

MIND – WRITTEN EVIDENCE (EUC0084)

The economics of Universal Credit

1. We're Mind, the mental health charity for England and Wales. We believe no one should have to face a mental health problem alone. We campaign to improve services, raise awareness and promote understanding.
2. We have heard from an increasing number of people with mental health problems claiming Universal Credit who have been placed in extreme financial hardship, whose health has worsened as a result of stress and insecurity created by the system, and who have struggled to navigate a needlessly rigid system that impacts both their finances and health.

How well has Universal Credit met its original objectives? Were the original objectives and assumptions the right ones? How should they change?

3. The main aims of Universal Credit can be summarised as:

- Creating a simpler system
- Reducing in-work poverty
- Supporting people into work¹

Universal Credit objective: a simpler system

4. Unfortunately, we regularly hear from people who say they find Universal Credit confusing, complicated, and challenging to navigate:

"With UC, instead of one form and one assessment, there are dozens of contacts. Once, I received four emails within half an hour, all with demands. One told me I had an appointment at the jobcentre in two minutes time! (Another time, I was notified I had a jobcentre appointment in five minutes. There was no appointment-it was a system issue.) The four email day caused a bad relapse in my mental health."

5. Through aiming for greater simplicity, Universal Credit has also created a needlessly rigid approach to providing benefits which doesn't recognise people's real lives. Three significant changes Universal Credit introduced, in comparison with the legacy system, are: the process being managed online, people who receive support for their rent having to pay it themselves instead of it going straight to their landlord, and payments being made monthly to "mirror the world of work". These substantial changes aren't appropriate for everybody – for example, Citizens Advice

¹ [2010 to 2015 government policy: welfare reform, DWP \(last updated 2015\)](#)

found less than half of their Universal Credit clients in full service areas were being paid monthly in their current or most recent employment.² More appropriate alternatives to the default option are possible, and are already being offered, but in a piecemeal way that relies heavily on staff discretion. Instead, it's essential that flexibility is built into the system.

Alternative: Universal Credit should be a system that works for people

6. We often hear from people who have struggled with the payment arrangements in Universal Credit, particularly the need to budget on monthly payments and the need to pay rent directly to their landlord:

"Receiving such a big lump sum feels overwhelming. It is too big a mental task to try to budget for that whole amount, so I can't budget at all. I can't comprehend the large amount. I can't think ahead for a month because it is an impossible task when I am deeply depressed and looking into the future is a bleak void I cannot look into. It is concerning to think what I will do with that big sum of money next time I become manic! (I have a diagnosis of bipolar disorder). My relationship with money is so bizarre now. I never used to be like this when I had regular fortnightly payments."

7. Alternative payment arrangements are available, where payments can be made twice-monthly, or payment of the Universal Credit housing costs element for rent can be made directly to the claimant's landlord.

8. However, awareness of these alternatives has been low, and people in some areas have told us they've faced barriers to accessing them: for example being told they have to undertake a generic budgeting course before an alternative arrangement would be granted. While some people with mental health problems may benefit from specialist support with budgeting, there are many instances where an adjustment to the frequency of payments would be the most effective solution. Jobcentre staff do not offer these alternatives by default, and we have seen very little evidence that staff have been willing or able to identify people who are struggling with their mental health and offer them choice over their payment arrangements:

"I have requested more frequent payments on a number of occasions, even through my online journal, nobody reads it or answers me it's like I don't matter."

9. Many people with mental health problems have also told us that they have struggled with the online claim process for Universal Credit. This can be for a range of reasons, including not being able to afford reliable access to the internet that can be used in a safe and private space. For example, welfare rights advisors have told us that people they support may own a

² [Universal Credit and Modern Employment: Non-traditional work, Citizens Advice \(2018\)](#)

smartphone as an essential to fitting in with society, but often can't afford the cost of having internet access on them, resulting in their digital exclusion being hidden. The online process can also worsen anxieties or other mental health problems, or people can lack the knowledge or skills to comfortably use digital technology:

"The claim cannot be made unless people have an email address. This may seem relatively straightforward for many, however we have met dozens of people who have no idea where to start setting up an email address. The online claims process has no work around that lets you enter a claim without an email address."

10. The Department for Work and Pensions have said that alternatives to the online system are in place for those who cannot use the online journal. However people must meet a very high bar for this to be considered, including not having any friends or relatives who could help them. In practice, this means that those who struggle to engage with the online system are being left without an effective way to manage their claim, or understand how their benefits work, making them more dependent on others than they would have been with previous benefits.
11. We have also seen worrying examples where people who have felt unable to cope with the online system have been advised to nominate an appointee to handle their claim, a measure which is intended for when a person does not have mental capacity to manage their benefits – not as an alternative to providing a reasonable adjustment.
12. To proactively offer the adjustments and flexibility needed to make sure Universal Credit can meet an individual's circumstances, we recommend that the Department for Work and Pensions:
 - Proactively offer fortnightly payments and managed payments to landlords to anyone claiming Universal Credit, without imposing barriers or criteria for vulnerability.
 - Remove the barriers to accessing alternatives to the online claim process, and offer these as a standard adjustment for people who struggle to use the online system as a result of a health condition or disability.

Universal Credit objective: reducing in-work poverty

13. The Trussell Trust found that in areas where Universal Credit had been rolled out, food bank use rose by 30% after 12 months and by 48% after 24 months.³ This mirrors what many people have told us – that through new features like the initial wait for payment, and sizable deductions commonly being made for often historic debt repayments, moving on to Universal Credit has increased their financial difficulties:

³ [#5WeeksTooLong, The Trussell Trust \(2019\)](#)

"It's putting me and my daughter below the bread line. I depend on my parents to feed us and any extras they support me with. My overdraft is increasing weekly because the amount does not cover my basic bills."

14. This sole focus on "in-work" poverty is also a fundamental problem. Although reducing in-work poverty is clearly important, a key feature of Universal Credit is that it combines benefits for people who are able to work along with benefits for people who have a disability or health condition that makes it hard for them to work. This means that many people on Universal Credit are too unwell to work, and may always be too unwell to work. It's therefore vital that Universal Credit ensures no-one is left without the money they need to live well, whether or not they are also doing any paid work.

Alternative: Universal Credit should never leave anyone without the money they need

15. We have been contacted by many people with mental health problems who have struggled during long waits for their first payment to Universal Credit:

"I could not pay my rent until the payment was sorted out. It took so long to get payment and all the advisors kept saying was that this is common. I almost lost my home. I found the whole process extremely stressful and it has exacerbated my condition. I do not know how people with more severe conditions would cope without a lot of support."

16. The current approach of providing access to advance payments that must then be paid back is not an effective solution:

"Accessing the advance payment for some is a double-edged sword - yes they will get an advance on their benefit, but when that's then removed from their benefit entitlement over the next 12 months, it puts them on the back foot before they have even begun receiving the benefit."

17. Debt and the fear of debt are a significant concern for many people with mental health problems, and despite the deductions cap being reduced, this still allows for deductions – including paying back advance loans – to be set at unaffordable levels for an individual's circumstances. We are still hearing from people who are seeing deductions for rent arrears at a rate of 20% when compared to the flat rate of 5% in the legacy system.

"Find it impossible to make my money stretch for one month as I have hardship payments, budget loan and a service charge coming out my payment that leaves me with £190 and a lot of that is paid out to people I've had to lend from (friends, family)"

18. To prevent people on Universal Credit facing significant financial hardship, we recommend that the Department for Work and Pensions:

- Reduce the initial wait for payment to two weeks, considering a range of ways to achieve that aim, including making the first advanced payment a grant in order to avoid the prospect of loan repayments causing hardship.
- Ensure deductions are never set at unaffordable levels, and allow anyone struggling with deductions to be able to access the Breathing Space scheme.
- Uprate the value of frozen benefits by the Consumer Prices Index plus 2% for four years, and recalculate the Local Housing Allowance to at least the 30th percentile of local rents to re-establish the link with rental prices, as recommended by Citizens Advice.⁴
- Introduce a self-care element to Universal Credit to replace the disability premiums that have been cut from the system.

Universal Credit objective: supporting people into work

19. For people who previously would have been on legacy benefits which supported those whose health condition or disability makes it hard for them to work, Universal Credit has introduced significantly more conditionality. Research from the Department for Work and Pensions itself found that increasing conditionality requirements on people with mental health problems was associated with a lower likelihood of returning to work.⁵

20. As already mentioned, there are people claiming Universal Credit who may always be too unwell to work, and clearly this doesn't mean they shouldn't be supported to live full and happy lives. But providing the stability and security necessary for people to manage their health and engage with support can achieve positive results for everybody: whether that's through returning to work, or being able to live independently and contribute to society in other ways.

Alternative: Universal Credit should provide people with security

21. Under Universal Credit anyone making a claim is also required to attend Jobcentre appointments and commit to searching for work from the first day of their claim. People who are too unwell to work can only have their requirements 'switched-off' once they have been through a Work Capability Assessment, which in some areas may take several months to arrange. This is a significant departure from the legacy system, where people who are unwell are not required to look for work by default. We have heard often from people with mental health problems who have

⁴ [Making Ends Meet, Citizens Advice \(2020\)](#)

⁵ [Sanctioning disabled claimants: interrogating the evidence, Geiger, B. B. \(2018\)](#)

struggled to cope with these requirements, in some cases experiencing a significant deterioration in their mental health as a result:

"Whilst waiting for a WCA for UC, I then had to attend appointments frequently at the Jobcentre. On ESA, I would not have had to do this. For a week before each appointment I struggled to sleep and eat, I had panic attacks- sometimes several a day. I just could not face the thought of the DWP because of the power they had over my life. This stress led to me considering self-harm and suicide, which I had previously attempted and been hospitalised for."

22. Another cause of stress and instability for people claiming benefits, which has been carried over from the legacy system into Universal Credit, is frequent reassessments. The anxiety that face-to-face assessments can cause is well-documented. Following a legal challenge of the Work Capability Assessment, the High Court ruled in 2013 that the assessment process puts people with mental health problems at a substantial disadvantage. One of the most significant aspects of this ruling is that it did not just consider whether people with mental health problems were more likely to get incorrect outcomes, it also considered the impact of having to recount difficult and traumatic experiences.⁶ The consequences of this can be stark. A 2015 study published in the Journal of Epidemiology and Community Health looked at the association between the frequency of WCA reassessments and mental health outcomes in local authority areas across England. It found that each additional 10,000 people reassessed was associated with an additional six suicides, 2700 cases of reported mental health problems, and the prescribing of an additional 7020 antidepressants.⁷

"I have bipolar disorder and chronic anxiety. This has affected me for many years. This is my third assessment in the last four years. All I can say is my mental health has deteriorated since these assessments started. I literally lived in fear of the letter arriving."

23. Without long-term security people who are disabled or unwell are denied the time and space they need to build up independent lives. Too many people with mental health problems tell us they live in fear of seeing their source of income removed – as a result of either sanctions or reassessments – and this anxiety prevents them from doing the things they'd otherwise want to do, like see friends and family, become more physically active, study or volunteer.

⁶ The ruling in the Upper Tribunal identified more than twenty difficulties people with mental health problems experience in the WCA process including 'finding the process itself intimidating and stressful, and, in some cases that having a long-lasting negative effect on their condition. This conclusion was upheld in a subsequent ruling by the Court of Appeal. See *MM & DM v SSWP* [2013] UKUT 0259 (AAC).

⁷ ['First, do no harm': are disability assessments associated with adverse trends in mental health? A longitudinal ecological study. Barr, B. et al, Journal of Epidemiology & Community Health, pp. 339-345 \(2016\)](#)

24. To provide people on Universal Credit with the security and stability they need to effectively manage their health, live well, and work if they're able to, we recommend the Department for Work and Pensions:

- End sanctions and conditionality for disabled people, including removing conditionality for people who are unwell and waiting for a Work Capability Assessment. This could be done by extending the current system of 'easements' – triggers for switching off requirements.
- Reduce the frequency of assessments and give disabled people a way to apply for a long-term benefit award when they first make a claim.

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

25. The benefits system currently relies on individuals to challenge inaccuracies and push for necessary adjustments to be made. This is not only stressful and time-consuming for the individuals concerned, but often requires them to seek support from advisors, the legal system, and charitable organisations, all of which have seen significant cuts in recent years.

26. Between 2008/09 and 2012/13, charities with annual incomes under £1m lost at least 40 per cent of their income from local government, and cuts in legal aid have seen the number of not-for-profit legal advice centres decline by more than half – from 3,226 centres in 2005 to 1,462 in 2015.⁸

27. This reduction in the support available for individuals to effectively navigate their way through Universal Credit and ensure it's working well for them has exacerbated the problems of Universal Credit:

"Our experience is that when people phone the helpline saying they cannot manage to make a claim online, they are told that no help is available. [...] The numbers of people who have entered the hospital who have ongoing mental health needs but have not been submitting sick notes to Universal Credit is worrying. In the legacy system, if a person was unwell, it was clear in the ESA claim that they needed to submit sick notes."

"I have so many unanswered messages in my journal, some from about 6 months ago. No one answers so you call them up, and then you're told to put it in the journal. It's a vicious circle"

28. Although better funding for support and advice services would provide crucial help for people trying to navigate their way through the system, relying on individuals to ensure the benefits system is functioning as it

⁸ [Life Support, Mind \(2016\)](#)

should be not only ineffective, but creates an unfair burden on people who may already be facing many challenges.

29. The lack of any independent regulation means there is no organisation with the power and the resources to make sure that what is happening is consistent with the law, and that disabled people are treated with dignity and respect. Nearly every other major public service has a system of independent regulation, from Ofsted to the Care Quality Commission. While no system of regulation is perfect, these bodies provide a level of oversight over public services which is currently missing from the benefits system.

30. To hold the benefits system to account, and make sure it is working effectively and fairly, we recommend the government:

- sets up a regulating body, independent from Government, tasked with improving decision-making and holding the DWP to account.

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