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The economics of Universal Credit

This submission is based on questions asked at an oral evidence session before the House of Lords Economic Affairs Committee on 25 February 2020. Answers focus particularly on lone parents under Universal Credit, since this is my primary area of research.

How does Universal Credit (UC) compare to the legacy benefits system for lone parents? How could the system better respond to the needs of lone parents and their dependent children?

UC was intended to provide greater flexibility and clarity to a complex and piecemeal benefits system, and to remove disincentives to work so that each hour of work pays. It also allows for entirely digitised access and control, potentially removing the expensive and confusing burden of paperwork on both claimant and assessor. More problematically, it is designed to 'responsibilise' claimants by replicating the world of work (Cain, 2016).

According to reports by the Institute of Fiscal Studies (Bourquin, Keiller and Waters 2019), under UC 17% of claimants lose over £1000 pa under UC, while 14% gain. Lone parents are, with disabled claimants, the worst-off group under Universal Credit (UC) compared to the legacy benefits system (Brewer et al 2019). Clearly, the UC system does not address the barriers to labour market participation faced by lone parents, nor does it take their unpaid labour and responsibilities as carers sufficiently into account.

49 per cent of lone parents live in poverty (Joseph Rowntree Foundation 2018) despite the fact that 70 per cent of them are in employment (ONS 2019). Lone parent-headed households are worse off by around 13%, or an average of £16 per week (Savage, 2018) than under the legacy benefits system (Brewer et al 2019). Parents under 25 receive even lower rates. 90% of lone parents are women (ONS 2019). UC thus disproportionately exposes lone parents to in-work as well as out-of-work poverty.

UC removed the 16 hour 'cliff edge' problem with the legacy system, which reduced work incentives for claimants on income support who were discouraged from taking jobs with longer hours because benefits would cease. UC also provides reimbursement for childcare at a rate of 85% for any amount of working time from 1 hour, which can be seen as an increased incentive for parents to take flexible part-time work. However, increased conditionality within UC regulations has deleterious effects which potentially wipe out any advantage gained from these changes. Lone parents must commit to obtain work in their allotted available hours from the point at which their youngest child is 3 (compared to 16 in 2008; Gingerbread 2018), and face sanctioning or workfare for not obtaining work and must travel for up to 90 minutes; they must obtain full time (35 hours per week) work by the time their youngest dependent child is 13 (UC Regulations 2013). Under the legacy regime (Social Security: Lone

Parents and Miscellaneous Regulations 2008, SI no 3051) ,'lone parent flexibilities' allowed limited latitude for single parents to turn down jobs which clashed with their childcare responsibilities. These have now been relegated to 'guidance' applicable at the discretion of the JobCentrePlus 'work coach'. Jobs available in the area may require hours to be worked which clash with caring responsibilities for children, or hours may fluctuate week by week, making budgeting and planning for childcare difficult or impossible. Under the current UC regime, no allowances have to be made for lone parents in these circumstances, meaning that a lone parent could be sanctioned for refusing to take a job during hours where no childcare is available.

Lone parents who want to work full time or to work more hours may also find that sufficient work is not available in their area. Underemployment among mothers who wished to obtain more work has been observed in 1 in 5 lone mothers with a youngest dependent child over 5 (Rafferty and Wiggan 2017). Under UC, these same parents could be sanctioned for failure to obtain more or better paid work even if they actually wanted but failed to find it.

The 'minimum income floor' imposed on self-employed claimants, withdrawing UC if the claimant earns less than the equivalent of a 35 hour week at minimum wage after 12 months of running the business, also penalises lone parents (11% of whom are self employed: Gingerbread 2018) who may rely on self-employment to provide truly flexible work, where they can base themselves at home and better balance work with the requirements of lone parenthood.

Various other restrictions on benefit claimants have been introduced since 2012 which will adversely affect lone parents on low incomes. The 'two-child limit' applying to children born after 6 April 2017 restricts the child element in Universal Credit and tax credits - worth £2,780 per child per year - to the first two children (Universal Credit (Restriction on Amounts for Children and Qualifying Young Persons) (Transitional Provisions) Amendment Regulations 2019). Lone parent claimants are also likely to be affected by other measures such as the benefit freeze, benefit cap, bedroom tax, localisation of council tax benefit, etc.: a perfect storm of restrictions and deductions hitting an already vulnerable group of families.

The situation for lone parents demonstrates the dangers of treating all workers in a flexible labour market as 'everyday entrepreneurs' (Green, 2016) and ignoring the barriers to work that they face. Forcing vulnerable subjects with caring responsibilities into 'flexible' work is likely to cause long term harm to them and their dependent children. Allowances should be made in Claimant Commitments for the education and training lone parents need to get back into work that will match their potential and encourage them to develop their skills, rather than forcing them into the first available minimum-waged work ,with a potentially long commute, on pain of sanction or workfare. A better system would balance incentives to work built around the capabilities, labour market environment and responsibilities of claimants and the needs of their dependents.

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