives unless it understands them and seeks to meet their specific and gendered needs.

The flaws with UC are so deep that it is difficult to see how any tweaks to the system would deliver significant improvements for women and their dependent children. Issues such as separate payments which re-establish the link between individual circumstance and receipt of payments and an end to conditionality for those providing primary care for children should be urgently prioritised to ensure that women have immediate access to the resources they need. The family cap and the abhorrent rape clause, which undermine women's dignity and privacy and frame children as consequences of women's inability to adequately foresee

⁴² CPAG (2018) Response to the Social Security Committee – In Work Poverty and Social Security

⁴³ Engender (2019) Engender Briefing: Pension Credit Entitlement Changes

⁴⁴ DWP (2015) Welfare Reform and Work Bill: Impact assessment of the benefit rate freeze

⁴⁵ Women's Budget Group (2018) <http://wbg.org.uk/wp-content/uploads/2018/08/FINAL-Female-Face-of-Poverty.pdf>

all possible circumstances, must also be ended otherwise women and their children will be 'punished' with further poverty.

ABOUT US

Engender is a membership organisation working on feminist agendas in Scotland and Europe, to increase women's power and influence and to make visible the impact of sexism on women, men and society. We provide support to individuals, organisations and institutions who seek to achieve gender equality and justice.

29 February 2020