



Headlines from Policy Think Tank
Universal Credit: Pitfall and Pathways
6th-7th November 2018

1. **Universal Credit is one of the most radical reforms of the welfare system**, affecting eventually 8 million households, yet it was introduced simultaneously with £37 billion being taken out of the welfare budget. Inevitably the shortage of funds has caused problems, yet there are design problems too.

Universal Credit was meant to mirror the world of work, yet this is not the case. Universal Credit pays per calendar month, but many workers in low paid jobs are paid fortnightly or weekly. Rent is often charged weekly and so may not follow the calendar month pattern which Universal Credit uses. The payment system sometimes leaves gaps because of when the payment is due *.

Another major failure to mirror the world of work lies in the single household payment. Universal Credit takes account of the whole household's income and sends only one payment, even where two people in a couple both work and are both eligible for Universal Credit. No one in work is paid on a joint basis in this way, and this can cause problems where benefits were previously split between different household members, where the couple are in difficulty, or where the main carer (most often the mother) handles much of the basic spending *.

2. **Universal Credit pushes a high proportion of tenants who claim it into rent arrears** – 70% of council and ALMO tenants on Universal Credit are in arrears. Arrears due to Universal Credit create serious problems for smaller housing associations and TMOs.

Universal Credit exposes the weak connections many social landlords had allowed to develop with their tenants under previous systems. Remote, digital systems are not a substitute for face to face contact. When someone applies for Universal Credit, there is at least a five week delay before receiving the first payment. This is the single biggest cause of arrears. Claimants can now secure an advance payment on their claim, yet they have to pay it back over 12 months (extended to 16 months from October 2021). This concession, aimed at reducing the risk of arrears and debt, makes a household poorer over the period of repayment, and actually raises a new risk of arrears. Housing associations are now forced to work more closely with tenants who sign on to Universal Credit to prevent arrears. "Hand holding" and direct personal contact have become far more important.

3. **Universal Credit applications are an online system** which causes many problems:
 - A lot of people do not have the skills to complete the form accurately. Many applicants can only complete the process with help from the job centre or housing association/local authority staff.

- Library computers generally only offer half-hour slots. This does not give people enough time to complete the form and it is not possible to save the form online. In addition, I.D. checks and documentation requirements make errors likely. There are often delays in applications being checked. Some claimants simply give up.
4. **Claimant Commitments**, agreed with Job Coaches when Universal Credit is approved, are often not realistic, sometimes leading to heavy pressure on claimants and often too harsh sanctions. Job Coaches, employed by Job Centres to help Universal Credit claimants find work, secure longer hours, or find better paid jobs, have significant discretion. In an interview with the claimant, the Job Coach agrees a claimant commitment including how much the claimant has to do to help themselves. Experts have found that 40% of claimants believe they can meet the claimant commitment they make under pressure. The job search requirements agreed with the Job Coaches are the most demanding in the OECD, bar only one other country. This has the effect of pushing claimants into insecure and low value work. If claimants breach any of the conditions of the Job Centre, they are sanctioned. Sanctions suspend almost all payments (except childcare) and run sequentially, so a claimant can become more or less permanently on sanctions. The rate of sanctions is much higher under Universal Credit than under JSA and at one point over one in ten of all Universal Credit claimants were under sanction. Sanctions are also harsher – multiple sanctions have to be served consecutively instead of concurrently; ‘hardship payments’ have to be repaid; and the housing and child payment elements of Universal Credit can be sanctioned in some circumstances.
5. **Landlords can secure Alternative Payment Arrangements (APAs)** where a claimant cannot avoid arrears due to Universal Credit. APAs can be helpful in arranging more frequent payments, directly paying the housing element to the landlord, and splitting payments between a couple, but there are difficulties:
- APAs are hard to agree and they are not a long-term solution once they are in place. There is significant pressure to bring a claimant off an APA and back onto standard payments *.
 - Housing associations sometimes have to take tenants to court under threat of eviction before they can get DWP to agree on an APA.
 - When the housing part of the APA is agreed, the landlord often finds that delays cause the tenant to accumulate more arrears.
 - Many private landlords will not accept tenants receiving Universal Credit because of the uncertainties surrounding payments
6. **The Universal Credit system is difficult for private landlords.** They currently have no access to the landlord portal in order to secure guidance within the system. Private landlords continue to house growing numbers of low income tenants, and so reluctance to house people in receipt of Universal Credit could cause significant problems.

7. **Universal Credit can only work if agencies involved work together.** This is especially important for large housing associations with dispersed stock. They need to find local organisations to work with to ensure tenants are receiving all available information to help them cope and to secure proper advice. For example, a Northern Council works directly with the Job Centre, with council staff based alongside Job Coaches in the centre to help support tenants. The contract for personal support in claiming Universal Credit is being transferred from local authorities to the Citizens Advice Bureau (CAB).

8. **Housing associations and council landlords are finding ways to work with Universal Credit and collaborate with DWP** in order to work round the problems. DWP could help further by publicising examples of good practice that work.
 - E.g. Curo's "passport for housing" scheme which prepares people for their tenancy and requires one month's rent in advance to help people in the transition to Universal Credit

9. Most housing association practitioners believe **there is no option but to make it all work**. They say that a more generous government fund to bridge the £37 billion gap would make a radical difference. Creating the option of Universal Credit being paid fortnightly instead of by the calendar month (as is already available in Scotland) would also help. Offering more flexibility over direct payments to landlords (APAs) would work better. Most importantly, reducing the five week delay in first payment would make a major difference to arrears, debt, and the negative reputation Universal Credit now holds.

10. **The government concedes that transitioning existing benefit claimants over to Universal Credit has to progress more slowly than planned ***. It also acknowledges that some of the cuts implemented earlier, such as to Working Tax Payments have too harsh an effect and needs to be modified. It is unlikely that the £1.7 billion being offered is enough, but it helps.

There is also a recognition that **"digital by default" has serious limitations** and must be supplemented by direct contact and digital training. The same applies to budgeting and money management skills.

Key aspects of Universal Credit that create acute hardship amongst claimants according to experts

- Sick and disabled claimants are subject to conditionality before their work capability assessment, meaning that their 'work coach' has discretion as to whether to require work search or preparation, and how much. Only one third of claimants with sickness and disability are paid in full on time.
- There is a maximum of one month backdating of payments, compared with 3 months on JSA
- Having a bank account is crucial to making the claim but some claimants do not have one and struggle to find the right documents to set one up. Proving identity is very difficult for some claimants – only 38% succeed in using Verify, the government's online tool.
- The waiting period for Universal Credit first payment was reduced from 6 weeks to 5 weeks, but in spite of this, only 74% of claimants get their full payment on time. Of those not paid, 40% have to wait 11 weeks or more.
- Debt repayment schedules are harsher under Universal Credit.
- Universal Credit means all people's eggs are in one basket- which is a problem if something goes wrong with a claim or payment.
- Under Universal Credit, advisers have to have 'explicit' rather than 'implicit' consent by the claimant, renewed in each payment period, in order to deal with DWP on a claimant's behalf
- Evidence shows that Universal Credit has increased debt, worsened health, damaged family relationships, increased hunger and homelessness.
- Research by the Trussell Trust shows food bank use increased by 52% in areas where UC had been in place for 12 months or more, compared to 13% in other areas.
- Universal Credit increases demand on the voluntary sector which diverts these support organisations from the work they normally do.

Headlines from announcement of changes to Universal Credit, by Amber Rudd, Secretary of State for Department for Work and Pensions (DWP)

- Confirmed a delay to the transfer of 'legacy cases' on to Universal Credit.
- DWP will trial pilot of 10,000 from July the managed migration of 'legacy cases'
- Payments will go to the main carer that is the parent looking after the children.
- DWP will pilot more options on the timing of payments of Universal Credit in order to cope with the variability in when and how often people are paid.
- APAs will become easier and open to private landlords
 - DWP will build an online system for private landlords.
- The 2 child limit will only apply to children born on entitlement to Universal Credit child benefit since April 2017
- DWP will introduce some flexibility on initial childcare costs

Note: The Policy Think Tank on Universal Credit was attended by Professor John Hills and David Webster; Department for Work and Pensions; Child Poverty Action Group; Citizens Advice Bureau; Pennysmart; Policy in Practice; and 35 social landlords. These headlines draw on two days of discussion and presentations by these leading experts.

Note: * indicates where DWP now proposes changes.