

## Universal Credit: Design problems and teething problems

### Summary

**The design of Universal Credit does not reflect the reality for people who will rely on it.** It assumes substantial savings, IT access and literacy, monthly salaries and even access to a contract telephone rather than a pay-as-you-go phone. While these are the norm for many members of society, including those who designed Universal Credit (UC), they are not the experience of many people who will have no choice but to rely on UC.

**As UC is a single payment combining a number of benefits, the accuracy and timeliness of payments is even more crucial than for the legacy benefits.** UC delivery continues to be less accurate than legacy benefits and the complexity of the benefit makes improvements difficult.

**The monetary value of Universal Credit has been and continues to be significantly eroded.** The benefit freeze, cuts to work allowances, cuts to the underlying tax credit rates and a number of other detailed changes have changed UC from a poverty reducing measure to a poverty increasing measure.

**Early data on Universal Credit trials and job outcomes was based only on single people without children who were fit and ready for work.** Whilst the data for these easiest of cases is positive it tells us nothing about how UC affects the more complex cases of those with children, those unfit for work, or those in work but with a low income who will form the vast majority of claimants.

**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.

**Advance Payments only offer a loan of 2-weeks money to cover a wait of 6 weeks. This leaves a gap of 1 month for families to cover.**

**UC is designed around claimants having good ongoing IT skills and internet access yet this is not true for considerable numbers of people who are experiencing poverty and disabilities.**

**The Universal Credit helpline is cheap to those who can afford landlines or mobile phone contracts with inclusive minutes. The line costs up to 55p a minute from pay-as-you-go phones which are commonly used by people with little money.**

**Latest statistics indicate that depending on your age you are 58% – 122% 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 including people who are working but on low incomes.

**As Churches we are concerned that the design of Universal Credit does not sufficiently take into account the lives, skills and resources of the least well off, and as a result will lead to greater debt, poverty and exclusion. We believe it should be paused until these design and implementation flaws are rectified.**

## 1. Design Problems

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

The design assumes substantial savings, IT access and literacy, monthly salaries and even access to a contract telephone rather than a pay-as-you-go phone. While these are the norm for the more affluent, most likely including the politicians and policymakers who created and implemented Universal Credit, they are not the experience of many people who will have no choice but to rely on Universal Credit.

Universal Credit has led to a large number of project workers and clergy contacting the churches' Joint Public Issues Team asking them to raise concerns about Universal Credit. This is very unusual and the level of concern and anger is obvious.

## 2. Fragility of Universal Credit support

Benefit errors have been common for some time and can have disastrous consequences. Even before Universal Credit the largest cause of people needing help from a foodbank was problems with the benefit system. However, when families claimed multiple benefits, even when one was suspended other benefits usually kept being paid. The family often still had some income.

There is no real backstop to Universal Credit, therefore a failure to receive a Universal Credit payment may leave a family (and their landlord) with nothing. Local welfare support schemes are extremely patchy, difficult to access, and in some areas simply do not exist. We know of a number of cases where charities and churches have been families' sole support for several months despite them being entitled to Universal Credit.

The design of Universal Credit means that accuracy and timeliness of payments is even more crucial than for the legacy benefits. Universal Credit payments require successful information flow between employers, the DWP, landlords, claimants and others. With all these moving parts, even without "teething troubles", there is a substantial risk of mistakes being made. Universal Credit's design chooses to place the cost of these risks on the claimant.

## 3. Emphasis of Financial Incentives over Financial Security

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 financial incentives cannot overcome.

The monetary value of Universal Credit has been and continues to be significantly eroded. The benefit freeze, cuts to work allowances, cuts to the underlying tax credit rates and a number of other detailed changes have changed UC from a marginally poverty reducing measure to a poverty increasing policy<sup>1</sup>.

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<sup>1</sup> IFS (2016) <https://www.ifs.org.uk/uploads/gb/gb2016/gb2016ch10.pdf> and many others



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.

The experience of churches working alongside families coping with poverty is that the primary concern is meeting immediate needs. For people anxious about being unable to feed or house their children, taper rates are a secondary issue. What is required is an adequate stable income, something that both the labour market and UC increasingly fails to supply.

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

#### **4. Unhelpful use of early Universal Credit and employment outcomes research**

It is unfortunate that the DWP and the Secretary of State for Work and Pensions have used early research on employment outcomes for Universal Credit without any reference to its limitations. These include the fact that it was gathered from a limited subsection of UC claimants whose claims were handled using the old and very different system.

There is early data on Universal Credit and job outcomes. Because the early UC system could only handle the simplest of cases, these early trials only include single people without children, who are fit and ready for work. The data for these easiest of cases is positive. It is important to note that such straightforward claims will form a tiny proportion of UC claims.

The data tells us nothing about how UC affects those with children, those unfit for work, or those in work but with a low income. These cases will form the vast majority of claimants. The Churches are hearing from projects supporting these groups who believe there are serious problems with how Universal Credit is serving these groups.

It is also important to recognise that the experience of being on this early test system is very different to being on the mass-produced IT driven system that is being rolled out across the country today.

#### **5. 6-week wait for first payment**

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 which Universal Credit was intended to serve this was never likely to be the case.



## 6. 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.

The DWP has given assurances that Advance Payments are available and families are being made aware of them. It is clear however that in the past this has been patchy at best. The process families need to go through of proving their ability to repay the loan as well proving their level of hardship and need 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.

## 7. Online 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.

These problems continue throughout the duration of the claim. The UC Journal system – which logs communications between the UC customer and the Jobcentre – requires ongoing internet access. 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 many experiencing poverty and disability for whom it is not true.

## 8. Phone helpline

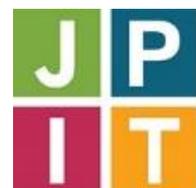
UC applications are online by default however all claimants must use the phone line to book an appointment at the JobCenter Plus. The cost of this line is up to 55p a minute and CAB notes on its website calls can last up to 30 minutes, equating to £16.50 for such a call.

On its paper application forms and social media feeds, the DWP notes 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.

## 9. Widening the scope and increasing the severity and rate of Benefit Sanctions

Latest statistics indicate that depending on your age you are between 58 and 122% 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 into 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.

The potential problems created by widening conditionality will be compounded by the decision to close JCPs across the country, making it more difficult for all claimants (including in work claimants) to access job centres.

## 10. 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.<sup>2</sup> 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 a start-up period of 1 year where the income rules are not applied.

## 11. 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 benefits. This means that 3<sup>rd</sup> children conceived 16 years before the 2-child policy was ever thought of will be denied benefits.

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<sup>2</sup> This amount is reduced for those with limited availability for work.



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.

## **12. Single monthly Universal Credit payment**

In England and Wales Universal Credit is normally paid into a single bank account monthly. The devolved administrations of Northern Ireland and Scotland have used their powers to alter this pattern.

The Government's view is that a single monthly payment is the norm for working families. While this is correct for some families – especially the more affluent – it is not the case for many. The option to choose fortnightly payments allows families to tailor payments to their needs and working patterns.

The option to have rent paid to landlords direct is an important safeguard ensuring that even in very difficult circumstances paying the rent is prioritised. It is also important in giving confidence to landlords who may not otherwise rent to those receiving benefits.

Split payments between couples are an important safeguard against the all too common practice of an abusive partner using finance as a means of control and coercion:



## Conclusions

We would join the many other charities and civil society groups calling for the Universal Credit to be delayed until some fundamental problems with the design and implementation have been resolved. While the Government contends that this would lead to 250,000 fewer people in work, the published evidence does not support this claim.

Evidence from CAB and Trussell Trust, supports what has been reported anecdotally by individuals, social action projects and church leaders, which is that Universal Credit causes many families hardship, that landlords find it difficult to rent to families supported by Universal Credit and that the problems people are having are taking months to resolve.

We do not believe the design of Universal Credit has sufficiently taken into account the lives, skills and resources of the least well off. We would commend the work of Poverty Truth Commissions,<sup>3</sup> where people struggling against poverty have the opportunity to work alongside officials and policymakers so that their experiences are given appropriate weight. We would suggest that this type of process would be a model for repairing and improving Universal Credit.

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<sup>3</sup> eg. Scotland's Poverty Truth Commission: <https://www.faithincommunityscotland.org/poverty-truth-commission>

Produced by the Joint Public Issues Team

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The Church of Scotland

