

SCOPE – WRITTEN EVIDENCE (EUC0079)

The economics of Universal Credit

Summary

Scope welcomes the opportunity to respond to the House of Lords Economic Affairs select committee's inquiry into the economics of Universal Credit (UC). Scope has heard from disabled people about their experiences of claiming UC. We have gathered evidence from our helpline and online community, as well as findings from the first year of our qualitative longitudinal study of disabled people who have started a new job, Our Lives, Our Journey. We used this evidence to develop our recommendations.

Recommendations

The Department for Work and Pensions (DWP) should:

- Conduct a review into the training it provides to its advisors on UC.
- Consider how to best promote its online advice for claimants.
- Review its guidance about the LCWRA component of UC.
- End sanctioning of disabled claimants and instead offer tailored employment support to all disabled claimants on a voluntary basis.
- Restore the disability, enhanced and severe disability premiums to UC so disabled claimants are not losing out financially.

1. Question 1: How well has Universal Credit met its original objectives?
 - 1.1. A key objective of Universal Credit (UC), as outlined in the Department for Work and Pensions' (DWP) 2010 white paper (1), was to simplify the benefits system for claimants. We believe that this objective has only been partly met.
 - 1.2. Merging the previous six legacy benefits into one payment for UC in theory makes the benefits system easier to understand for disabled claimants. But in practice disabled people still face confusion and uncertainty regarding UC.
 - 1.3. For example, Scope's helpline has heard from disabled people who have been given incorrect advice whilst making a claim for UC from both online guides and advisors from national advice partners. For example, we were contacted by a 17-year-old disabled person who tried to make a claim for UC but was told he could not apply until he turned 18. However, the advisor did not mention that there are some exceptions for 16 and 17-year-olds when claiming UC (2).

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

2 As detailed on Gov.uk: <https://www.gov.uk/universal-credit/eligibility>

- 1.4. Disabled people on average face extra costs of £583 per month (3) and delays to a claim for UC could therefore result in disproportionately negative financial consequences for disabled claimants.
- 1.5. Disabled people who apply to claim UC need to receive the correct information about a potential claim and have the confidence that the advice they get is appropriate to ensure they avoid an outcome which has a long-term harmful impact on their financial wellbeing. To aid this, the DWP should review the training its advisors receive on UC. The online advice it provides to claimants should also be promoted more effectively.
- 1.6. We have also heard confusion from disabled people regarding their entitlement and rights are with regards to the limited capability for work-related activity (LCWRA) element of UC. Many disabled people who have been assessed as having LCWRA have contacted our online community reporting their confusion over whether their first component payment will be backdated to the date they first submitted medical evidence, or three months after this. Some even report being incorrectly advised by the DWP on this topic.
- 1.7. The volume of queries on the LCWRA component suggests that the DWP's information and guidance lacks clarity, particularly with regards to backdated payments. Claimants are even utilising Scope's online community to seek basic information, such as the rate of the LCWRA component and whether this is inclusive of or additional to their standard UC payment.
- 1.8. The DWP should review its guidance around the LCWRA component of UC, particularly in relation to backdated payments. Ensuring claimants have clear and accurate information about UC, whether from advisors or about different components of UC, is vital if the Government are to meet its objective that UC is simple and easy to understand.

Recommendations:

- The DWP should conduct a review into the training it provides to its advisors on UC.
- The DWP to consider how to best promote its online advice for claimants.
- The DWP should review its guidance about the LCWRA component of UC.

2. Were the original objectives and assumptions the right ones? How should they change?
 - 2.1. Scope believes that it was the wrong decision for the DWP to create an objective around strengthening conditionality for all UC claimants.
 - 2.2. There is a growing body of evidence to suggest that conditionality and sanctioning are ineffective approaches to supporting disabled people to move towards employment. Sanctions are based on the principle that

3 Scope (2019), Disability Price Tag 2019. <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag/>

people who are unemployed need this as a motivation to move towards work. However, Scope analysis has found that more than one million disabled people who are not in employment would like to work (4). While research by the welfare conditionality project found that sanctions are “ineffective in facilitating people’s entry into the paid labour market over time” (5). We therefore do not believe that sanctioning is an appropriate way to support this group of claimants.

“They’re just focused on getting you any sort of work quick, as soon as possible. They don’t think about what’s suitable for you. [Work Coaches] would push me to do jobs that I’m not good at.”

- 2.3. We regularly hear from disabled people through our helpline who, through benefit conditionality, have been required to take part in activities which were not appropriately tailored to their needs or ambitions.
- 2.4. For disabled people, external barriers, such as negative employer attitudes, inaccessible public transport and inflexible working practices can limit opportunities to move into employment (6). Benefit conditionality fails to address these fundamental barriers and is therefore inappropriate as a means of supporting people into employment.
- 2.5. To address this, the DWP should reverse its commitment to sanctioning disabled claimants and replace with a voluntary employment support scheme which explores the individual barriers faced by disabled people.

Recommendation:

- The DWP should end sanctioning of disabled claimants and instead offer tailored employment support to all disabled claimants on a voluntary basis

- 2.6. Another objective of UC, as set out in the 2010 white paper, was to provide people with the confidence and security to play a full part in society through a flexible labour market “that modern employers and individuals need” (7).

4 Scope analysis of the Office for National Statistics (Q1, 2017). Quarterly Labour Force Survey

5 http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/06/40475_Welfare-Conditionality_Report_complete-v3.pdf

6 Scope (2019) Our Lives, Our Journey: Starting a new job

7 DWP (2010), Universal Credit: Welfare that works.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

- 2.7. A benefits system which aims to create a much more flexible labour market through allowing claimants to work as many or little hours as needed whilst staying on UC is one that presents a welcome opportunity for more disabled people to find and stay in work.
 - 2.8. However, there is still a lack of flexibility in the labour market, and this presents a major barrier to disabled people entering and staying in work (8). The Office for National Statistics recently found that 37 per cent of disabled people work part time compared with 27 per cent of non-disabled people (9). While 14 per cent of disabled people reported that their decision to work reduced hours related to their impairment or condition (10).
 - 2.9. There is a wider role for the Government to play to ensure a supply of jobs which meet this ambition for a modern workforce and we are keen to see this reflected as part of the upcoming Disability Strategy.
3. Which claimants have benefited most from the Universal Credit reforms and which have lost out?
 - 3.1. The UC white paper stated that no one would lose out as a result of moving onto UC (11). But some disabled people have and will continue to lose out.
 - 3.2. Before the DWP introduced a gateway stopping recipients of the severe disability premium (SDP) migrating over to UC, claimants who were eligible to receive the SDP were losing up to an estimated £230 a month under UC (12).
 - 3.3. In 2019 the DWP announced that any disabled claimant who was migrated over to UC and is eligible for the SDP would receive backdated payments. But the original situation left disabled claimants who were naturally migrated onto UC without the right level of financial support, sometimes for months.
 - 3.4. At the same time the DWP introduced transitional protection payments to ensure that in future disabled people did not lose money when they moved over to UC. But a recent court case found that some disabled people are still being compensated at a lower rate compared with what they received under the legacy system (13).
 - 3.5. There is also a lack of protection for other disabled claimants who are not eligible for the SDP. A recent report from the House of Commons Work and Pensions Committee referred to correspondence from the Minister of State for Employment, which revealed that claimants in the Work Related Activity Group (WRAG) who receive only Enhanced Disability Premium (EDP) will lose around £70 a month when moving onto UC. The Minister's

8 Scope (2019) Our Lives Our Journey: Starting a new job

9 Office for National Statistics (2017), Annual Population Survey April 2016 to March 2017

10 Ibid

11 DWP (2010), Universal Credit: Welfare that works.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

12 Scope analysis of the difference between the amount someone on ESA and receiving the SDP and EDP would receive and the amount they would receive under UC.

13 <https://www.independent.co.uk/news/uk/home-news/universal-credit-disability-premium-dwp-appeal-high-court-a9307916.html> (last accessed 19.02.2020)

correspondence cited the Department's most recent data (from February 2018), which showed that 4 per cent of ESA claimants receiving EDP are in the WRAG, amounting to approximately 56,000 people (14).

- 3.6. Disabled people are more likely than most to suffer from the loss of financial support. As we have mentioned above, disabled people on average face extra costs of £583 per month (15). A reduction in the amount a disabled person can claim under UC would therefore lead to them being financially worse off.
- 3.7. Disabled people who were entitled to one or more of the disability premiums under the old legacy system should not be worse off under UC. The DWP should restore the premiums that were available for disabled claimants under the legacy system.

Recommendations:

- The DWP should restore the disability, enhanced and severe disability premiums to UC so disabled claimants are not losing out financially.

About Scope

We're Scope, the disability equality charity. We won't stop until we achieve a society where all disabled people enjoy equality and fairness. At home. At school. At work. In our communities.

We're a strong community of disabled and non-disabled people. We provide practical and emotional information and support when it's needed most. We use our collective power to change attitudes and end injustice.

We campaign relentlessly to create a fairer society. And we won't stop until we achieve a society where all disabled people enjoy equality and fairness.

28 February 2020

14 House of Commons Work and Pensions Committee (2019), Universal Credit: natural migration. <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1884/1884.pdf>
15 Scope (2019), Disability Price Tag 2019. <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag/>