

ZOË TITCHENER – WRITTEN EVIDENCE (EUC0081)

The economics of Universal Credit

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

A significant flaw in Universal Credit assumptions is the focus on employment. It is equally a benefit system for those who are unable to work, in many cases over the long term. The elements of UC that deliver support to those unable to work due to ill-health or caring responsibilities should be more sympathetic to the real-life experiences of claimants who cannot be expected to move towards employment.

I don't believe UC takes account of the many types of employment seen today and assumes all employment involves monthly salary payments.

There appears to be an assumption that someone who becomes unemployed will have a final salary payment for a month's work, upon which they can draw during the first month of unemployment, while UC waits for the month to pass before finalising and paying their benefit entitlement. This fails to account for the many employees on weekly or fortnightly payment schedules or those working part-time or under Zero Hours Contracts, whose final payments will be for shorter periods of work which cannot cover the cost of living for five to six weeks.

This design again fails to account for those with ill-health or caring responsibilities who may not have salaries upon which to rely during the five-week wait.

I appreciate that "managed migration" is designed to address some of these problems with ESA (and JSA) run-ons, but the timescales for this development means many claimants will have "naturally migrated" before this protection becomes available.

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

I will note that my role means I mainly see issues and anecdotal evidence relating to those groups who have been negatively impacted by the reforms.

- Age limits

Claimants under 35 lose out as they qualify for lower housing allowances than those over 35. Those under 25 are provided with even lower rates. These limits feel arbitrary and do not reflect the reality of renting for these age groups. They make housing costs less affordable and exacerbate homelessness (leading to future costs under Homelessness Reduction Act activities and temporary accommodation).

- Digital delivery

The intention for UC to be "digital by default" causes barriers to claimants unable to access or use IT services. There are alternatives to online claims, but these need to be more widely publicised, and claimants need to know they will be given the correct information about these services when contacting DWP. This is often not the case.

- Five-week wait

Claimants without savings who find themselves unemployed, or moving from Jobseekers Allowance or Employment Support Allowance to UC, are at a significant disadvantage during the five-week wait for their first payment. Those who have been unable to work due to ill-health or caring responsibilities and transition to UC are particularly unlikely to have savings to rely upon during this five-week wait, but those in low-paid work also struggle to cope without financial support for the first month.

Under legacy processes, benefit claims resulted in the first payment being received under much shorter timescales. This helped claimants to afford living costs such as food and fuel, and to meet rent payments as needed. Changing to a five-week wait under UC has created hardship for many claimants during the first month. There are also knock-on effects in further months, when repayments of advance payments are deducted.

The option of an advance payment is welcome, but providing this as a loan, repayable from the first month of the claim, further pushes claimants into hardship, when the need for an advance payment specifically indicates that a claimant has little or no savings to fall back on.

Benefits are already set at a subsistence level. It is already challenging to meet living costs from a low payment. Choosing to then deduct advance payment repayments from future UC payments creates more hardship.

It is worth noting that UC recognises that claimants do qualify for support from day one of their claim, and does provide payment for that period. It is paying this a month in arrears which creates hardship, and creates debt artificially and unnecessarily.

- Deductions

Deductions taken by DWP, HMRC and third parties often default to higher rates than those used under legacy benefits. UC payments are already set at subsistence levels so high deduction levels cause hardship to many claimants. Default deduction rates for DWP, HMRC or other debts within the state's control should be lower. It should be clearer to claimants that they can request lower deductions and there needs to be a clear route to agree lower deductions. Advisers report long waits when calling debt management helplines. The service needs to be staffed to meet demand. (High demand would indicate in itself that deductions cause many claimants hardship.)

- Supported accommodation - service charge

Housing costs can be paid directly to the housing provider and I feel that this is now more widely known and utilised, which is welcome.

Claimants who live in supported accommodation often need to pay service charges to their housing provider, in addition to housing costs. Under legacy benefits, it was possible to arrange for service charges to be paid directly to the housing provider. Under UC, DWP will only agree to this once service charge arrears have already built up and reached the equivalent of two months' rent. This places vulnerable clients in danger of losing their tenancy due to these arrears.

I would like claimants to have the option for service charges to be paid directly to their housing provider without the need to first fall into arrears, a view shared by supported housing providers such as the Salvation Army. My understanding is that the regulations do not prohibit this but that existing systems cannot accommodate it.

- Housing costs - direct payments

There is a mismatch in the payment schedules of UC direct payments to landlords, and their rent schedules, particularly for Registered Social Landlords with a "rent free" period each year. This creates *apparent* rent arrears on tenants' accounts, with some RSLs asking tenants to make extra payments towards rent. This has placed yet further financial burden on claimants, leaving them with less disposable income to meet other living costs, due to UC and RSL system design which is out of their control.

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?

When in work, claimants who are paid more frequently than monthly will at some point receive more than one salary payment within a single calendar month. The rigid calculation period of UC means two people on identical annual salaries but paid in different payment patterns could receive different amounts of UC over a year, especially for housing costs. This is unfair, and unnecessarily increases the risk of rent arrears and homelessness.

Claimants with little or no savings and who are paid weekly or fortnightly before needing to claim UC will not, in most cases, have a month's salary to see them through the five-week wait. This element of UC does not reflect the reality of work for many people nor support them when needed, despite being intended to provide support for the period when someone faces unemployment.

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

It should be possible for UC to account for multiple salary payments within a calendar month and to ensure those on the same annual salary receive the same support.

The first payment of UC should be paid earlier, reducing the five-week wait. The advance payment currently available is based on an estimated amount, with the estimate made at the start of a claim. Could an estimated amount be calculated for the first two weeks and paid after a fortnight, with repayments for this only required if the month-end calculation showed a different entitlement? Another suggestion could be for a UC advance payment to be exempt from repayment while an ongoing UC claim was in place, with repayments only due in

instalments when the claimant moved into paid employment above a certain salary level.

Other recommendations as noted above; including deductions being set at minimum levels more in line with those seen with legacy benefits, and housing payment schedules better aligned, or managed between UC and RSLs without creating apparent rent arrears for claimants.

I will also note the need for any sanctions regime to be used only as a last resort. Removing benefits income from vulnerable claimants is unlikely to move them "closer to employment" if unable to meet living costs of food, essential travel, and utilities.

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