

## **Universal Credit troubles are more than teething problems**

### **1.0 Design problems:**

Many of the design choices for Universal Credit reflect the concerns and experiences of the wealthier members of our society including policymakers and politicians and ignore the lives and experiences of those who will rely on Universal Credit for food shelter and warmth.

The value of Universal Credit has been gradually eroded. The benefit freeze cuts to work allowances, cuts to the underlying tax credit rates and a number of other detailed changes have change UC from a marginally poverty reducing measure to a poverty increasing policy.

Universal Credit's design has emphasised financial incentives. It is important to recognise that financial incentives, especially incentives of the order the benefit system is able to provide, have limited powers. Many people face difficulties that these incentives cannot overcome.

A key role of the benefit system is to provide a sound platform to allow families to regroup and cope with the difficulties they face. For many families, especially those with children, Universal Credit does not allow that stability and pitches families from one crisis to another.

A failure to appreciate the lives of many people who experience poverty has allowed the design of Universal Credit emphasise incentives over the fundamental principle of providing families enough to meet their basic needs.

Below are brief summaries of the key problems we see in the current design of Universal Credit. Our Colleagues at the Salvation Army have detailed concerns around housing and hostel provision, from their experience as a provider, which we have not covered here.

### **1.1 6 week wait:**

The 6-week wait is made up of 7-waiting days, a 4-week assessment period and a further week for payment. Around 1 in 4 claims are taking longer than 6 weeks.

There is overwhelming evidence from CAB and Trussell Trust that shows that this wait leads to debt, rent arrears and foodbank use. Anecdotally projects in churches such as food banks and debt centres in roll out areas are reporting these problems.

The design assumes that families have savings to cover 6 weeks of family expenses. ONS data shows that for the poorest families who Universal Credit was intended to serve this was never likely to be the case. (eg <https://www.ifs.org.uk/publications/8239>)

### **1.2 Advance payments:**

Advance Payments offer a loan of 2-weeks money to families who are likely to experience hardship during the 6-week wait for a first payment. Even with the payment this leaves a gap of 1 month for families to cover.

While DWP has given assurances that Advance payments were available and families claiming UC were made aware of them, it is clear that this has been at best patchy. Awareness of the payments is

low and the process of proving the level of hardship a family is likely to face has been reported to churches as difficult and intrusive (this is especially true for families who are new to DWP processes).

In ideal circumstances the policy assumes that families have sufficient savings to pay their rent and other expenses for one month, again an unsound assumption. It is clear that the implantation of the policy up to this point has fallen far short of ideal.

### **1.3 IT application system:**

The application system is online by default. While for many the system is an improvement over paper forms, for a considerable proportion of UC clients this poses a serious problem. The dual application system (once for UC and once to verify identity) has proved particularly confusing for those with basic IT skills.

The problems continue The UC Journal system – which logs communications between the UC customer and the jobcentre – requires ongoing internet access and The design choice assumes that people have internet access and IT skills

UC is designed around claimants having good ongoing IT skills and internet access. While this is true for many there are considerable numbers of people, especially poorer and disabled people for whom it is not true.

### **1.4 Phone helpline:**

UC applications are online by default however all claimants must use the phone line to book an appointment at JCP. The cost of this line is up to 55p a minute and CAB notes on its website calls can last up to 30 minutes.

DWP on its initial paper application forms noted that the 0345 number was cheap to landlines and included on mobile phone contracts “inclusive minutes”. These types of phone are the norm for many sections of society, but it is Pay-As-You-Go phones favoured by those with very little money that are charged the high rates to phone the UC helpline.

### **1.5 Widening the scope and increasing the rate of Benefit Sanctions**

Latest statistics indicate you are around 50 to 100% more likely to be sanctioned if you are receiving Universal Credit than if you are on a legacy benefit.

Universal Credit will approximately double the number of people who may be sanctioned by JCP by placing 2 further groups of people under conditionality

- UK wide around 300,000 parents of children aged 3 and 4 will become sanctionable.
- Around 1 million low paid workers will be required to attend JCP and complete tasks a work coach believes will improve their income on pain of sanction.

Sanctions become more severe by running repeat sanctions consecutively rather than concurrently and by changing hardship payments for those facing destitution from payments into loans.

The belief that threat and punishment is an effective way to get people in to work is deep seated. Despite the Government's commitment to this policy as noted by the National Audit Office amongst many others they are unable to produce any evidence to demonstrate the rise of sanctioning has had positive effects. While the DWP did not evaluate the impact of its sanctions policy the NAO did. It found that from the available data sanctions were not achieving their aims and indeed were positively damaging people who were unable to work due to ill health.

The Welfare Conditionality project indicates that the effects of sanctions are "profoundly negative", and in a finding that chimes with the experience of the church that positive outcomes happen when people are supported by those they trust to make substantial life changes or overcome barriers. Sanctions positively hinder this.

### **1.6 Self-employment and Universal Credit**

Universal Credit makes the assumption that the minimum a self-employed person earns is the same as working 35 hours a week at the National Living Wage. If a person earns less than that their benefits are reduced as if they earned that amount.

This is calculated on returns given monthly to the Jobcentre on a cash-in-cash out basis. This greatly simplifies the DWP's job in calculating Universal Credit but at a cost to claimants because for example investing heavily one month in order to make money in later months will reduce benefit entitlement dramatically.

The consequences of this design choice are yet to filter through because very limited numbers of self-employed people have been allowed onto UC and because there is start-up period of 1 year where the income rules are not applied.

**1.7 Expansion of the 2-child rule:** Currently the 3<sup>rd</sup> and later children are denied tax credits or Universal Credit only if they were born after April 2017. This is in keeping with the idea that the policy was intended to affect the decisions of families to have more than 2 children.

From November next year for new claims all 3<sup>rd</sup> and above children (with some exceptions) will be denied benefit. This means that 3<sup>rd</sup> children conceived 16 years before the 2-child policy was ever thought of will be denied benefit.

These parents could not possibly have known that having a 3<sup>rd</sup> child was to be penalised when they decided to have a child. This cut on families at high risk of poverty cannot be described as an incentivising behaviour change, it can only be a very cruelly targeted cut.

### **1.8 Direct payments to landlords, single payment to families and monthly payments:**

These three policies were based on the assumption that families in work got paid a monthly salary to a single bank account. While this is common for richer sections of society it is not the case for many in variable hours and/or lower paid jobs.

For example, the DWPs own research indicated that Universal Credit Claimants current or most recent pattern for wages was not monthly in arrears in the majority of cases.

The devolved administrations of Scotland and Northern Ireland have chosen to allow direct payments to landlords, split household payments and fortnightly payments. These remain issues causing difficulty in the rest of the United Kingdom.